

AUGUSTA WATER

VERONA, VIRGINIA

Annual Financial Report
Years Ended June 30, 2023 and 2022

Prepared by:

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Years Ended June 30, 2023 and 2022

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AUGUSTA WATER

(A governmental organization established March 16, 1966
under the Water and Waste Authorities Act of 1950
of the Commonwealth of Virginia)

BOARD MEMBERS

Andrew C. Middleton, Chairman

Garry R. Gordon, Vice-Chairman

Michael L. Shull

Allen Dahl

Timothy Simmons

Matthew Egeli

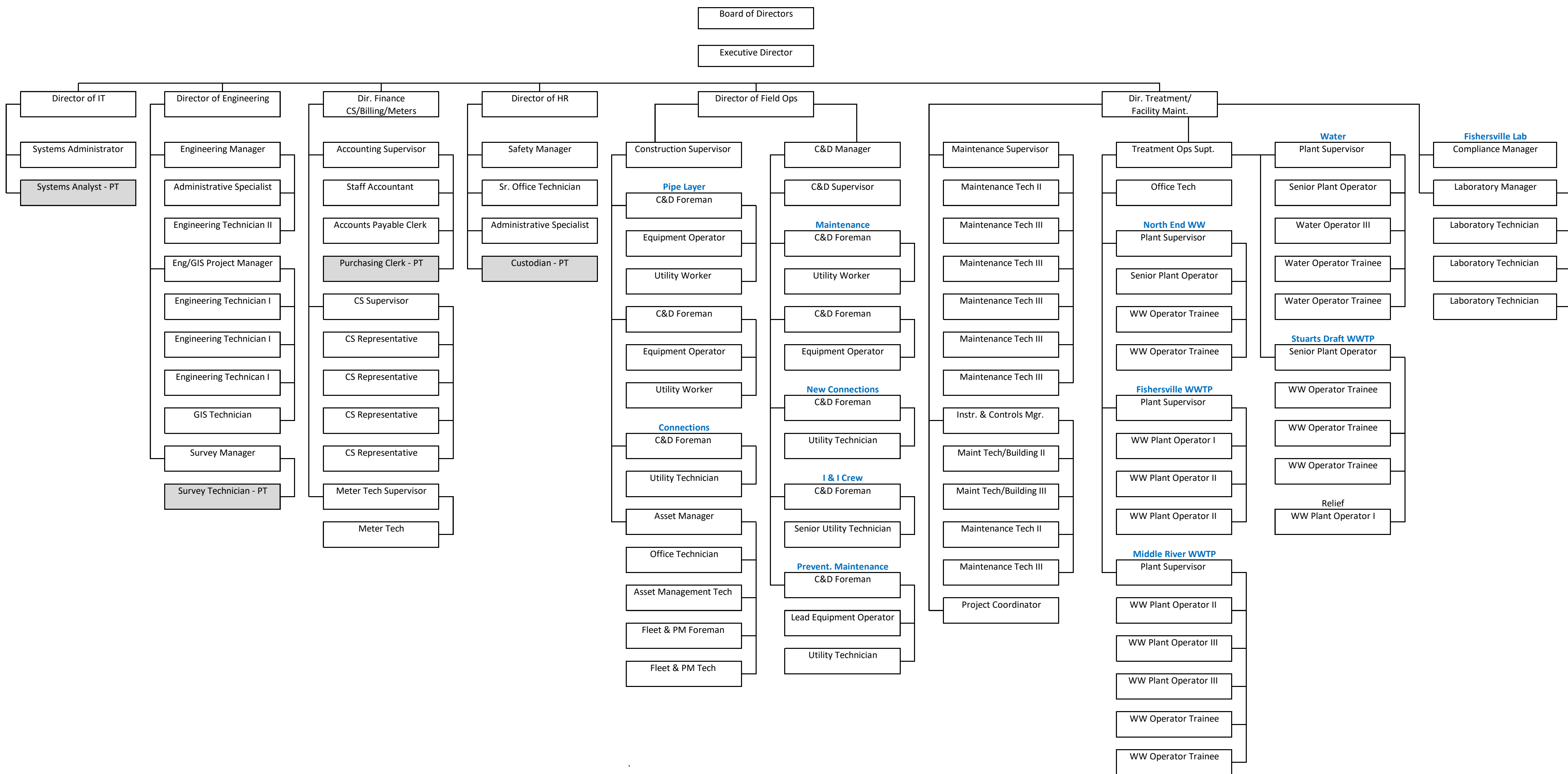
Harvey Almarode

OFFICIALS

Executive Director
Treasurer
Secretary

Phillip A. Martin
Brent Canterbury
Jean Marshall

**Augusta County Service Authority
Organizational Chart
Effective Date: June 2023**





18 GOVERNMENT CENTER LANE, P.O. BOX 859, VERONA, VIRGINIA 24482-0859 PHONE: 540-245-5670 FAX: 540-245-5684

December 7, 2023

The Board of Directors of the
Augusta Water
And Interested Parties

On November 28, 2022, the Augusta County Service Authority filed a fictitious name certificate with the Commonwealth of Virginia State Corporate Commission to conduct business as Augusta Water. The Annual Financial Report for Augusta Water is hereby submitted for the fiscal years ended June 30, 2023 and 2022. The By-Laws of Augusta Water, consistent with the Virginia Water and Sewer Authorities Act, requires Augusta Water to undergo an independent audit as soon after the close of the fiscal year as possible and as required by bond resolutions. Augusta Water's Master Indenture of Trust for water and sewer bonds, issued in 1994, requires a complete set of audited financial statements be delivered to the trustees, the municipal bond insurance company and subsequent bond issuers no later than 180 days after the end of each fiscal year (Article IX, Sect. 9.10). This report is published to fulfill these requirements for the fiscal year ended June 30, 2023.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

PBMares, LLP, Certified Public Accountants, have issued an unmodified "clean" opinion on Augusta Water's financial statements for the year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

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

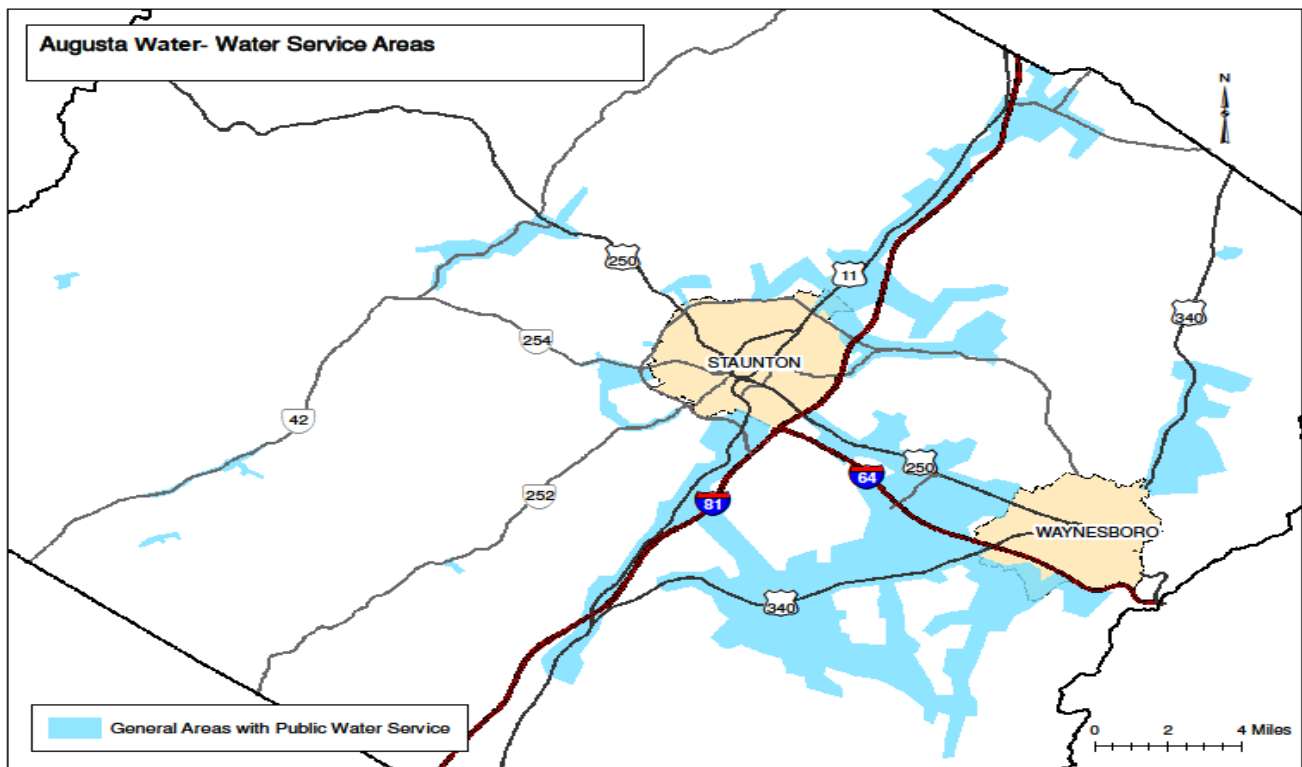
A Board of Directors, consisting of seven members appointed by the Augusta County Board of Supervisors for staggered four-year terms, governs Augusta Water. One of the board appointments is currently filled by an elected member of the Board of Supervisors. (See directory of Augusta Water Officials in this introductory section). Augusta Water's Executive Director has overall responsibility for its operations and 117 full and part-time employees.

Augusta County is centrally located in the Shenandoah Valley in west-central Virginia, approximately 100 miles from the state capital of Richmond. The County is bounded on the west by the lower elevations of the Allegheny Mountains and on the east by the crest of the Blue Ridge Mountains. The County was formed in 1738 and is the second largest county in Virginia, encompassing 968 square miles of diverse terrain. The County is made up of seven magisterial districts with an overall population of 78,064 and surrounds the independent cities of Staunton and Waynesboro (with estimated populations of 25,904 and 22,808, respectively).

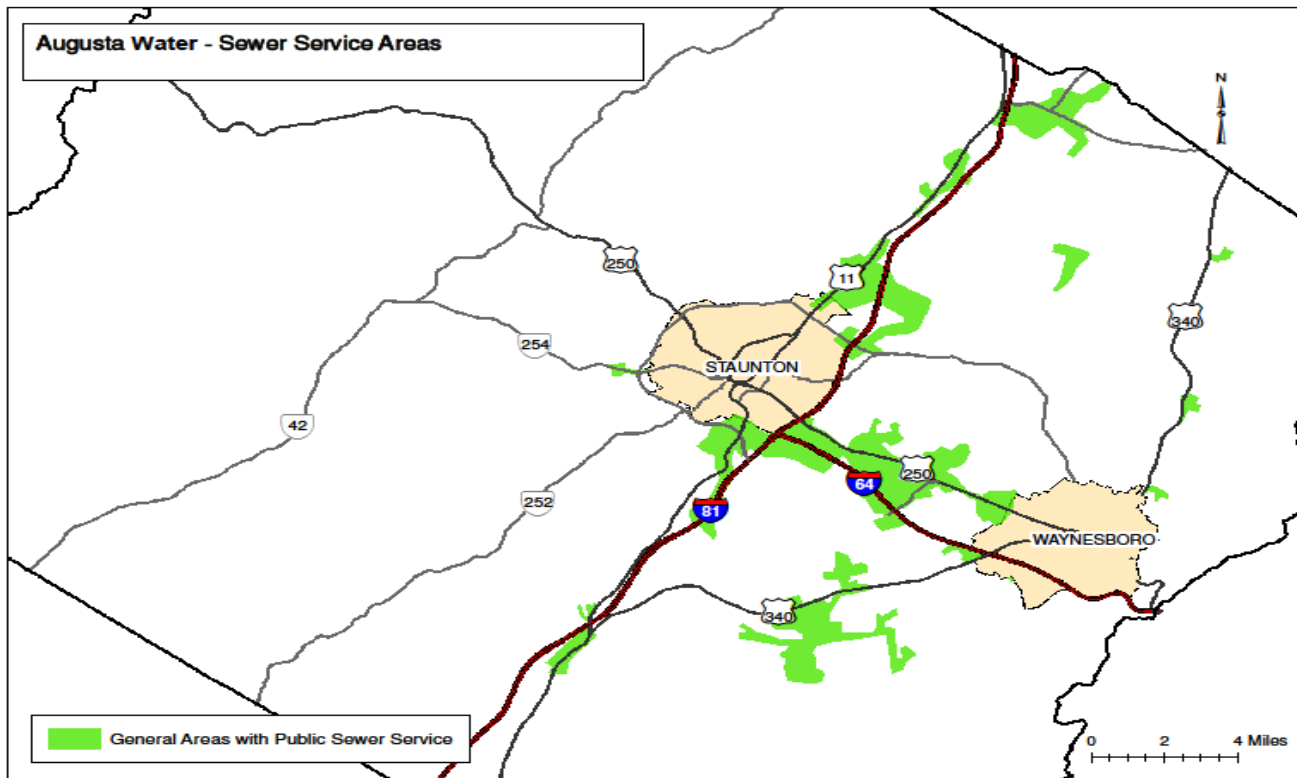
Prior to the creation of Augusta Water, sanitary districts installed wastewater collection and treatment facilities to serve the small towns that had developed along major highway corridors. Such communities

also developed water systems. In 1966, when Augusta Water was formed, it took over these various assets and operations as well as several small developer-installed systems. Inter-jurisdictional agreements for water supply and wastewater treatment also exist with the independent political subdivisions of the cities of Staunton and Waynesboro and the Town of Craigsville. Augusta Water sells approximately 2.56 million gallons per day (mgd) produced from its own water facilities and 1.06 million gallons per day purchased from Staunton under a long-term contract. Augusta Water has an overall storage capacity of 13 million gallons. It maintains wastewater treatment facilities with a combined treatment capacity of over 15.9 mgd, of which 4.9 mgd is owned by Staunton. Augusta Water provides water service to 15,696 customers and sewer service to 9,593 customers. Historical trends and additional operational information can be found in Table 20 of the Statistical Section.

The largest area served by Augusta Water's water system is South River, which includes the U.S. 250 corridor between Staunton and Waynesboro, the U.S. 11 corridor south of Staunton, and the Sherando and Stuarts Draft areas. The second largest water service area is the combined Verona/Weyers Cave systems, which primarily serves customers along U.S. 11 north of Staunton. Smaller systems include the Augusta Springs system along Route 42, the Deerfield system in the George Washington National Forest, the Estaline Valley system along Route 601, the Rt. 250 West and Blackburn systems near Staunton, the Churchville system along Route 42 near U.S. 250, the Harriston and Vesper View systems along U.S. 340 north of Waynesboro, and the Middlebrook system near the intersection of Routes 252 and 676.



The four largest wastewater treatment systems are the Fishersville, Middle River (Verona), Stuarts Draft, and Weyers Cave systems, as shown below. Additional wastewater systems include Harriston, Mount Sidney, New Hope, Greenville and Vesper View.



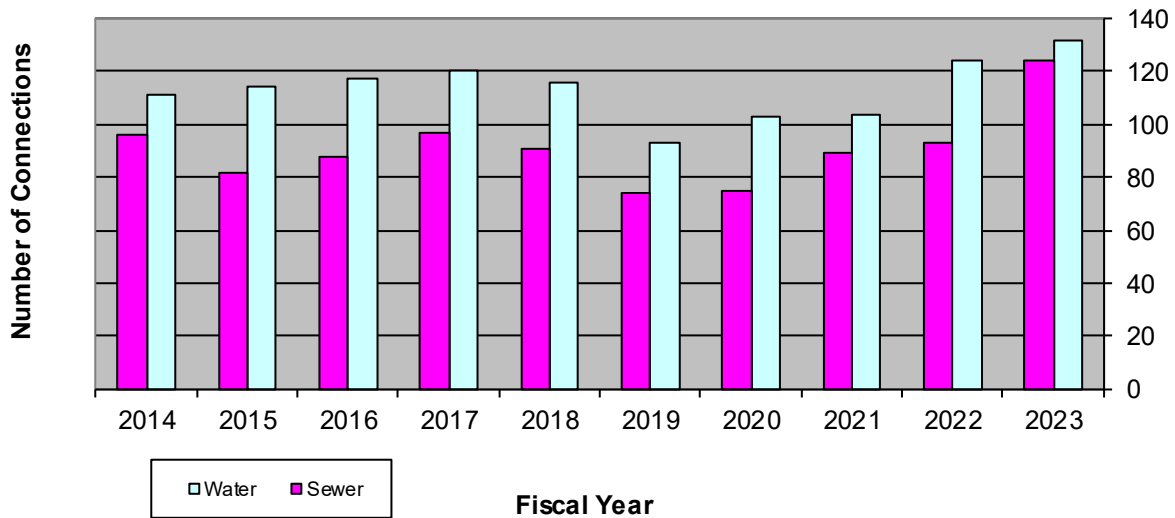
Augusta Water also operates and serves as fiscal agent for the Augusta Regional Landfill for Augusta County, Staunton and Waynesboro. Fourteen of the 111 Augusta Water full-time employees work to operate this solid-waste facility as well as part-time allocations of some Augusta Water administrative and engineering staff. In fiscal year 2023, the landfill received 160,000 tons of solid waste and generated operating revenues of \$3.9 million. The landfill financial transactions are shown only as a custodial fund statements in this report.

Both the By-Laws of Augusta Water and its Master Indenture of Trust require Augusta Water to adopt an annual operations and maintenance budget before the start of the new fiscal year. This annual budget, which is created from the input of all divisions, serves as the foundation for Augusta Water's financial planning and control. The executive team then uses this budget in an in-house rate-setting model to annually re-examine user rates. They determine if the rates are adequate over a four year period to cover projected operating Capital Improvement Projects (CIP) as well as a number of other parameters including the debt service coverage ratio, rate-setting recommendations, and cash flow requirements. The Board examines the prepared financial plan, approves any rate increases (after a properly advertised public comment period), and adopts the annual budget.

Local Economic Condition and Outlook

Augusta County experienced an estimated population growth of 5.6% over the period 2013 to 2022, 0.7% more than the 4.9% growth of the state. The number of new customers connecting to Augusta Water's public water and sewer systems reflects a slightly higher growth rate in a similar ten-year period (8% water and 9% sewer), see the graph below with details in Table 11 of the statistical section). However, the past ten years have shown a definite slowdown due to the depressed housing market. In previous years, readily available real estate and a construction boom along the two major interstate highways had led to this earlier, high customer growth rate. New citizens have been willing to commute to the nearby cities of Charlottesville and Harrisonburg or take advantage of new jobs created by the regional medical complex, shopping centers or business parks formed near the interstate exits. Single-family home permits and new home construction were down 5% in Augusta County during 2022, down from being steady in 2021. Since new connections for Augusta Water are roughly correlated to new construction, Augusta Water is anticipating only modest revenue in the next few years from new customers.

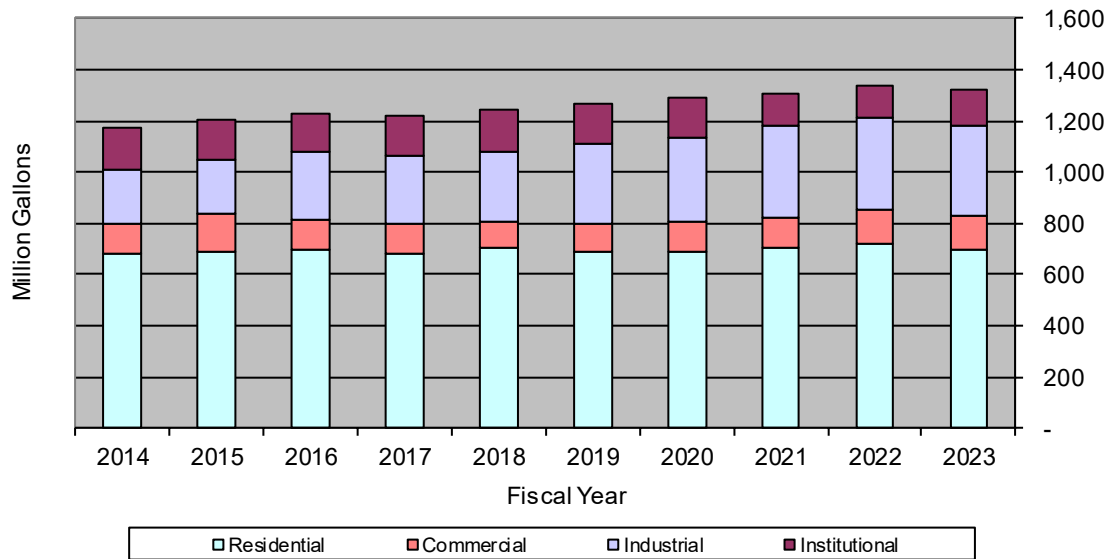
**Augusta County Service Authority:
New Water and Sewer Connections**



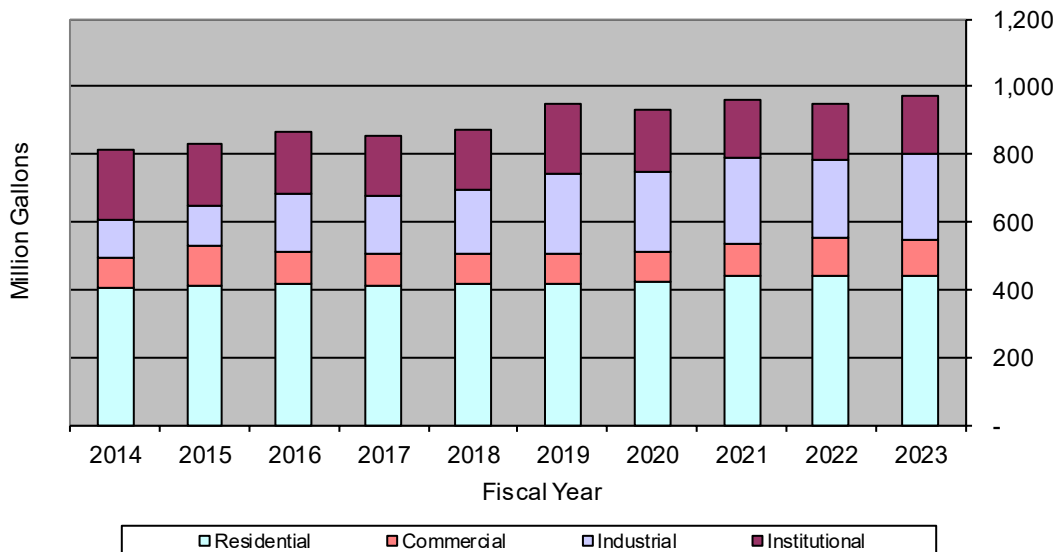
The general economic condition for the Augusta County-Staunton-Waynesboro MSA has historically been below Virginia's average due to its rural nature. The national recession hit the area hard in 2008 and 2009 with a significant loss of manufacturing jobs. This labor segment had previously generated over 25% of the area's revenue. June 2023 reports indicate unemployment was 2.6%, a decrease from 2.7% reported in June 2022. The good news for the area is economic indicators are showing a more positive movement over the last twelve months.

Augusta Water’s overall water consumption and sewer treatment levels remained relatively unchanged in fiscal year 2023 after increasing 1.0% in fiscal year 2022. The graphs below, with details in Table 12 of the statistical section, indicate that Augusta Water has shown increases in the gallons of water billed and sewer treated in each of the last five years. Overall water consumption decreased 1.1% and sewer treatment increased 2.3% for fiscal year 2023. The water consumption decrease was driven mainly by residential customers while the sewer treatment increase was driven mainly by industrial and institutional customers. Augusta Water periodically reviews the consumption and revenue of its major customers to make adjustments in budget projections as needed. The top ten customers utilize 29% of the billed water and 37% of the billed sewer treatment. The percentage changes from fiscal year 2023 to 2022 shown in Tables 13 and 14 of the statistical section indicate the top ten customers generated 11% more revenue in 2023 while water consumption decreased 3% and sewer treatment increased 8%.

Augusta Water
Annual Billed Water Consumption



Augusta Water
Annual Billed Sewer Consumption



Major Initiatives and Long-term Financial Planning

Augusta Water is subject to regulatory compliance from both state and federal regulatory agencies that are issuing new guidelines in relation to the Safe Drinking Water Act, the Clean Water Act, Homeland Security, Dam Safety Regulations, and initiatives to clean up the Chesapeake Bay. These guidelines accelerate any issues in regards to aging infrastructure as well as the demand for more advanced levels of treatment for water and wastewater. Augusta Water's management team stays current on these pending regulations and develops their 4-year capital plan as proactively as possible. In this regard, the Augusta Water has instituted an asset management system over the last ten years as a way of managing its infrastructure.

The cornerstone programs of Augusta Water's Asset Management System are:

- development and adherence to an Augusta Water Master Plan which supports the County's Comprehensive Plan,
- completion of a comprehensive Geographical Information System (GIS) with multiple layers that can guide capital investment decisions in regards to repair and replacement as well as new construction tied into a continuously developing electronic work order system,
- careful review of site plans and inspection of constructed or dedicated infrastructure—to monitor compliance with Augusta Water's Design and Construction Standards,
- use of an in-house rate model that annually examines rate components to evaluate all costs for maintaining the infrastructure as well as operating the facilities,
- data gathering from extensive SCADA systems that allow real-time monitoring of remote locations so that Augusta Water's widespread infrastructure is protected and maintained in a timely fashion,
- consistently set aside reserves equivalent to depreciation to fund repair and replacement projects.

This year Augusta Water was involved in the following major projects in order to proactively manage its infrastructure:

- Construction of a new Field Operations building.
- Infrastructure replacement and rehabilitation projects were initiated or completed in the following areas:
 - capital equipment/vehicle purchases
 - water tank rehabilitation
 - inflow and infiltration reduction projects
 - several substandard waterline replacement projects
 - generator replacement
 - equipment replacement at wastewater treatment plants.

Relevant Financial Policies

The Board of Directors of Augusta Water annually reviews budget assumptions and rate-setting parameters during the budget process to ensure rates are increased equitably and in annual increments small enough that customer affordability is maintained and “rate shock” is reduced while covering all operational expenses and allowing most of the repair and replacement projects to be financed from the operating fund. (See Tables 2-4 in the statistical section for operating revenue and expenses over the past ten years as well as Tables 8 and 9 for the annual increases in user rates.) Therefore, using the annually updated rate model, four year CIP and other analysis in accordance with these Board-approved guidelines and the bond covenants, the Board approved a 3% variable water rate increase and a 3% variable sewer rate increase.

Availability fees for new connections are very conservatively budgeted due to unpredictable nature of the housing market. These one-time revenue sources are placed in water and sewer reserves and used only for construction and partial payment of debt service on capacity-related projects in accordance with Board-approved guidelines. (See Tables 6 and 10 for historical trends on availability fee revenue and the availability fee structure.)

Staff continues to carefully evaluate Augusta Water’s cash and investment holdings along with investment policies. Augusta Water’s holdings continue to be diversified. \$1.8 million is invested through local and regional banks in laddered Certificates of Deposit, purchased under the Virginia Security for Public Deposits Act guidelines. \$11.2 million has been invested in the Virginia Local Government Investment Pool and money market accounts. Interest earnings increased 506.5% during fiscal year 2023 due to higher interest rates for cash deposits.

Long-term Financial Planning and Future Initiatives

Changes in the County’s comprehensive plan and its impact on Augusta Water’s developing master plan, steady population growth, and increasing regulations governing water and wastewater treatment, present a number of challenges for Augusta Water over the next few years. Augusta Water has developed several strategies to assist in the financial planning for capital projects and to maintain fiscal sustainability.

- Cash reserves were built, not only to provide cushion for unpredictable regulatory mandates and unforeseen contingencies, but also to stabilize user rates, to reduce the cash flow impact of Augusta Water’s significant semi-annual debt service payments, to protect itself against revenue shortfalls, and to enable favorable financing terms with creditors. These cash reserves increased in 2023 but are projected to drop over the next few years as Augusta Water implements its capital plan. While these reserves will be spent down they will be managed not to decline below the prudent guidelines established by the Board.
- Both operational and capital expenses are monitored regularly against the budget so cost-saving measures can be deployed on a timely basis. In fiscal year 2023 actual operating expenses were 1.5% below budget. In fiscal year 2022 actual operating expenses were 5.4% below budget (see Schedule 2 before the Statistical Section).
- Augusta Water uses its rate model to project the financial consequences of various “what-if” scenarios throughout the year. This is done in order to anticipate any major changes in the short or long-term financial plans and to remain in compliance with our financial guidelines.
- Augusta Water continues to request the County and/or developers assist with the capital expense for projects that are driven primarily by economic development or new County fire flow regulations.

Total outstanding long-term debt and other obligations for Augusta Water exceeded \$14.4 million as of June 30, 2023. Although Augusta Water is obligated to pay \$3.5 million next year in debt service payments, Augusta Water has been able to take advantage of the low interest rate environment over the past few years along with cash reserves to fund major portions of its capital improvement plan.

Furthermore, these low cost or interest-free loans (see Note 6 in the Notes to the Financial Statements section for loan and refunding details) are often coupled with grant funds and capital contributions from other entities or developers to reduce the long-term burden on the rate payer for a high level of capital improvements.

Table 15 in the statistical section shows the debt per connection and as a percentage of median household income has been steadily decreasing from 2012 levels (the completion of the three major mandated wastewater treatment plant upgrades). Table 16 shows that the debt coverage ratio has remained over 1.30 (FY2013 debt coverage ratio) even with the decline in the local, state and national economies and the additional debt service payments as a result of the three major mandated wastewater treatment plant upgrades.

An actuarial firm conducted a study as of June 30, 2021 to determine the net pension liability of Augusta Water under GASB Statement 68 for this period. Note 10 describes Augusta Water's current plans with the Virginia Retirement System and the net pension asset of \$107,240 this year.

An actuarial firm conducted a study as of July 1, 2022 to determine other post-employment benefits (OPEB) liability under GASB Statement 75 for this period. Note 8 describes Augusta Water's current pay-as-you-go OPEB Health Care policy and the net OPEB obligation of \$516,176 this year.

An actuarial firm conducted a study as of June 30, 2021 to determine the other post-employment benefits (OPEB) liability under GASB Statement 75 for this period. Note 9 describes Augusta Water's current Group Life Insurance Program with the Virginia Retirement System and the net OPEB obligation of \$289,960 this year.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Augusta Water for its annual financial report for the fiscal year ended June 30, 2022. This was the twenty-first consecutive year that Augusta Water has achieved this prestigious award. In order to be awarded a Certificate of Achievement, Augusta Water 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.

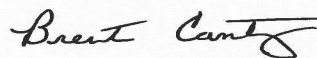
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. In particular, Augusta Water would like to express its appreciation to Kristen Desper, Accounting Supervisor; Jessica Griffin, Payroll and Accounts Payable Clerk; Deborah Hensley, Staff Accountant, who each played an important role in the preparation of this report. Credit also must be given to the Board members and Senior Management staff for their unfailing support for maintaining the highest standards of professionalism in the fiscal management of Augusta Water.

Sincerely,



Phillip A. Martin, P.E., L.S.
Executive Director
Augusta Water



Brent N. Canterbury, CPA
Director of Finance/CS/Billing/Treasurer
Augusta Water



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Augusta County Service Authority
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Directors
Augusta Water

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and the fiduciary activity of Augusta Water (Authority), as of and for the years ended June 30, 2023 and 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023 and 2022, and respective changes in financial position and its cash flows for the years 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement 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 GAAS 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 GAAS 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 on pages 4-9 and the required supplementary information on pages 50-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 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.

PBMares, LLP

Harrisonburg, Virginia
December 7, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Augusta Water, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Augusta Water for the fiscal years ended June 30, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Augusta Water's basic financial statements. Since Augusta Water is engaged in business-type activities, its basic financial statements are comprised of two components: 1) enterprise fund financial statements and 2) notes to the financial statements. Augusta Water also operates and is the fiscal agent for the Augusta Regional Landfill (Landfill) by contractual agreement with the Cities of Staunton and Waynesboro and the County of Augusta and, therefore, includes a custodial fund statement of fiduciary position. This report contains supplementary information in addition to the basic financial statements themselves.

- **Enterprise fund financial statements.** The enterprise fund financial statements are designed to provide readers with a broad overview of Augusta Water's finances, in a manner similar to a private-sector business. They can be found on pages 10 through 13 of this report.

The *Statements of Net Position* present information on Augusta Water's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Augusta Water is improving or declining.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how Augusta Water's net position changed during the fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The *Statements of Cash Flows* disclose net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

- **Fiduciary fund financial statement.** The fiduciary fund financial statement provides information about the financial relationship with the Landfill in which Augusta Water acts solely as an agent for the benefit of the participating localities, to whom the resources belong.
- **Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16 through 49 of this report.

- **Other information.** In addition to the basic financial statements and accompanying notes, there are other sections of the report that present certain required supplementary information concerning Augusta Water's progress in funding its obligation to provide pension and other post-employment benefits to its employees (pages 50-57). Also presented are budget and actual schedules for fiscal year 2023 income and expenses (pages 58 through 60) and changes in assets and liabilities for the Landfill (page 15). The statistical section following the financial section contains tables with a variety of trends in financial, economic, and operational information.

Financial Highlights

Augusta Water's overall financial position has remained steady as described below:

- Total Net Position increased by \$3.5 million or 2.5% compared to last year. Total assets and deferred outflows of resources of Augusta Water exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year, growing to \$142.8 million. Of this amount, \$23.1 million (unrestricted net position), may be used to meet Augusta Water's ongoing obligations to customers and creditors.
- Cash flows from operations were a positive \$8.9 million, a decrease from last year's \$9.5 million.
- Cash and cash equivalents (including restricted funds) increased overall by \$0.8 million this year, compared to last year's increase of \$1.8 million.

Statement of Net Position

The following table is a condensed summary of the Statements of Net Position as of June 30, 2023, 2022, and 2021.

	Summary of Net Position		
	As of June 30,		
	2023	2022	2021
Current and other assets	\$ 31,341,416	\$ 31,166,534	\$ 28,646,273
Capital assets, net	131,367,729	131,519,276	133,546,646
Total assets	<u>162,709,145</u>	<u>162,685,810</u>	<u>162,192,919</u>
Deferred outflows of resources	2,445,399	1,603,589	2,097,871
Total assets and deferred outflows of resources	<u>165,154,544</u>	<u>164,289,399</u>	<u>164,290,790</u>
Other Liabilities	4,797,530	4,591,843	7,242,684
Long-term debt outstanding	14,436,610	17,515,117	21,190,150
Total liabilities	<u>19,234,140</u>	<u>22,106,960</u>	<u>28,432,834</u>
Deferred inflows of resources	3,129,544	2,845,239	600,104
Total liabilities and deferred inflows of resources	<u>22,363,684</u>	<u>24,952,199</u>	<u>29,032,938</u>
Net investment in capital assets	116,578,683	113,818,762	111,854,003
Restricted for debt service and bond covenants	3,107,187	2,861,648	2,782,631
Unrestricted	23,104,990	22,656,790	20,621,218
Total net position	<u>\$ 142,790,860</u>	<u>\$ 139,337,200</u>	<u>\$ 135,257,852</u>

Net position increased 2.5% from last year and increased 5.6% from two years ago. The largest portion of Augusta Water's net position reflects its net investment in capital assets, less any related outstanding liabilities used to acquire those assets. This significant investment reflects the nature of a public utility and is currently 81.7% (capital asset investments to net position). Augusta Water uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although Augusta Water's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Augusta Water's net position also consists of restricted and unrestricted net position. Restricted net position includes cash and investments restricted by bond covenant agreements as explained in more detail in Note 1, item E. The majority of these restricted assets are equal to two months of budgeted operating expenses, causing an 8.5% increase from last year due to higher budgeted operating costs for 2023. The unrestricted net position includes all other assets not restricted by an external organization or invested in capital assets. However, almost 53% (down from 55% last fiscal year) of these unrestricted net assets have been internally reserved as part of a rate stabilization policy to provide a cushion against unforeseen contingencies, debt service and provide funding for capital projects. This policy has allowed Augusta Water to adopt moderate user rate increases over the past ten years as can be seen in detail in Table 8 in the statistical section.

The increase in Current and other assets is mainly attributable to higher unbilled accounts receivable and prepaid expenses at year end compared to 2022. The increase in Other liabilities is mainly attributable to higher accounts and compensated absences at year end compared to 2022. The increase in Deferred outflows of resources and Deferred inflows of resources were the result of actuarial changes.

Long-term Debt Activity

Augusta Water's total long-term debt decreased by approximately \$3.1 million during the current year compared to last year's \$3.7 million decrease. The debt coverage ratio for the year is 2.92 (see Table 16 for more information) and continues to remain above the Master Trust Indenture requirement of 1.10.

Augusta Water has 12 bonds issued by the Virginia Resources Authority (VRA). Augusta Water also has one refunding bond issue based on a 1994 public bond issue - a public issue in September 2015. The City of Staunton had \$12.5 million in bonds issued in 2008 and 2009 for the upgrade of the Middle River Regional WWTP, of which Augusta Water is contractually obligated to repay 27.9% based on allocated capacity and ownership of the jointly owned facility (and therefore records 27.9% of the grant revenue, drawdown on the debt and Construction in Progress assets). More detailed information on Augusta Water's long-term liabilities and the advance refundings is presented in Note 5 starting on page 27.

Revenues, Expenses and Changes in Net Position

The results of Augusta Water's operations are reported in the Statements of Revenues, Expenses and Changes in Net Position. The following table presents a summary of this information for the years ended June 30, 2023, 2022 and 2021.

	Changes in Net Position		
	2023	2022	2021
Revenues:			
Operating revenues:			
Water revenues	\$ 10,082,637	\$ 9,856,318	\$ 9,420,157
Sewer revenues	13,391,539	12,443,829	12,134,434
Other revenues	649,008	538,967	362,731
Total operating revenues	<u>24,123,184</u>	<u>22,839,114</u>	<u>21,917,322</u>
Nonoperating revenues:			
Interest earned	407,859	67,243	55,400
State contributions	7,499	-	-
Gain on disposal of assets	8,274	52,360	51,348
Capital contributions/construction grants	1,093,327	1,127,662	1,730,529
Total nonoperating revenues, net	<u>1,516,959</u>	<u>1,247,265</u>	<u>1,837,277</u>
Total revenues	<u>25,640,143</u>	<u>24,086,379</u>	<u>23,754,599</u>
Expenses:			
Operating expenses:			
Water	4,111,310	3,708,807	3,469,363
Sewer	6,154,391	5,314,345	4,872,229
Admin/general	5,071,248	4,158,485	4,089,978
Depreciation and amortization	6,466,149	6,356,018	6,171,330
Total operating expenses	<u>21,803,098</u>	<u>19,537,655</u>	<u>18,602,900</u>
Nonoperating expenses: interest & other	<u>383,385</u>	<u>469,376</u>	<u>579,808</u>
Total expenses	<u>22,186,483</u>	<u>20,007,031</u>	<u>19,182,708</u>
Increase in net position	3,453,660	4,079,348	4,571,891
Net Position – beginning of year	<u>139,337,200</u>	<u>135,257,852</u>	<u>130,685,961</u>
Net Position – end of year	<u>\$ 142,790,860</u>	<u>\$ 139,337,200</u>	<u>\$ 135,257,852</u>

In fiscal year 2023 Augusta Water net position increased by \$3.5 million, which was a decrease from last year's \$4.1 million increase and the \$4.6 million increase in 2021. Key elements of this change are due primarily to higher operating revenues offset by higher operating expenses whose ten-year trends can be seen in Table 3 and Table 4 of the statistical section:

- Capital contributions, in the form of "availability fees" from newly connected residential and business customers decreased to \$911,960 after reaching \$1,024,394 last year, a decrease of 11%. Funds from availability fees are set aside in special reserves and are used to pay for a portion of the debt service and construction on capacity-related capital projects.
- Contributions of dedicated infrastructure from developers increased to \$181,367 from a fiscal year 2022 level of \$103,268, an increase of 76%.

Operating revenues increased 5.6% this past year while consumption was even with the prior fiscal year. Decreased water consumption by residential and industrial customers and increased sewer consumption by industrial customers along with a rate increase were the main drivers for the increase (see Table 9 and Table 12 for more information). Operating revenues increased 4.2% in fiscal year 2022 due to rate increases and increased consumption of 2.0%. Increased consumption by industrial and residential customers was the main drivers for the increase. Augusta Water has budgeted at the current levels of consumption through fiscal year 2024.

Operating expenses increased 11.6% from fiscal year 2022. The increase was mainly attributed to higher salaries and benefits, electricity, repair and maintenance supplies, depreciation, and chemicals. Fiscal year 2022 increased 5.0% from fiscal year 2021. The increase was mainly attributed to higher salaries and benefits, depreciation, chemicals, fuel and purchased water.

Schedules 1 and 2 show greater detail for fiscal year 2023 on the actual revenue and expenses versus budget comparison and Table 7 shows a full allocation of revenue and expenses between water and sewer activity for fiscal year 2023.

Interest income increased to \$407,859, a 506.5% increase from fiscal year 2022. Interest income increased to \$67,243 in fiscal year 2022, a 21.4% increase from fiscal year 2021. The increase in fiscal year 2023 was due to higher interest rates for cash deposits. Gain on disposal of assets of \$8,274 was mainly attributable to the sale of fleet vehicles and used equipment. Interest expense decreased 18.3% during fiscal year 2023 and decreased 19.0% during fiscal year 2022 due to the lower principal balances on outstanding debt.

Capital Asset Activity

Augusta Water’s capital assets remained the same in fiscal year 2023 compared to a 1.5% decrease in fiscal year 2022. Additional information regarding capital asset activity can be found in Note 3 to the financial statements.

The following major capital asset projects were completed during the current fiscal year and were funded as indicated:

Completed Capital Projects/Dedications	FY2023 Capital Expense	Total Project Amount
Water Projects:		
Meter & Vault Replacement	\$ 111,185	\$ 111,185
Generators	53,092	59,838
Water connections	78,750	78,750
Sewer Projects:		
Inflow & Infiltration	633,990	633,990
WWTP Equipment Replacement	278,343	284,486
Generators	94,541	95,667
Sewer connections	33,021	32,021
Other Projects:		
Computer Replacement	25,010	26,171
	<u>\$ 1,307,932</u>	<u>\$ 1,322,108</u>
Total		

Contacting Augusta Water Management

This financial report is designed to provide the water and wastewater consumers and other citizens of Augusta County, investors, and creditors with a general overview of Augusta Water's finances and to demonstrate Augusta Water's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, Augusta Water, 18 Government Center Lane, P.O. Box 859, Verona, Virginia 24482 or visit the website at www.augustawater.com.

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and cash equivalents	\$ 23,582,995	\$ 23,054,654
Accounts receivable	670,673	944,342
Unbilled accounts receivable	2,098,274	1,899,826
Intergovernmental receivable	724,274	741,518
Inventory	413,251	395,439
Prepaid expenses	314,934	243,716
Interest and other receivables	44,033	48,024
Leases receivable	41,729	27,737
Total current assets	<u>27,890,163</u>	<u>27,355,256</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	3,107,187	2,861,648
Total restricted assets	<u>3,107,187</u>	<u>2,861,648</u>
Capital Assets:		
Capital assets not being depreciated:		
Land and easements	1,963,404	1,963,404
Construction in progress	7,817,757	3,626,347
Capital assets being depreciated and amortized:		
Intangible right-to-use lease asset, office equipment	122,917	54,562
Intangible right-to-use lease asset, tower	21,567	21,567
Utility infrastructure and other capital assets	234,648,477	232,652,147
Less allowance for depreciation and amortization	<u>(113,206,393)</u>	<u>(106,798,751)</u>
Total capital assets, net	<u>131,367,729</u>	<u>131,519,276</u>
Pension Asset	<u>107,240</u>	<u>725,985</u>
Leases receivable	<u>236,826</u>	<u>223,645</u>
Total noncurrent assets	<u>134,818,982</u>	<u>135,330,554</u>
Total assets	<u>162,709,145</u>	<u>162,685,810</u>
Deferred Outflows of Resources		
Deferred loss on refunding of debt	6,045	18,032
Pension	2,076,727	1,059,997
Other postemployment benefits-health insurance	293,104	444,620
Other postemployment benefits-GLI	69,523	80,940
Total deferred outflows of resources	<u>2,445,399</u>	<u>1,603,589</u>
Total assets and deferred outflows of resources	\$ <u>165,154,544</u>	\$ <u>164,289,399</u>

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

STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities:		
Current liabilities:		
Accounts payable and accrued operating expenses	\$ 2,048,582	\$ 1,751,014
Intergovernmental payables	216,285	246,123
Accounts payable-capital	182,937	146,355
Accrued interest	101,277	119,164
Retainage payable	68,247	-
Bonds payable-current portion	2,970,120	2,902,528
Other obligations-current portion	179,020	175,979
Other postemployment benefits obligation - health insurance	20,429	166,556
Compensated absences	378,740	273,982
Leases payable	29,580	17,246
	<u>6,195,217</u>	<u>5,798,947</u>
Total current liabilities		
Noncurrent liabilities:		
Customers' deposits	265,920	250,885
Unearned connection fees	48,390	49,440
Bonds payable	10,146,465	13,116,585
Other obligations	1,141,005	1,320,025
Other postemployment benefits obligation - health insurance	495,747	715,190
Other postemployment benefits obligation - GLI	289,960	280,738
Compensated absences	573,719	535,322
Leases payable	77,717	39,828
	<u>13,038,923</u>	<u>16,308,013</u>
Total noncurrent liabilities		
Total liabilities		
	<u>19,234,140</u>	<u>22,106,960</u>
Deferred Inflows of Resources		
Pension	2,385,397	2,276,732
Other postemployment benefits-health insurance	415,078	207,116
Other Postemployment Benefits-GLI	65,514	117,367
Leases	263,555	244,024
	<u>3,129,544</u>	<u>2,845,239</u>
Total deferred inflows of resources		
Total liabilities and deferred inflows of resources		
	<u>22,363,684</u>	<u>24,952,199</u>
Net Position:		
Net investment in capital assets	116,578,683	113,818,762
Restricted for debt service and bond covenants	3,107,187	2,861,648
Unrestricted	23,104,990	22,656,790
	<u>142,790,860</u>	<u>139,337,200</u>
Total Net Position		

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Water revenues	\$ 10,082,637	\$ 9,856,318
Sewer revenues	13,391,539	12,443,829
Other revenues	<u>649,008</u>	<u>538,967</u>
Total operating revenues	<u>24,123,184</u>	<u>22,839,114</u>
Operating Expenses:		
Water expenses	4,111,310	3,708,807
Sewer expenses	6,154,391	5,314,345
Administration and general expenses	5,071,248	4,158,485
Depreciation and amortization	<u>6,466,149</u>	<u>6,356,018</u>
Total operating expenses	<u>21,803,098</u>	<u>19,537,655</u>
Operating income	<u>2,320,086</u>	<u>3,301,459</u>
Nonoperating Revenues (Expenses):		
Interest earned	407,859	67,243
State contributions	7,499	-
Gain on disposal of assets	8,274	52,360
Interest expense	<u>(383,385)</u>	<u>(469,376)</u>
Total nonoperating expenses, net	<u>40,247</u>	<u>(349,773)</u>
Income before capital contributions	<u>2,360,333</u>	<u>2,951,686</u>
Capital contributions:		
Availability fees from customers and developers	911,960	1,024,394
Contributions of dedicated infrastructure	<u>181,367</u>	<u>103,268</u>
Total capital contributions	<u>1,093,327</u>	<u>1,127,662</u>
Change in net position	3,453,660	4,079,348
Net Position, beginning of year	<u>139,337,200</u>	<u>135,257,852</u>
Net Position, end of year	<u>\$ 142,790,860</u>	<u>\$ 139,337,200</u>

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

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities:		
Receipts from customers and users	\$ 24,202,461	\$ 23,034,571
Payments to suppliers	(6,616,462)	(7,100,182)
Payments to employees	(8,648,005)	(6,494,799)
Net cash provided by operating activities	<u>8,937,994</u>	<u>9,439,590</u>
Capital and related financing activities:		
Payments for capital assets	(6,030,282)	(4,627,389)
Proceeds from the sale of assets	10,150	62,360
Principal payments on bonds	(2,902,528)	(3,505,137)
Principal payments on lease and other obligations	(175,979)	(130,068)
Contributions in aid of construction	911,960	1,024,394
Interest payments	(389,285)	(481,226)
Net cash used in capital and related financing activities	<u>(8,575,964)</u>	<u>(7,657,066)</u>
Investing activities:		
Interest earned	411,850	66,152
Net cash provided by investing activities	<u>411,850</u>	<u>66,152</u>
Increase in cash and cash equivalents	773,880	1,848,676
Cash and cash equivalents at beginning of year	<u>25,916,302</u>	<u>24,067,626</u>
Cash and cash equivalents at end of year	<u>\$ 26,690,182</u>	<u>\$ 25,916,302</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,320,086	\$ 3,301,459
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	6,466,149	6,356,018
Pension expense	4,940	(51,623)
State nonoperating contribution	7,499	-
OPEB Expense - health insurance	17,781	64,719
OPEB Expense - GLI	9,512	11,346
Changes in operating assets, deferred inflows & outflows and liabilities:		
(Increase) decrease in:		
Accounts receivable	92,465	442,644
Inventory	(17,812)	(29,490)
Prepaid expenses	(71,218)	(106,281)
Leases receivable	(27,173)	(251,382)
Pension costs	(294,260)	(317,165)
OPEB Expense - health insurance	(23,873)	(185,709)
OPEB-GLI costs	(40,726)	(28,969)
Increase (decrease) in:		
Customer deposits	13,985	4,195
Payables and accrued expenses--operating	480,639	229,828
Net cash provided by operating activities	<u>\$ 8,937,994</u>	<u>\$ 9,439,590</u>
Significant noncash investing, capital and financing activities:		
Contributions of capital assets	\$ 181,367	\$ 103,268

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

**STATEMENT OF FIDUCIARY NET POSITION –
CUSTODIAL FUND (AUGUSTA REGIONAL LANDFILL)
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 12,119,040	\$ 11,562,826
Interest and miscellaneous receivable	2,405	-
Accounts Receivable	311,554	338,597
Prepaid expenses	19,276	18,459
Total current assets	<u>12,452,275</u>	<u>11,919,882</u>
Total assets	<u>\$ 12,452,275</u>	<u>\$ 11,919,882</u>
LIABILITIES		
Accounts payable	\$ 717,365	\$ 213,939
Due to other governments	309,474	381,221
Compensated absences	106,637	123,032
Amounts due from participating localities	<u>177,547</u>	<u>(209,156)</u>
Total liabilities	<u>1,311,023</u>	<u>509,036</u>
NET POSITION		
Restricted for:		
Other governments	<u>\$ 11,141,252</u>	<u>\$ 11,410,846</u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
CUSTODIAL FUND (AUGUSTA REGIONAL LANDFILL)
Years Ended June 30, 2023 and 2022**

ADDITIONS

Contributions	2023	2022
Tipping fees	\$ 3,660,833	\$ 3,227,210
Other income	241,445	255,118
Capital contributions	-	450,000
Total contributions	<u>3,902,278</u>	<u>3,932,328</u>
Investment earnings:		
Interest	<u>323,456</u>	<u>28,612</u>
Total investment earnings	<u>323,456</u>	<u>28,612</u>
Total additions	<u>4,225,734</u>	<u>3,960,940</u>
DEDUCTIONS		
Operating costs	<u>4,495,328</u>	<u>3,394,783</u>
Net increase (decrease) in fiduciary net position	(269,594)	566,157
Net position - beginning	<u>11,410,846</u>	<u>10,844,689</u>
Net position - ending	<u>\$ 11,141,252</u>	<u>\$ 11,410,846</u>

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

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 1–Significant Accounting Policies:

The Board of Supervisors of Augusta County, Virginia (the County) established the Augusta County Service Authority (the Authority) on March 16, 1966 and the State Corporation Commission chartered the Authority in March 1966 in order to provide a centralized source for the provision of water and sewer service to County residents. The Authority originally existed for a term of 50 years from its date of incorporation, to the year 2016, or until its obligations had been discharged or assumed (whichever was later), and for such further periods as the County Board of Supervisors provided by resolution. On July 24, 2002, the Board of Supervisors approved the extension of the corporate life of the Authority to the year 2052. On November 28, 2022, the Augusta County Service Authority filed a fictitious name certificate with the Commonwealth of Virginia State Corporate Commission to conduct business as Augusta Water.

The Enabling Act authorizes Augusta Water, among other things, (a) to acquire, construct, improve, extend, operate and maintain any water, sewer, sewage disposal or garbage/refuse collection and disposal system, (b) to issue revenue bonds of Augusta Water, payable solely from revenues, to pay all or any part of the cost of such systems, (c) to fix, revise, charge and collect rates, fees and charges for the use of and for the services furnished or to be furnished by any system operated by Augusta Water, and (d) to enter into contracts with the Commonwealth of Virginia (Virginia), or with any municipality, county, corporation, individual or any public authority, relating to the furnishing of services and facilities of any such system of Augusta Water. The Enabling Act provides that Augusta Water is subject in all respects to the jurisdiction of the Department of Environmental Quality - Water Division (DEQ), formerly the State Water Control Board of Virginia, under the provisions of the State Water Control Law.

Augusta Water also serves as the operator and fiscal agent for the Augusta Regional Landfill (Landfill), a hybrid joint-venture and undivided interest between the Cities of Waynesboro and Staunton and the County of Augusta. This relationship was first formalized with a Contract for Sanitary Landfill Operation on December 11, 1970 with the City of Staunton (Staunton) and the County. Two additional agreements were signed in 1990 and 1999 as the Landfill expanded and the City of Waynesboro joined as an owner. On May 6, 2006 a Landfill Management Agreement was signed by the owner localities and reaffirmed on December 31, 2015 to formalize the continuing utilization of Augusta Water as both operators and fiscal agents for the Landfill. Financial transactions of the Landfill are not included in these financial statements except as a custodial fund.

A. Determination of the Reporting Entity

Augusta County has determined Augusta Water is a related organization but not a component unit of the County in accordance with Governmental Accounting Standards Board (GASB) Statements 14 and 61. Augusta Water is a legally separate organization whose Board members are appointed by the County Board of Supervisors. During the year ended June 30, 2023, one member of the Board of Supervisors was also a member of the seven-member Augusta Water Board. The County considered the following in their determination: Under GASB Statement No. 14 Augusta Water was included in the financial statements as a blended component unit when the governing boards of the two entities were substantially the same. GASB Statement No. 61 requires that the governing boards be substantially the same and a financial benefit and/or burden relationship must be present or the management staff of the primary government and the component unit be substantially the same. The relationship between the County and Augusta Water does not create a financial benefit and/or burden on the County, and the management staffs of the two organizations are separate from one another.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 1–Significant Accounting Policies: (Continued)

B. Basic Financial Statements

Since Augusta Water is engaged in business-type activities, it is required to present the financial statements required for enterprise funds. Fiduciary (custodial) fund statements are also required for the Landfill since these funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Therefore, the basic financial statements and required supplementary information consist of:

- Management’s discussion and analysis
- Enterprise fund financial statements
 - Statements of Net Position
 - Statements of Revenues, Expenses and Changes in Net Position
 - Statements of Cash Flows
- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to Financial Statements
- Required Supplementary Information

C. Basis of Accounting

Augusta Water operates as an enterprise activity. Augusta Water’s enterprise (proprietary) fund financial statements are reported using the economic resources measurement focus. Proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. Nonexchange transactions, in which Augusta Water gives (or receives) value without directly receiving (or giving) equal value in exchange, include availability fees (fees assessed new customers or developers for the cost of water or wastewater system capacity), grants, and donations. Revenue from availability fees, grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Augusta Water accrues revenue for services rendered but not yet billed at the end of the fiscal year. Augusta Water follows all applicable GASB pronouncements.

Augusta Water distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Augusta Water’s principal ongoing operations. The principal operating revenues of Augusta Water are charges to customers for sales and services. Augusta Water also recognizes as operating revenue the portion of new connection charges intended to recover the cost of connecting new customers to the system (hook-up fees). Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

Augusta Water’s cash and cash equivalents consist of cash on hand, demand deposits and certificates of deposit.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 1–Significant Accounting Policies: (Continued)

E. Restricted Assets

Certain proceeds of Augusta Water’s revenue bonds, as well as certain resources set aside for repayment, are classified as restricted assets on the Statements of Net Position and are limited by applicable bond covenants.

Master Trust Indenture Title	Description	June 30, 2023	June 30, 2022
Revenue bond general operating revenue	Used to report resources set aside to subsidize potential deficiencies from the Authority’s operation that could adversely affect debt service payments. Required minimum level of 1/6 of annual operating expense budget (less depreciation).	\$ 2,607,187	\$ 2,361,648
Repair and replacement reserve	Used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.	500,000	500,000
		<u>\$ 3,107,187</u>	<u>\$ 2,861,648</u>

F. Intergovernmental Receivables and Payables

The details of the intergovernmental receivables and payable are shown below:

Asset or Liability Item and Description	June 30, 2023	June 30, 2022
<u>Intergovernmental receivable</u>		
- Due from the Landfill for accrued payables	\$ 268,643	\$ 301,266
- Due from state agencies for nutrient credits and operational costs	-	3,641
- Due from Staunton for operational and minor capital costs at the Middle River Regional WWTP and Staunton wholesale sewer	388,904	347,019
- Due from Augusta County for fuel charges, Greenville Sewer reimbursement, Mill Place water tank and other projects	44,489	85,584
- Due from Waynesboro for wholesale water	2,009	1,983
- Due from Craigsville for wholesale water	15,105	-
- Due from other governments for shared operations or wholesale consumption	5,124	2,025
	<u>\$ 724,274</u>	<u>\$ 741,518</u>
<u>Intergovernmental payable</u>		
- Due to Augusta County for Greenville Sewer reimbursement and operational costs	\$ 18,887	\$ 34,195
- Due to Staunton for wholesale water consumption, laboratory charges and nutrient credits	144,553	161,504
- Due to Waynesboro for wholesale water	52,328	49,883
- Due to the Landfill for accrued payables	517	541
	<u>\$ 216,285</u>	<u>\$ 246,123</u>

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 1–Significant Accounting Policies: (Continued)

G. Capital Assets

Capital assets, which include intangibles, property, plant, equipment, and infrastructure assets (e.g., sewer lines and water tanks), are reported in the financial statements. Capital assets are defined by Augusta Water as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, by Augusta Water policy, with an anticipated project minimum threshold of \$1 million constructed over more than one year.

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

<u>Assets</u>	<u>Years</u>
Utility infrastructure	50 to 66
Buildings	66
Equipment	5 to 30
Intangible assets: software	5
Vehicles and transportation equipment	5
Office furniture and fixtures	10
Intangible right-to-use lease assets	1 to 5

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2023.

H. Leases

Lessee: For new or modified contracts, Augusta Water determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), Augusta Water records a lease asset and lease obligation which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not readily determinable, Augusta Water will use the applicable incremental borrowing rate in the calculation of the present value of the lease payments.

Augusta Water is a lessee for non-cancellable leases of copiers, mail machines and towers. Augusta Water recognizes a lease liability and intangible right-to-use lease asset on the Statement of Net Position. Leases with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the lease term. At the commencement of a lease, Augusta Water measures the lease liability at the present value of payments expected to be made during the lease term and then reduces the liability by the principal

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 1–Significant Accounting Policies: (Continued)

portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight-line basis over a period that is the shorter of the lease term or the useful life of similar capital assets. Lease payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

Lessor: For new or modified contracts, Augusta Water determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), Augusta Water records a lease receivable and a deferred inflow of resources which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not clear, Augusta Water may apply the guidance for imputation of interest as a means of determining the interest rate.

Augusta Water will not recognize a lease receivable and a deferred inflow of resources for leases with a non-cancellable term of less than 12 months, and income is recognized as incurred.

At the commencement of a lease, Augusta Water measures the lease receivable as the present value of payments expected to be received during the lease term and reduces the receivable by the principal portion of lease payments received after satisfaction of accrued interest on the lease receivable, calculated using the effective interest method. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, then recognized on a straight-line basis as revenue over the lease term.

I. Compensated Absences

Augusta Water employees earn vacation and sick leave each month at a scheduled rate in accordance with the years of service. Accumulated unpaid vacation and other compensatory leave amounts are accrued when incurred. Sick leave vests at twenty-five percent of the value with a cap of 1,040 hours. The vested amount is recorded as a liability in the financial statements.

J. Other Significant Accounting Policies

- Accounts receivable are recorded when billed. Augusta Water utilizes the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded.
- Unbilled Accounts Receivable: Augusta Water uses the cycle method of billing customers for services. Under this method, customer billings are made by specified cycles established for the service area and each cycle billed during a specific week every other month. For financial statement purposes, actual billings made in July and August are prorated for services provided for the months of May and June and included as an unbilled receivable.
- Investments are stated at fair value. Investments in the Local Government Investment Pool are reported in the accompanying financial statements as cash equivalents since their average maturity may not exceed 90 days.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 1–Significant Accounting Policies: (Continued)

- Inventories of materials and supplies are stated at cost using the first-in, first-out method of valuation.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. Augusta Water currently has several items that qualify for reporting in the category. See Notes 8, 9 & 10 for details regarding these items.

In addition to liabilities the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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. Augusta Water currently has several items that qualify for reporting in the category. See Notes 8, 9 & 10 for details regarding these items.

L. Other Post-Employment Benefits-Health Care

The Health Care Plan is a single-employer plan. Differences between expected and actual experience and actuarial assumptions are amortized over the average of the expected remaining service lives of all employees that covered through this plan, which is 6.49 years. Plan amendments are recognized immediately.

M. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Augusta Water Retirement Plan and the additions to/deductions from the VRS Augusta Water Retirement Plan net fiduciary position have been determined on the same basis as they were reported by 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.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 1–Significant Accounting Policies: (Continued)

O. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets, net of related liabilities excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Augusta Water or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets were available.

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Reclassification

Certain prior year amounts have been reclassified in the Statement of Net Position for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

R. Subsequent Events

Augusta Water has evaluated subsequent events through December 7, 2023, which was the date the financial statements were available to be issued.

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 collateralization methods 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.

Custodial Credit Risk (Deposits)

This is the risk that in the event of a bank failure, Augusta Water’s deposits may not be returned to Augusta Water. Augusta Water requires all deposits to comply with the Virginia Security for Public Deposits Act. At year end, none of Augusta Water’s deposits were exposed to custodial credit risk.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 2—Deposits and Investments: (Continued)

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Augusta Water has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. Investments in the LGIP are stated at amortized cost and classified as cash and cash equivalents. The fair value of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year. Investments in LGIP are reflected in the accompanying financial statements as cash equivalents.

Custodial Credit Risk (Investments)

Augusta Water's investment policy provides that securities purchased for Augusta Water shall be held by the Augusta Water Treasurer or by the Treasurer's custodian. If held by a custodian, the securities must be in Augusta Water's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to Augusta Water. Further, if held by a custodian, the custodian must be a third-party, not a counterpart (buyer or seller) to the transaction. At June 30, 2023 all of Augusta Water's investments were held in accordance with this policy.

Credit Risk (Investments)

Augusta Water's investment policy for credit risk is consistent with the investments allowed by state statute as detailed above.

Augusta Water's rated debt investments as of June 30, 2023 were rated by Standard and Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Authority's Rated Investments' Values

		Fair Quality Ratings
		AAAm
LGIP	\$	6,655,138
LGIP--custodial fund		7,276,174
Money Market Mutual Fund		4,568,947
Total	\$	<u>18,500,259</u>

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 2—Deposits and Investments: (Continued)

Concentration of Credit Risk

Augusta Water's investment policy limits the investment in bankers' acceptances to 40% of total funds available for investment. Not more than 35% of Augusta Water's total investments may be in commercial paper and not more than 5% in the obligations of any one issuer in commercial paper. At June 30, 2023 all of Augusta Water's investments were held in accordance with this policy.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from increasing interest rates and to comply with the laws of the Commonwealth, Augusta Water's policy limits the investment of funds to investments with a stated maturity of no more than five years from the date of purchase. Interest rate risk does not apply to LGIP since it is an external investment pool classified in accordance with GASB Statement No. 79.

	Fair Value	Less Than 1 Year
LGIP	\$ 6,655,138	\$ 6,655,138
LGIP-Custodial Fund	7,276,174	7,276,174
Certificates of deposit	1,792,282	1,792,282
Money Market Mutual Fund	4,568,947	4,568,947

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

The Authority has the following recurring fair value measurements as of June 30, 2023:

- Certificates of deposit in the amount of \$1,792,282 are valued using quoted market prices (Level 1 inputs).
- Money market in the amount of \$4,568,947 are valued using quoted market prices (Level 1 inputs).

Note 3—Capital Assets and Depreciation/Amortization:

Effective July 1, 1968, Augusta Water adopted an accounting system to facilitate financial reporting on a basis generally used by municipally owned facilities. The previous accounting system which was prescribed by the Auditor of Public Accounts, Commonwealth of Virginia, for use in the counties of Virginia did not provide for the reporting of utility plant in service. Thus, it became necessary for Augusta Water to reconstruct its "capital outlay" expenditures for prior years and to place a value on property contributions from the County in order to fairly record and present the capital asset in service.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 3—Capital Assets and Depreciation/Amortization: (Continued)

The following method was used to value the property contributed by the County at July 1, 1966 and July 1, 1978. Actual costs of these facilities were obtained from the audited financial reports of the County. Replacement cost less depreciation was determined by appreciating actual costs at the rate of 5% per year and depreciating actual costs at the rate of 2% per year. Subdivisions dedicated to the County or Augusta Water were computed on a basis of pipe size, footage and estimated costs of fittings to arrive at a value at the date of acquisition.

Under this method of valuation, a total adjusted value of over \$5.3 million was obtained by Augusta Water by lease-purchase in consideration of the Authority's assumption of Sanitary District bonded debt in the amount of approximately \$1.1 million. The difference of \$4.2 million was recorded as a contribution in aid of construction.

Both the \$1.7 million cost of assets acquired by Augusta Water from the date of its inception to June 30, 1968 and the value of aforementioned assets contributed by the County have been distributed to the various capital asset accounts at the discretion of management. Since July 1, 1968, all additions to plant have been recorded in capital asset accounts.

A summary of changes in capital assets for the current and prior year follows:

	Balance July 1, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land and easements	\$ 1,963,404	\$ -	\$ -	\$ -	\$ 1,963,404
Construction in progress	3,626,347	5,607,670	-	(1,416,260)	7,817,757
Total capital assets not being depreciated	5,589,751	5,607,670	-	(1,416,260)	9,781,161
Capital assets being depreciated and amortized:					
Intangible right-to-use lease asset - office equipment	54,562	76,809	(8,454)	-	122,917
Intangible right-to-use lease asset - tower	21,567	-	-	-	21,567
Utility infrastructure	158,208,988	181,367	-	712,853	159,103,208
Buildings	6,460,277	-	-	14,502	6,474,779
Equipment and software	63,890,407	203,437	(9,381)	688,905	64,773,368
Vehicles and transportation equipment	4,022,168	247,195	(42,548)	-	4,226,815
Office furniture and fixtures	70,307	-	-	-	70,307
Total capital assets being depreciated/amortized	232,728,276	708,808	(60,383)	1,416,260	234,792,961
Less: accumulated depreciation and amortization for:					
Intangible right-to-use lease asset - office equipment	(15,896)	(24,003)	8,454	-	(31,445)
Intangible right-to-use lease asset - tower	(4,096)	(4,095)	-	-	(8,191)
Utility infrastructure	(61,946,609)	(3,009,074)	-	-	(64,955,683)
Buildings	(2,077,024)	(96,870)	-	-	(2,173,894)
Equipment and software	(40,074,632)	(2,959,781)	7,505	-	(43,026,908)
Vehicles and transportation equipment	(2,611,857)	(371,770)	42,548	-	(2,941,079)
Office furniture and fixtures	(68,637)	(556)	-	-	(69,193)
Total accumulated depreciation/amortization	(106,798,751)	(6,466,149)	58,507	-	(113,206,393)
Total capital assets being depreciated/amortized, net	125,929,525	(5,757,341)	(1,876)	1,416,260	121,586,568
Total capital assets, net	\$ 131,519,276	\$ (149,671)	\$ (1,876)	\$ -	\$ 131,367,729

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 3—Capital Assets and Depreciation/Amortization: (Continued)

	Balance July 1, 2021	Additions	Disposals	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land and easements	\$ 1,727,224	\$ 90,293	\$ (10,000)	\$ 155,887	\$ 1,963,404
Construction in progress	4,540,028	3,420,203	-	(4,333,884)	3,626,347
Total capital assets not being depreciated	6,267,252	3,510,496	(10,000)	(4,177,997)	5,589,751
Capital assets being depreciated and amortized:					
Intangible right-to-use lease asset - office equipment	54,562	-	-	-	54,562
Intangible right-to-use lease asset - tower	21,567	-	-	-	21,567
Utility infrastructure	154,962,973	103,268	-	3,142,747	158,208,988
Buildings	6,460,277	-	-	-	6,460,277
Equipment and software	62,696,891	265,647	(7,381)	935,250	63,890,407
Vehicles and transportation equipment	3,597,239	383,108	(58,179)	100,000	4,022,168
Office furniture and fixtures	70,307	-	-	-	70,307
Total capital assets being depreciated/amortized	227,863,816	752,023	(65,560)	4,177,997	232,728,276
Less: accumulated depreciation and amortization for:					
Intangible right-to-use lease asset - office equipment	-	(15,896)	-	-	(15,896)
Intangible right-to-use lease asset - tower	-	(4,096)	-	-	(4,096)
Utility infrastructure	(58,983,334)	(2,963,275)	-	-	(61,946,609)
Buildings	(1,980,154)	(96,870)	-	-	(2,077,024)
Equipment and software	(37,160,679)	(2,921,334)	7,381	-	(40,074,632)
Vehicles and transportation equipment	(2,316,046)	(353,990)	58,179	-	(2,611,857)
Office furniture and fixtures	(68,080)	(557)	-	-	(68,637)
Total accumulated depreciation/amortization	(100,508,293)	(6,356,018)	65,560	-	(106,798,751)
Total capital assets being depreciated/amortized, net	127,355,523	(5,603,995)	-	4,177,997	125,929,525
Total capital assets, net	\$ 133,622,775	\$ (2,093,499)	\$ (10,000)	\$ -	\$ 131,519,276

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 4—Construction in Progress:

Augusta Water has a number of uncompleted construction projects shown as an asset, Construction in Progress, at June 30, 2023 and 2022. Presented below are tables of the major categories of projects showing the expenses, transfers of completed projects to asset or expense accounts and the ending balances of each project at year end for the current and prior year:

Description	Balance July 1, 2022	Additions	Disposals/ Transfers	Balance June 30, 2023
Water Projects	\$ 2,591,534	\$ 2,438,609	\$ (264,275)	\$ 4,765,868
Sewer Projects	881,955	1,073,532	(1,059,989)	895,498
Other Projects	152,858	2,095,529	(91,996)	2,156,391
Total	<u>\$ 3,626,347</u>	<u>\$ 5,607,670</u>	<u>\$ (1,416,260)</u>	<u>\$ 7,817,757</u>

Description	Balance July 1, 2021	Additions	Disposals/ Transfers	Balance June 30, 2022
Water Projects	\$ 2,749,054	\$ 2,081,283	\$ (2,238,803)	\$ 2,591,534
Sewer Projects	1,648,703	1,228,333	(1,995,081)	881,955
Other Projects	142,271	110,587	(100,000)	152,858
Total	<u>\$ 4,540,028</u>	<u>\$ 3,420,203</u>	<u>\$ (4,333,884)</u>	<u>\$ 3,626,347</u>

Note 5—Leases:

Augusta Water is a lessee for leases of copiers, mail machines and towers. Most leases have terms that range from 1 to 5 years. The exercise of lease renewal options is at Augusta Water's discretion. Augusta Water monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease asset and liability if changes occur that are expected to significantly affect the amount of the lease liability.

Key estimates and judgements related to leases include the determination of a discount rate, lease term, lease payments, and residual value guarantees or other provisions as follows:

Discount Rate	When readily available or easily determinable, Augusta Water uses the interest rate charged by the lessor. If not readily available or easily determinable, Augusta Water uses its estimated incremental borrowing rate.
Lease Term	The lease term includes the non-cancellable period of the lease.
Lease Payments	Lease payments included in the measurement of the lease liability are comprised of fixed payments and, if applicable, the purchase option price Augusta Water is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with current and noncurrent liabilities on the Statement of Net Position.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 5—Leases: (Continued)

Details of leases in which Augusta Water is the lessee are as follows:

	Remaining Principal
Lease obligation for a copier. Augusta Water is required to make monthly principal and interest payments of \$187 through July 2026. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$10,383 during fiscal year 2022. The copier has an estimated useful life of forty-nine months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$6,403 and had accumulated amortization of \$3,980.	\$ 6,586
Lease obligation for a copier. Augusta Water is required to make monthly principal and interest payments of \$176 through August 2026. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$9,776 during fiscal year 2022. The copier has an estimated useful life of fifty months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$6,192 and had accumulated amortization of \$3,585.	6,361
Lease obligation for a copier. Augusta Water is required to make monthly principal and interest payments of \$125 through December 2026. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$6,979 during fiscal year 2022. The copier has an estimated useful life of fifty-four months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$4,886 and had accumulated amortization of \$2,094.	4,994
Lease obligation for a copier. Augusta Water is required to make monthly principal and interest payments of \$163 through February 2025. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$6,797 during fiscal year 2022. The copier has an estimated useful life of thirty-two months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$3,090 and had accumulated amortization of \$3,708.	3,182
Lease obligation for a copier. Augusta Water is required to make monthly principal and interest payments of \$192 through August 2024. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$6,934 during fiscal year 2022. The copier has an estimated useful life of twenty-six months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$2,555 and had accumulated amortization of \$4,379.	2,632
Lease obligation for a copier. Augusta Water is required to make monthly principal and interest payments of \$145 through February 2025. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$5,237 during fiscal year 2022. The copier has an estimated useful life of twenty-six months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$1,929 and had accumulated amortization of \$3,308.	1,988
Lease obligation for a tower lease. Augusta Water is required to make monthly principal and interest payments ranging from \$1,815 to \$2,156 through July 2027. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$12,096 during fiscal year 2022. The tower lease has an estimated useful life of six years. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$8,640 and had accumulated amortization of \$3,456.	9,210

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 5—Leases: (Continued)

Lease obligation for a tower lease. Augusta Water is required to make monthly principal and interest payments of \$2,548 through December 2024. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$9,471 during fiscal year 2022. The tower lease has an estimated useful life of three years. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$4,736 and had accumulated amortization of \$4,736. \$ 4,876

Lease obligation for a mail machine. Augusta Water is required to make quarterly principal and interest payments of \$2,504 through July 2027. The lease has an interest rate of 5.00%. An initial lease liability was recorded in the amount of \$44,060 during the current fiscal year. The mail machine lease has an estimated useful life of five years. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$37,451 and had accumulated amortization of \$6,609. 38,128

Lease obligation for a copier. Augusta Water is required to make quarterly principal and interest payments of \$479 through February 2028. The lease has an interest rate of 5.00%. An initial lease liability was recorded in the amount of \$25,370 during the current fiscal year. The copier lease has an estimated useful life of five years. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$23,679 and had accumulated amortization of \$1,692. 23,868

Lease obligation for a copier. Augusta Water is required to make quarterly principal and interest payments of \$139 through January 2027. The lease has an interest rate of 5.00%. An initial lease liability was recorded in the amount of \$7,380 during the current fiscal year. The copier lease has an estimated useful life of five years. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$5,289 and had accumulated amortization of \$2,091. 5,472

Total Leases **\$ 107,297**

The following table summarizes the total minimum lease payments due:

Year Ending June 30,	Principal	Interest
2024	\$ 29,580	\$ 4,123
2025	26,784	2,970
2026	23,407	1,889
2027	19,201	906
2028	8,325	165
Total minimum lease payments	\$ 107,297	\$ 10,053

Augusta Water is a lessor for a lease related to a communication tower. The lease term is for 20 years. The exercise of lease renewal options is at Augusta Water's discretion. Augusta Water monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease receivable and related deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable. Augusta Water will receive monthly payments ranging from \$2,852 to \$3,507 through October 2029. An initial lease receivable was recorded in the amount of \$277,300.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 5—Leases: (Continued)

Augusta Water is a lessor for a lease related to a communication tower. The lease term is for five years. The exercise of lease renewal options is at Augusta Water's discretion. Augusta Water monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease receivable and related deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable. Augusta Water will receive monthly payments ranging from \$14,400 to \$16,207 through February 2027. An initial lease receivable was recorded in the amount of \$66,008.

Augusta Water has a deferred inflow of resources associated with its leases that will be recognized as revenue over the term of the leases. As of June 30, 2023, the balance of the deferred inflow was \$263,555. Lease revenue for the year ended June 30, 2023 was \$46,478 and lease interest income for the same year was \$10,466.

Future minimum lease amounts as of June 30, 2023 are as follows:

Year(s) Ending June 30,	Principal	Interest
2024	\$ 41,729	\$ 9,053
2025	44,773	7,532
2026	47,976	5,898
2027	51,347	4,144
2028	38,198	2,263
2029-2030	54,532	1,172
Total minimum lease payments	\$ 278,555	\$ 30,062

Note 6—Long-Term Debt:

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year(s) Ending June 30,	Bonds		Other Obligations		Total Annual Debt Service
	Principal	Interest	Principal	Interest	
2024	\$ 2,970,120	\$ 291,204	\$ 179,020	\$ 21,951	\$ 3,462,295
2025	1,760,377	230,348	182,115	18,856	2,191,696
2026	1,597,659	188,226	185,262	15,709	1,986,856
2027	1,627,910	148,881	188,464	12,507	1,977,762
2028	1,668,138	108,654	191,722	9,249	1,977,763
2029-2033	3,421,402	104,973	393,442	8,500	3,928,317
2034-2037	70,979	-	-	-	70,979
Total per Financing Agreements	\$ 13,116,585	\$ 1,072,286	\$ 1,320,025	\$ 86,772	\$ 15,595,668

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 6—Long-Term Debt: (Continued)

Changes in long-term indebtedness for the current and previous years are as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due within one year
Revenue Bonds	\$ 16,019,113	\$ -	\$ (2,902,528)	\$ 13,116,585	\$ 2,970,120
Other obligations	1,496,004	-	(175,979)	1,320,025	179,020
Total long term debt	17,515,117	-	(3,078,507)	14,436,610	3,149,140
Compensated absences	809,304	521,895	(378,740)	952,459	378,740
Total long term liabilities	\$ 18,324,421	\$ 521,895	\$ (3,457,247)	\$ 15,389,069	\$ 3,527,880

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Revenue Bonds	\$ 19,524,250	\$ -	\$ (3,505,137)	\$ 16,019,113
Other obligations	1,665,900	-	(169,896)	1,496,004
Total long term debt	21,190,150	-	(3,675,033)	17,515,117
Compensated absences	642,376	440,910	(273,982)	809,304
Total long term liabilities	\$ 21,832,526	\$ 440,910	\$ (3,949,015)	\$ 18,324,421

Details of long-term indebtedness:

Revenue Bonds:

\$127,500 Water and Sewer Revenue Bond (Augusta Springs Filtration Project), Series 2000, issued through the Virginia Resources Authority, principal payable semi-annually beginning June 1, 2001 through December 1, 2030. No interest.

	<u>Remaining Principal</u>	<u>Principal Amount Due Within One Year</u>
	\$ 31,875	\$ 4,250

\$965,165 Water and Sewer Revenue Bond (Augusta Springs Tank Project), Series 2002, dated October 11, 2002 issued through the Virginia Resources Authority, principal payable semi-annually beginning November 1, 2003 through May 1, 2033. No interest.

321,722	32,172
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\$5,500,000 Water and Sewer System Revenue Bond (Fishersville WWTP Project), Series 2003, dated April 25, 2003 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning May 1, 2005 through November 1, 2024; interest rate 3.5%.

567,274	374,893
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AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 6—Long-Term Debt: (Continued)

\$140,500 Water and Sewer System Revenue Bond (Deerfield Project) issued through the Virginia Resources Authority, principal payable semi-annually through August 1, 2032. No interest.	\$ 44,491	\$ 4,683
\$264,650 Water and Sewer System Revenue Bond (Hodge Street Project) Series 2005, dated February 25, 2005 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning September 1, 2006 through September 1, 2025; interest rate 3.1%.	43,426	16,971
\$8,011,000 Water and Sewer System Revenue Refunding Bonds, Series 2015, dated September 30, 2005, principal and interest payable semi-annually beginning May 1, 2016 through November 1, 2023; interest rate 1.85%.	1,065,000	1,065,000
\$544,580 Water and Sewer System Revenue Bond (3 Membrane Filtration Projects), Series 2007A, dated May 9, 2007, issued through the Virginia Resources Authority, principal payable semi-annually beginning November 1, 2007 through May 1, 2037. No interest.	248,429	17,745
\$816,690 Water and Sewer System Revenue Bond (Harriston Tank Replacement) Series 2007B, dated June 19, 2007 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning November 1, 2008 through May 1, 2033; interest rate 0.5%.	345,453	33,774
\$17,028,808 Water and Sewer System Revenue Bond (Fishersville WWTP ENR Upgrade Project), Series 2007C, dated October 11, 2007 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning March 1, 2010 through September 1, 2029; interest rate 2.77%.	6,541,864	938,451
\$926,913 Water and Sewer System Revenue Bond (Churchville Filtration), Series 2009A, dated June 4, 2009 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning November 1, 2009 through May 1, 2029; interest rate 2.86%. Build America Bond (Direct Payment) election, 35% federal interest credit.	330,689	53,734
\$1,348,598 Water and Sewer System Revenue Bond (Berry Farm Filtration), Series 2009B, dated June 4, 2009 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning November 1, 2009 through May 1, 2029; interest rate 3.05%. Build America Bond (Direct Payment) election, 35% federal interest credit.	477,661	77,598
\$8,000,000 Water and Sewer System Revenue Bond (Stuarts Draft WWTP ENR Upgrade Project), Series 2009C, dated December 14, 2009 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning September 1, 2011 through March 1, 2031; interest rate 3.35%.	3,018,571	343,483
\$189,301 Water and Sewer System Revenue Bond (Dooms Water Energy and Efficiency Improvements), Series 2011, dated January 13, 2011 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning March 1, 2013 through March 1, 2033; interest rate 3%.	80,130	7,366
Total Revenue Bonds	13,116,585	2,970,120

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 6—Long-Term Debt: (Continued)

Agreement for \$3,235,798 of City of Staunton's bond issues for Middle River Sewage Treatment Plant, due in semi-annual installments of \$110,194 including principal and interest through March 1, 2030, interest computed at 3%.

	\$ 1,320,025	\$ 179,020
Total Other Obligations	<u>1,320,025</u>	<u>179,020</u>
Total Long-Term Indebtedness	<u>\$ 14,436,610</u>	<u>\$ 3,149,140</u>

Note 7—Compliance with Terms of Bond Resolution (2015 Refunding Issue):

Debt Service Coverage

Revenues for the fiscal year ended June 30, 2023 were adequate for the payment of operating expenses and satisfied the revenue covenant of the bond issue. The amount available for debt service was 2.92 times the actual debt service for the fiscal year, including service of long-term lease obligations and principal and interest on other debt service.

Events of Default

No event has occurred that would constitute an event of default under the terms of the 2015 Refunding Revenue Bonds and supplementary indentures of trust of the original 1994 bond issue.

Note 8—Other Postemployment Benefits-Health Insurance:

Augusta Water participates in a defined benefit single-employer health plan and Augusta Water employees are eligible for a limited amount of post-employment health and dental benefits as defined in Augusta Water's Board-approved Personnel Policy Manual. An actuarial study was conducted in fiscal year 2021 for future direct and implicit costs amortized over 6.49 years.

GASB Statement 75 addressed how local governments should account for and report their costs related to post-employment health care and other non-pension benefits. Historically, Augusta Water funded any retiree health benefit subsidies on a pay-as-you-go basis but GASB Statement 75 required Augusta Water to accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are earned, and record the unfunded actuarial accrued liability in order to account for the total future cost of post-employment benefits. This funding methodology mirrors the funding approach used for pension benefits.

A. Plan Description

Augusta Water administers a single-employer defined benefit healthcare plan that provides healthcare insurance for eligible retirees and their dependents through Augusta Water's group health insurance plan, which covers both active and retired members. Retirees who have five or more years of service with Augusta Water and are age 55 or older with full or reduced retirement benefits from the VRS Retirement System are eligible to remain in the healthcare plan at the blended premium rate with a \$2,500 per year maximum subsidy (paid by Augusta Water) until they are eligible for Medicare or unsubsidized when Medicare is available. Retirees and terminated employees can also elect COBRA coverage for up to eighteen months if previously enrolled in Augusta Water's health or dental insurance plans.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 8—Other Postemployment Benefits-Health Insurance: (Continued)

Eligible employees must elect coverage immediately upon retirement. Employees who terminate prior to retirement eligibility are not eligible for the health insurance. Dependents, including surviving spouses, are permitted access to medical coverage also. As of the end of the current fiscal year, there was retiree who participated in Augusta Water’s group insurance plan.

The plan does not issue a publicly available financial report. The contribution requirements of plan members are established and may be amended by the Authority’s Board of Directors.

There are not assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms:

	Number
Active members	107
Inactive members or beneficiaries currently receiving benefits	<u>4</u>
Total covered employees	<u><u>111</u></u>

B. Total OPEB Liability (TOL)

The Authority’s OPEB liability was measured as of June 30, 2023, and the total OPEB Liability was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.50%
Discount rate*	3.69%
Healthcare trend costs	5.75% for fiscal year 2023, decreasing 0.25% per year to an ultimate rate of 5.00%
Mortality Rates	RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional mortality improvement scale MP-2021

* Discount rates used to measure TOL were based on the Municipal GO AA 20-year yield curve as of the measurement date.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 8—Other Postemployment Benefits-Health Insurance: (Continued)

C. Changes in the Total OPEB Liability

	<u>Total OPEB Health Care Liability</u>
Balance at June 30, 2022	\$ 881,746
Changes for the Year:	
Service cost	64,321
Interest	18,253
Effect of assumption changes or other inputs	(278,144)
Benefit payments	<u>(170,000)</u>
Net changes	<u>(365,570)</u>
Balance at June 30, 2023	<u>\$ 516,176</u>

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents Augusta Water's Total OPEB Liability, calculated using the discount rate of 3.69%. It also presents what Augusta Water's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (2.69%) and one percentage point higher (4.69%) than the current rate.

	<u>1% Decrease (2.69%)</u>	<u>Current Discount Rate (3.69%)</u>	<u>1% Increase (4.69%)</u>
Total OPEB Liability	\$ 569,960	\$ 516,176	\$ 469,862

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.

The following presents the Authority's Total OPEB Liability, calculated using the current healthcare trend rates. It also presents what the Authority's Total OPEB Liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rate.

	<u>1% Decrease (4.75%)</u>	<u>Current Discount Rate (5.75%)</u>	<u>1% Increase (6.75%)</u>
Total OPEB Liability	\$ 465,380	\$ 516,176	\$ 574,442

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 8—Other Postemployment Benefits-Health Insurance: (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 165,437	\$ 105,086
Changes of assumptions	107,238	309,992
Employer contributions subsequent to the measurement date	<u>20,429</u>	<u>-</u>
Total	<u>\$ 293,104</u>	<u>\$ 415,078</u>

The \$20,429 reported as deferred outflows of resources related to the OPEB Health Insurance resulting from the employer’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 the OPEB Health Insurance will be recognized in the OPEB Health Insurance expense in future reporting periods as follows:

<u>Year Ending June 30</u>	
2024	\$ (64,793)
2025	(58,626)
2026	(26,042)
2027	(12,071)
2028	19,129
	<u>\$ (142,403)</u>

The OPEB Health Care plan issues a stand-alone report that can be obtained by writing the Director of Finance of Augusta Water at P.O. Box 859, Verona, VA 24482 or by email at finance@augustawater.com.

Note 9—Group Life Insurance Program:

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost sharing plan

A. Plan Description

All full-time, salaried permanent employees of Augusta Water are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI program. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the 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.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 9—Group Life Insurance Program: (Continued)

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none">• Natural Death Benefit – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Seatbelt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p>Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 COLA calculation. The minimum benefit adjusted for COLA was \$8,984 as of June 30, 2023.</p>

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 9—Group Life Insurance Program: (Continued)

of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from Augusta Water were \$33,178 and \$28,894 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth make a special contribution of \$30.4 million to the GLI plan. The special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2023, Augusta Water reported a liability of \$289,960 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was \$289,960 or 0.02408% as compared to \$280,738 or 0.02411% at June 30, 2021.

For the year ended June 30, 2023, Augusta Water recognized GLI OPEB expense of \$9,512. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 23,201	\$ 11,755
Net difference between projected and actual earnings on GLI OPEB program investments	-	18,308
Changes of assumptions	10,928	28,539
Changes in proportion	2,216	6,912
Employer contributions subsequent to the measurement date	<u>33,178</u>	<u>-</u>
Total	<u>\$ 69,523</u>	<u>\$ 65,514</u>

The information above is derived from the actuarial valuation report for Augusta Water. Augusta Water has recorded a net GLI OPEB liability of \$289,960 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal years 2014-2022. Augusta Water's percentage of total contributions to the plan was 88.42 percent. This percentage was used to allocate a portion of the net GLI OPEB liability to Augusta Water.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 9—Group Life Insurance Program: (Continued)

The \$33,178 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30

2024	\$	(5,832)
2025		(5,832)
2026		(5,832)
2027		(5,832)
2028		(5,841)
	\$	<u>(29,169)</u>

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5%
Salary increases, including inflation: Locality – general employees	3.5%-5.35%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

Mortality Rates – Largest 10 Locality Employers - General Employees

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

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

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

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

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

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 9—Group Life Insurance Program: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI is as follows (amounts expressed in thousands):

	<u>GLI OPEB Program</u>
Total GLI OPEB liability	\$ 3,672,085
Plan fiduciary net position	<u>2,467,989</u>
Employers’ net GLI OPEB liability	<u>\$ 1,204,096</u>

Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.21%
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The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 9—Group Life Insurance Program: (Continued)

F. Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions.

**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%.

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the Landfill for the VRS GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 9—Group Life Insurance Program: (Continued)

H. Sensitivity of the Landfill’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority’s proportionate share of the GLI net OPEB liability	\$ 421,926	\$ 289,960	\$ 183,314

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI’s Fiduciary Net Position is available in the separately issued VRS 2022 Comprehensive Annual Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 10—Pension Plan:

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of Augusta Water are automatically covered by VRS Retirement Plan upon employment. This 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 benefit structures has a 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/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 10—Pension Plan: (Continued)

B. Employees Covered by Benefit Terms (All Augusta Water employees including the Landfill)

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

	<u>Number</u>
Retirees and Beneficiaries	71
Inactive Vested Members	14
Inactive Nonvested Members	27
Long Term Disability	0
Active Elsewhere in VRS	17
Total Inactive Members	<u>129</u>
Active Members	<u>107</u>
Total Covered Employees	<u><u>236</u></u>

The totals above are reflective of both Augusta Water and Landfill employees. Separate data is not available for each entity.

C. Contributions

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

Augusta Water's contractually required contribution rate for the year ended June 30, 2023 was 5.45% for Plan 1, Plan 2 and the Hybrid Plan 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 an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$294,260 and \$317,165 for the years ended June 30, 2023 and June 30, 2022, respectively.

D. Net Pension Liability

The net pension liability (NPL) 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.

Augusta Water's 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.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 10—Pension Plan: (Continued)

E. Actuarial Assumptions

The total pension liability for the Authority's retirement plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to 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

- Pre-retirement	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
- Post-retirement	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
- Post-disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
- Beneficiaries	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

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

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

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 10—Pension Plan: (Continued)

F. Long-Term Expected Rate of Return: (Continued)

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

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

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

G. 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 fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater.

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 10—Pension Plan: (Continued)

From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

H. Changes in the Net Pension (Asset)/Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)/Liability
Balance at June 30, 2021	\$ 18,833,874	\$ 19,559,859	\$ (725,985)
Changes for the Year:			
Service cost	410,788	-	410,788
Interest	1,276,848	-	1,276,848
Difference between expected and actual experience	(533,553)	-	(533,553)
Contributions – employer	-	317,165	(317,165)
Contributions – employee	-	251,185	(251,185)
Net investment income	-	(21,247)	21,247
Benefit payments, including refunds of employee contributions	(830,277)	(830,277)	-
Administrative expense	-	(12,219)	12,219
Other changes	-	454	(454)
Net changes	323,806	(294,939)	618,745
Balance at June 30, 2022	\$ 19,157,680	\$ 19,264,920	\$ (107,240)

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

The following presents the net position liability of the Authority, calculated using the discount rate of 6.75%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's net pension (asset) liability	\$2,573,957	\$(107,240)	\$(2,230,125)

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 10—Pension Plan: (Continued)

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

For the year ended June 30, 2023, Augusta Water recognized pension expense of \$4,940. Augusta Water also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 1,380,382	\$ 1,937,404
Differences between expected and actual experience	175,883	447,993
Changes of assumptions	226,202	-
Employer contributions subsequent to the measurement date	<u>294,260</u>	<u>-</u>
Total	<u>\$ 2,076,727</u>	<u>\$ 2,385,397</u>

The \$294,260 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2024	\$ (142,154)
2025	(285,745)
2026	(442,491)
2027	267,460
	<u>\$ (602,930)</u>

J. Pension Plan Fiduciary Net Position

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

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 11—Commitments and Contingencies:

Construction Contracts

Augusta Water is obligated under professional and construction contracts at year-end, as follows:

<u>Major Projects</u>	<u>Contracts</u>	<u>Remaining Commitment</u>
Water		
Substandard Waterlines	\$ 136,500	\$ 136,500
		<u>136,500</u>
Sewer		
Treatment Plant Equipment	65,694	65,694
Inflow & Infiltration	19,470	19,470
		<u>85,164</u>
Other		
Field Operations Building	1,871,378	845,347
Lab Testing/Supplies	45,829	45,829
Software	89,916	19,304
		<u>910,480</u>
Total Augusta Water Contract Commitments	\$	<u>1,132,144</u>

Note 12—Risk Management:

Augusta Water is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Augusta Water carries commercial insurance for these risks of loss including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Health Insurance

Augusta Water employees, retirees and employee dependents are eligible for medical benefits from a health insurance internal-service fund. Funding is provided by charges to Augusta Water departments, employees and retirees. The program is supplemented by stop loss protection, which limits Augusta Water's annual liability.

Based on the requirements of GASB Statement No. 10, Augusta Water records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2023.

<u>Year Ended</u>	<u>Beginning Liability</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Liability</u>
June 30, 2023	\$ 855,079	\$ 1,499,812	\$ 967,656	\$ 1,387,235

AUGUSTA WATER

NOTES TO FINANCIAL STATEMENTS

Note 13– Pending GASB Statements

At June 30, 2023, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by Augusta Water. The statements which might impact Augusta Water are as follows:

GASB Statement No. 99, *Omnibus 2022*, will enhance comparability in accounting and financial reporting and 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 portion of Statement No. 99 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The portion of the Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement No. 101 will be effective for fiscal years beginning after December 15, 2023.

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

REQUIRED SUPPLEMENTARY INFORMATION

AUGUSTA WATER

SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Total pension liability										
Service cost	\$ 403,495	\$ 391,011	\$ 396,575	\$ 397,063	\$ 387,563	\$ 411,733	\$ 452,803	\$ 450,914	\$ 410,788	
Interest	816,293	864,660	916,370	976,743	1,013,714	1,061,198	1,096,194	1,179,241	1,276,848	
Changes of assumptions	-	-	-	(289,030)	-	477,891	-	395,899	-	
Difference between expected and actual experience	-	5,646	118,858	38,456	(82,067)	(167,044)	547,475	(120,023)	(533,553)	
Benefit payments, including refunds of employee contributions	(556,519)	(518,411)	(545,396)	(583,150)	(637,314)	(662,036)	(764,543)	(979,981)	(830,277)	
Net change in total pension liability	663,269	742,906	886,407	540,082	681,896	1,121,742	1,331,929	926,050	323,806	
Total pension liability - beginning	11,939,593	12,602,862	13,345,768	14,232,175	14,772,257	15,454,153	16,575,895	17,907,824	18,833,874	
Total pension liability - ending (a)	\$ 12,602,862	\$ 13,345,768	\$ 14,232,175	\$ 14,772,257	\$ 15,454,153	\$ 16,575,895	\$ 17,907,824	\$ 18,833,874	\$ 19,157,680	
Plan fiduciary net position										
Contributions - employer	\$ 351,778	\$ 332,040	\$ 345,634	\$ 277,763	\$ 284,723	\$ 229,602	\$ 229,194	\$ 298,932	\$ 317,165	
Contributions - employee	200,727	204,396	212,681	221,797	229,787	234,980	237,604	237,908	251,185	
Net investment income	1,620,011	545,851	219,361	1,540,306	1,040,954	999,512	299,597	4,278,690	(21,247)	
Benefit payments, including refunds of employee contributions	(556,519)	(518,411)	(545,396)	(583,150)	(637,314)	(662,036)	(764,543)	(979,981)	(830,277)	
Administrative expense	(8,634)	(7,344)	(7,643)	(8,809)	(8,922)	(9,853)	(10,317)	(10,785)	(12,219)	
Other	85	(115)	(92)	(1,374)	(930)	(630)	(355)	402	454	
Net change in plan fiduciary net position	1,607,448	556,417	224,545	1,446,533	908,298	791,575	(8,820)	3,825,166	(294,939)	
Plan fiduciary net position - beginning	10,208,697	11,816,145	12,372,562	12,597,107	14,043,640	14,951,938	15,743,513	15,734,693	19,559,859	
Plan fiduciary net position - ending (b)	\$ 11,816,145	\$ 12,372,562	\$ 12,597,107	\$ 14,043,640	\$ 14,951,938	\$ 15,743,513	\$ 15,734,693	\$ 19,559,859	\$ 19,264,920	
Authority's net pension liability - ending (a) - (b)	\$ 786,717	\$ 973,206	\$ 1,635,068	\$ 728,617	\$ 502,215	\$ 832,382	\$ 2,173,131	\$ (725,985)	\$ (107,240)	
Plan fiduciary net position as a percentage of the total pension liability	93.8%	92.7%	88.5%	95.1%	96.8%	95.0%	87.9%	103.9%	100.6%	
Covered payroll	\$ 3,943,903	\$ 4,103,117	\$ 4,382,405	\$ 4,596,992	\$ 4,775,526	\$ 4,900,710	\$ 4,987,345	\$ 5,030,752	\$ 5,350,673	
Authority's net pension liability as a percentage of covered payroll	19.95%	23.72%	37.31%	15.85%	10.52%	16.98%	43.57%	-14.43%	-2.00%	

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Augusta Water will present information for those years for which information is available.
- (2) The information on this schedule is derived from the actuarial valuation report for Augusta Water, which consolidated information for both Augusta Water and Landfill employees. Amounts have been allocated between the Augusta Water and the Landfill based on the contributions for each entity.

AUGUSTA WATER

SCHEDULE OF AUTHORITY CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	\$ 351,778	\$ 332,040	\$ 345,634	\$ 277,763	\$ 284,723	\$ 229,602	\$ 229,194	\$ 298,932	\$ 317,165	\$ 294,260
Contributions in relation to the CRC	351,778	332,040	345,634	277,763	284,723	229,602	229,194	298,932	317,165	294,260
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,943,903	\$ 4,103,117	\$ 4,382,405	\$ 4,596,992	\$ 4,775,526	\$ 4,900,710	\$ 4,987,345	\$ 5,030,752	\$ 5,350,673	\$ 6,144,051
Contributions as a percentage of covered payroll	8.92%	8.09%	7.89%	6.04%	5.96%	4.69%	4.60%	5.94%	5.93%	4.79%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Augusta Water will present information for those years for which information is available.
- (2) The information on this schedule is derived from the actuarial valuation report for Augusta Water, which consolidated information for both Augusta Water and Landfill employees. Amounts have been allocated between Augusta Water and the Landfill based on the contributions for each entity.

AUGUSTA WATER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM

Note 1. Change of Benefit Terms

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 were based on the results of an actuarial experience study for the period 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 assumption as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty

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

AUGUSTA WATER

SCHEDULE OF CHANGES IN TOTAL OPEB HEALTH INSURANCE AND RELATED RATIOS

	Fiscal Year June 30,					
	2018	2019	2020	2021	2022	2023
Total OPEB Health Care liability:						
Service cost	\$ 63,357	\$ 66,136	\$ 49,811	\$ 49,938	\$ 55,629	\$ 64,321
Interest	39,923	41,445	34,081	25,407	19,992	18,253
Changes of benefit terms	-	(22,853)	-	-	-	-
Differences between expected and actual experience	-	(85,536)	(196,622)	68,336	114,734	58,236
Changes in assumptions	-	(149,027)	35,830	55,195	85,182	(336,380)
Benefit payments	(25,762)	(98,700)	(36,710)	(142,000)	(241,000)	(170,000)
Net change in total OPEB liability	77,518	(248,535)	(113,610)	56,876	34,537	(365,570)
Total OPEB Health Care liability - beginning	1,074,960	1,152,478	903,943	790,333	847,209	881,746
Total OPEB Health Care liability - ending	\$ 1,152,478	\$ 903,943	\$ 790,333	\$ 847,209	\$ 881,746	\$ 516,176
Plan Fiduciary Net Position:						
Contributions - employer	\$ 25,762	\$ 98,700	\$ 36,710	\$ 142,000	\$ 241,000	\$ 170,000
Benefit payments, including refunds of employee	(25,762)	(98,700)	(36,710)	(142,000)	(241,000)	(170,000)
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPEB Health Care liability - ending (a) - (b)	\$ 1,152,478	\$ 903,943	\$ 790,333	\$ 847,209	\$ 881,746	\$ 516,176
Plan fiduciary net position as a percentage of the total Covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total OPEB liability as a percentage of covered payroll	\$ 4,438,441	\$ 4,509,525	\$ 4,952,392	\$ 4,964,859	\$ 5,150,010	\$ 5,150,010
	25.97%	20.05%	15.96%	17.06%	17.12%	10.02%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Augusta Water will present information for those years which information is available.
- (2) There are not assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

AUGUSTA WATER

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS – OPEB – HEALTH INSURANCE

	Fiscal Year June 30,					
	2018	2019	2020	2021	2022	2023
Actuarially determined contributions (ADC)	\$ 56,420	\$ 85,535	\$ 32,334	\$ 124,406	\$ 241,000	\$ 170,000
Contributions in relation to the ADC	25,762	98,700	36,710	142,000	241,000	170,000
Contribution deficiency (excess)	\$ 30,658	\$ (13,165)	\$ (4,376)	\$ (17,594)	\$ -	\$ -
Covered-employee payroll	\$ 4,438,441	\$ 4,509,525	\$ 4,952,392	\$ 4,964,859	\$ 5,150,010	\$ 5,150,010
Contributions as a percentage of covered employee payroll	0.58%	2.19%	0.74%	2.86%	4.68%	3.30%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Augusta Water will present information for those years which information is available.

AUGUSTA WATER

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	\$ 23,904	\$ 24,833	\$ 25,484	\$ 25,949	\$ 27,166	\$ 28,894	\$ 33,178
Contributions in relation to the CRC	23,904	24,833	25,484	25,949	27,166	28,894	33,178
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,596,992	\$ 4,775,526	\$ 4,900,710	\$ 4,987,345	\$ 5,030,752	\$ 5,350,673	\$ 6,144,051
Contributions as a percentage of covered payroll	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Augusta Water will present information for those years for which information is available.
- (2) The information on this schedule is derived from the actuarial valuation report for Augusta Water, which consolidated information for both Augusta Water and Landfill employees. Amounts have been allocated between Augusta Water and the Landfill based on the contributions for each entity.

AUGUSTA WATER

SCHEDULE OF AUTHORITY'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,					
	2017	2018	2019	2020	2021	2022
Total Group Life Insurance OPEB Liability						
Authority's Portion of the Net GLI OPEB Liability	0.02492%	0.02494%	0.02494%	0.02404%	0.02411%	0.02408%
Authority's Proportionate Share of the Net GLI OPEB Liability	\$ 375,460	\$ 378,761	\$ 403,947	\$ 401,113	\$ 280,738	\$ 289,960
Authority's Covered Payroll	\$ 4,596,992	\$ 4,775,526	\$ 4,900,710	\$ 4,987,345	\$ 5,030,752	\$ 5,350,673
Authority's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.17%	7.93%	8.24%	8.04%	5.58%	5.42%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Augusta Water will present information for those years for which information is available.
- (2) The information on this schedule is derived from the actuarial valuation report for Augusta Water, which consolidated information for both Augusta Water and Landfill employees. Amounts have been allocated between Augusta Water and the Landfill based on the contributions for each entity.

AUGUSTA WATER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS

Note 1. Health Care

A. Changes of Benefit Terms

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

B. Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2022	3.69%
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Note 2. Group Life Insurance Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period 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 assumption as a result of the experience study and VRS Board action are as follows:

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

SUPPLEMENTARY SCHEDULES

SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenue:			
Water:			
Water sales	\$ 9,855,270	\$ 9,976,176	\$ 120,906
Water hook-up fees	83,820	106,461	22,641
Total Water Revenues	<u>9,939,090</u>	<u>10,082,637</u>	<u>143,547</u>
Sewer:			
Sewer sales	11,028,159	11,371,187	343,028
Reimbursements/septage	1,847,810	1,968,902	121,092
Sewer hook-up fees	55,250	51,450	(3,800)
Total Sewer Revenues	<u>12,931,219</u>	<u>13,391,539</u>	<u>460,320</u>
Other Revenues:			
Penalties	160,000	295,413	135,413
Other fees	147,260	353,595	206,335
Total Other Revenues	<u>307,260</u>	<u>649,008</u>	<u>341,748</u>
Total Operating Revenue	<u>23,177,569</u>	<u>24,123,184</u>	<u>945,615</u>
Nonoperating Revenues:			
Interest earned	42,000	407,859	365,859
Gain on disposal of assets	-	8,274	8,274
Availability fees from customers and developers	707,450	911,960	204,510
State contributions	-	7,499	7,499
Contributions of dedicated infrastructure	-	181,367	181,367
Total Nonoperating Revenue	<u>749,450</u>	<u>1,516,959</u>	<u>767,509</u>
Total Revenue	<u>\$ 23,927,019</u>	<u>\$ 25,640,143</u>	<u>\$ 1,713,124</u>

SCHEDULE OF EXPENSES – BUDGET AND ACTUAL
Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Expenses:			
Water Expenses:			
Water supply-wholesale purchases	\$ 1,196,808	\$ 1,274,399	\$ (77,591)
Water production and treatment	1,282,394	1,351,446	(69,052)
Water testing and lab	15,006	15,506	(500)
Water line maintenance	692,867	608,779	84,088
Water line location	91,702	91,349	353
Service connection maintenance	390,890	368,006	22,884
Cross connection control	12,681	15,138	(2,457)
Water meter replacement	-	1,959	(1,959)
Hydrant maintenance	95,733	110,214	(14,481)
Water pumping booster stations	135,329	206,754	(71,425)
Water storage tanks	52,612	66,833	(14,221)
Safety training - water	4,300	927	3,373
	<u>3,970,322</u>	<u>4,111,310</u>	<u>(140,988)</u>
Total Water Expenses			
Sewer Expenses:			
Purchased sewage treatment	364,431	348,445	15,986
Sewage treatment	3,999,490	4,424,742	(425,252)
Inflow and infiltration	164,961	120,316	44,645
Sewer line maintenance	185,599	215,655	(30,056)
Sewer line connection	42,587	56,560	(13,973)
Sludge management	327,043	265,990	61,053
Sewer pumping stations	313,863	327,248	(13,385)
Pretreatment program and testing	48,300	38,563	9,737
Safety training - sewer	2,131	2,619	(488)
Laboratory	389,015	354,253	34,762
	<u>5,837,420</u>	<u>6,154,391</u>	<u>(316,971)</u>
Total Sewer Expenses			

SCHEDULE OF EXPENSES – BUDGET AND ACTUAL
Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Administration and General Expenses:			
Board members	\$ 13,168	\$ 10,726	\$ 2,442
Administration	1,130,941	688,444	442,497
Field Office	410,533	431,215	(20,682)
Engineering, GIS and Information Technology	1,378,026	1,381,891	(3,865)
Finance	430,367	404,287	26,080
Meter reading and customer service	941,391	938,257	3,134
Purchasing and risk management	491,928	279,066	212,862
Facility and vehicle maintenance	1,035,707	861,840	173,867
Reimbursable customer projects	3,315	75,522	(72,207)
Total administration and general expenses	<u>5,835,376</u>	<u>5,071,248</u>	<u>764,128</u>
Depreciation and amortization	<u>6,500,000</u>	<u>6,466,149</u>	<u>33,851</u>
Total Operating Expenses	<u>22,143,118</u>	<u>21,803,098</u>	<u>340,020</u>
Nonoperating Expense:			
Interest expense	<u>397,312</u>	<u>383,385</u>	<u>13,927</u>
Total Non-Operating Expense	<u>397,312</u>	<u>383,385</u>	<u>13,927</u>
Total Expenses	<u>\$ 22,540,430</u>	<u>\$ 22,186,483</u>	<u>\$ 353,947</u>

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STATISTICAL SECTION

Statistical Section

This part of Augusta County Service Authority's comprehensive annual financial report presents detailed and unaudited information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents

Financial Trends (Tables 1-7) Pages 62 - 69

These tables contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time as well as show how the revenue and expenses are split between the water and sewer departments.

Revenue Trends and Capacity (Tables 8-14) Pages 70 - 76

These tables contain trend information to help the reader assess the Authority's most significant revenue sources, user rates, and the growth in water and sewer connections.

Debt Service Trends and Capacity (Tables 15-16) Pages 77 - 78

These tables present trend information to help the reader assess the Authority's current levels of outstanding debt and the capacity to acquire additional debt with appropriate revenue coverage.

Demographic and Economic Information (Tables 17-19) Pages 79 - 81

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

Operating Information (Table 20) Page 82

This table contains service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the government provides and the activities it performs.

Sources:

Unless otherwise noted, the information in these tables is derived from the audited financial reports for the relevant year.

AUGUSTA WATER

Table 1

NET POSITION BY COMPONENT
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
2023	\$ 116,578,683	\$ 3,107,187	\$ 23,104,990	\$ 142,790,860
2022	113,818,762	2,861,648	22,656,790	139,337,200
2021	111,854,004	2,782,631	20,621,217	135,257,852
2020	109,681,528	2,704,234	18,300,199	130,685,961
2019	106,283,380	2,629,868	17,512,607	126,425,855
2018	104,798,259	2,519,714	15,144,655	122,462,628
2017	103,838,314	2,366,571	14,635,088	120,839,973
2016	101,655,326	2,278,110	14,402,179	118,335,615
2015	100,159,026	2,271,890	13,574,469	116,005,385
2014	98,295,165	2,173,816	14,751,053	115,220,034
Average annual increase	2.13%	3.84%	3.10%	2.25%

AUGUSTA WATER

Table 2

**CHANGES IN NET POSITION
Last Ten Fiscal Years (Unaudited)**

Fiscal Year Ended June 30,	Operating Revenues (1)	Operating Expenses (2)	Operating Income	Total Nonoperating Revenues/ (Expenses), net (3)	Income/ (Loss) before Capital Contributions & Special Items	Capital Contributions (4)	Change in Net Position
2023	\$ 24,123,184	\$ 21,803,098	\$ 2,320,086	\$ 40,247	\$ 2,360,333	\$ 1,093,327	\$ 3,453,660
2022	22,839,114	19,537,655	3,301,459	(349,773)	2,951,686	1,127,662	4,079,348
2021	21,917,322	18,602,900	3,314,422	(473,060)	2,841,362	1,730,529	4,571,891
2020	21,441,016	18,496,342	2,944,674	(437,140)	2,507,534	1,752,572	4,260,106
2019	20,667,553	17,192,759	3,474,794	(582,243)	2,892,551	1,070,676	3,963,227
2018	19,511,124	17,766,147	1,744,977	(896,420)	848,557	1,175,059	2,023,616
2017	18,981,403	16,756,480	2,224,923	(864,107)	1,360,816	1,143,542	2,504,358
2016	18,264,715	15,987,419	2,277,296	(1,056,641)	1,220,655	1,109,575	2,330,230
2015	16,781,297	15,233,744	1,547,553	(1,182,809)	364,744	1,799,723	2,164,467
2014	15,445,281	14,993,048	452,233	(1,412,547)	(960,314)	1,867,077	906,763
Average	\$ 19,997,201	\$ 17,636,959	\$ 2,360,242	\$ (721,449)	\$ 1,638,792	\$ 1,386,974	\$ 3,025,767

- (1) Details on Table 3
- (2) Details on Table 4
- (3) Details on Table 5
- (4) Details on Table 6

AUGUSTA WATER

Table 3

**OPERATING REVENUES BY SOURCE
Last Ten Fiscal Years (Unaudited)**

Fiscal Year Ended June 30,	Water			Sewer				Other Revenue	Total
	Rate Revenue	Hook-up Fees	Total	Rate Revenue	WWTP Reim- bursement & Septage	Hook-up Fees	Total		
2023	\$ 9,976,176	\$ 106,461	\$ 10,082,637	\$ 11,371,187	\$ 1,968,902	\$ 51,450	\$ 13,391,539	\$ 649,008	\$ 24,123,184
2022	9,750,873	105,445	9,856,318	11,267,147	1,132,432	44,250	12,443,829	538,967	22,839,114
2021	9,305,038	115,119	9,420,157	10,917,824	1,165,866	50,744	12,134,434	362,731	21,917,322
2020	9,030,122	110,618	9,140,740	10,511,305	1,327,656	36,232	11,875,193	425,083	21,441,016
2019	8,658,863	80,875	8,739,738	10,285,423	1,136,146	48,307	11,469,876	457,939	20,667,553
2018	8,305,768	118,266	8,424,034	9,369,570	1,193,716	66,026	10,629,312	457,778	19,511,124
2017	7,995,430	110,720	8,106,150	9,008,213	1,246,445	52,709	10,307,367	567,886	18,981,403
2016	7,652,331	84,111	7,736,442	8,649,915	1,187,864	50,905	9,888,684	639,589	18,264,715
2015	7,144,729	93,088	7,237,817	7,937,903	1,085,140	81,935	9,104,978	438,502	16,781,297
2014	6,639,111	85,671	6,724,782	7,188,594	968,616	51,630	8,208,840	511,659	15,445,281
Average annual increase	4.69%	n/a	4.68%	5.41%	9.41%	n/a	5.64%	3.44%	5.07%

Other Revenue includes penalties, service call and inspection fees, fees for inspection and minor customer-requested operational projects, and rent for cell towers on several water tanks.

AUGUSTA WATER

Table 4

**OPERATING EXPENSES BY DIVISION
Last Ten Fiscal Years (Unaudited)**

Fiscal Year Ended June 30,	Water	Sewer	Administrative/ General	Depreciation and Amortization	Total
2023	\$ 4,111,310	\$ 6,154,391	\$ 5,071,248	\$ 6,466,149	\$ 21,803,098
2022	3,708,807	5,314,345	4,158,485	6,356,018	19,537,655
2021	3,469,363	4,872,229	4,089,978	6,171,330	18,602,900
2020	3,810,921	4,618,612	4,193,096	5,873,713	18,496,342
2019	3,364,941	4,451,221	3,643,183	5,733,414	17,192,759
2018	3,621,816	4,206,698	4,277,619	5,660,014	17,766,147
2017	3,454,784	4,098,477	3,572,900	5,630,319	16,756,480
2016	3,263,232	3,831,584	3,443,433	5,449,170	15,987,419
2015	3,052,444	3,648,285	3,253,828	5,279,187	15,233,744
2014	2,749,110	3,519,837	3,490,079	5,234,022	14,993,048
Average annual increase	4.06%	5.71%	6.23%	2.35%	4.25%

NONOPERATING REVENUES AND EXPENSES
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Interest Earned	Gain (loss) on Disposal of Assets	State Contributions	Interest Expense	Total Nonoperating Revenue/ (Expenses), net
2023	\$ 407,859	\$ 8,274	\$ 7,499	\$ (383,385)	\$ 40,247
2022	67,243	52,360	-	(469,376)	(349,773)
2021	55,400	51,348	-	(579,808)	(473,060)
2020	220,989	23,273	-	(681,402)	(437,140)
2019	252,668	(54,762)	-	(780,149)	(582,243)
2018	123,276	(143,435)	-	(876,261)	(896,420)
2017	77,242	28,360	-	(969,709)	(864,107)
2016	60,963	(1,066)	-	(1,116,538)	(1,056,641)
2015	58,042	(9,112)	-	(1,231,739)	(1,182,809)
2014	74,042	(4,173)	-	(1,482,416)	(1,412,547)
Average	\$ 139,772	\$ (4,893)	\$ 750	\$ (857,078)	\$ (721,449)

CAPITAL CONTRIBUTIONS AND GRANTS
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Water and Sewer Availability Fees	Augusta County Contributions & Dedications	Federal or State Grants and Dedications	City of Staunton & Developer Dedications	Total Capital Contributions and Grants
2023	\$ 911,960	\$ -	\$ -	\$ 181,367	\$ 1,093,327
2022	1,024,394	-	-	103,268	1,127,662
2021	1,348,522	-	-	382,007	1,730,529
2020	1,392,368	-	2,599	357,605	1,752,572
2019	918,937	-	-	151,739	1,070,676
2018	1,060,549	60,000	54,510	-	1,175,059
2017	966,193	45,000	132,349	-	1,143,542
2016	1,072,823	-	36,752	-	1,109,575
2015	1,421,658	5,624	28,250	344,191	1,799,723
2014	758,946	54,238	64,340	989,553	1,867,077
Average	\$ 1,087,635	\$ 16,486	\$ 31,880	\$ 250,973	\$ 1,386,974

Availability fees are collected for new and/or reserved water and sewer connections to pay for capacity related infrastructure improvements. Generally, these fees represent cash payments (100% payment on single lots or 10% downpayment or the balance due on major subdivision projects).

Developer dedications reflect the significant amount of construction in Augusta County and the dedication of infrastructure by the developers after they have met Augusta Water construction standards. Examples of infrastructures dedicated are sewer and water lines, pump stations, water tanks, and waste water treatment plants as well as the land or permanent easements on which this infrastructure is placed.

SCHEDULE OF OPERATING REVENUES AND EXPENSES SPLIT BETWEEN WATER AND SEWER
Year Ended June 30, 2023 (Unaudited)

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Rate-driven revenues	\$ 9,976,176	\$ 11,371,187	\$ 21,347,363
Septage and Regional WWTP Reimbursements	-	1,968,902	1,968,902
Hook-up fees	106,461	51,450	157,911
Miscellaneous income	402,817	246,191	649,008
Total Operating Revenues	<u>10,485,454</u>	<u>13,637,730</u>	<u>24,123,184</u>
Operating Expenses:			
Water Operations:			
Water supply, wholesale purchases	1,274,399	-	1,274,399
Water production, treatment and testing	1,366,952	-	1,366,952
Water line maintenance	608,779	-	608,779
Water line location	91,349	-	91,349
Service connection maintenance	368,006	-	368,006
Cross connection control	15,138	-	15,138
Water meter replacement and testing	1,959	-	1,959
Hydrant maintenance	110,214	-	110,214
Water pumping booster stations	206,754	-	206,754
Water storage tanks	66,833	-	66,833
Safety training - water	927	-	927
Total Water Operations Expenses	<u>4,111,310</u>	<u>-</u>	<u>4,111,310</u>
Sewer Operations:			
Purchased sewage treatment	-	348,445	348,445
Sewage treatment	-	4,424,742	4,424,742
Inflow and Infiltration	-	120,316	120,316
Sewer line maintenance	-	215,655	215,655
Sewer line connection	-	56,560	56,560
Sludge management	-	265,990	265,990
Sewer pumping stations	-	327,248	327,248
Pretreatment program and testing	-	38,563	38,563
Safety training - sewer	-	2,619	2,619
Laboratory	-	354,253	354,253
Total Sewer Operations Expenses	<u>-</u>	<u>6,154,391</u>	<u>6,154,391</u>

**SCHEDULE OF OPERATING REVENUES AND EXPENSES SPLIT BETWEEN WATER
AND SEWER**
Year Ended June 30, 2023 (Unaudited)

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Expenses: (Continued)			
Administrative and General:			
Board members	\$ 6,657	\$ 4,069	\$ 10,726
Administration	427,293	261,151	688,444
Engineering, GIS, inspection, IT	857,692	524,199	1,381,891
Finance	250,927	153,360	404,287
Meter reading and customer service	582,343	355,914	938,257
Purchasing and risk management	173,207	105,859	279,066
Field office and maintenance	802,554	490,501	1,293,055
Reimbursable customer projects	46,874	28,648	75,522
Total Administrative and General	<u>3,147,547</u>	<u>1,923,701</u>	<u>5,071,248</u>
Total Operating Expenses before Depreciation/Amortization	7,258,857	8,078,092	15,336,949
Depreciation and Amortization	<u>2,412,911</u>	<u>4,053,238</u>	<u>6,466,149</u>
Total Operating Expenses	<u>9,671,768</u>	<u>12,131,330</u>	<u>21,803,098</u>
Operating Income	<u>\$ 813,686</u>	<u>\$ 1,506,400</u>	<u>\$ 2,320,086</u>

Note: Augusta Water does not maintain separate funds for water and sewer. This table is presented to display the costs attributable to these operations.

AUGUSTA WATER

Table 8

**SCHEDULE OF WATER AND SEWER RATES FOR SINGLE FAMILY HOUSEHOLD CONNECTION
Last Ten Fiscal Years (Unaudited)**

Fiscal Year Ended June 30,	WATER				SEWER				
	Variable Rate (1,000 gals)	Bi-monthly Fixed Rate	Average Bi-Monthly Residential Bill	% increase in bi-monthly residential bill	Variable Rate (1,000 gals)	Bi-monthly Fixed Rate	Chesapeake Bay Fee	Average Bi-Monthly Residential Bill	% increase in bi-monthly residential bill
2023	\$6.23	\$15.24	\$62.59	2.2%	\$10.53	\$17.34	\$6.00	\$103.37	2.3%
2022	6.05	15.24	61.22	2.3%	10.22	17.34	6.00	101.01	2.3%
2021	5.87	15.24	59.85	2.2%	9.92	17.34	6.00	98.73	2.3%
2020	5.70	15.24	58.56	2.3%	9.63	17.34	6.00	96.53	2.3%
2019	5.53	15.24	57.27	2.2%	9.35	17.34	6.00	94.40	2.2%
2018	5.37	15.24	56.05	2.2%	9.08	17.34	6.00	92.35	2.2%
2017	5.21	15.24	54.84	3.6%	8.82	17.34	6.00	90.37	11.3%
2016	4.96	15.24	52.94	6.3%	8.40	17.34	6.00	81.18	6.9%
2015	4.55	15.24	49.82	3.5%	7.71	17.34	6.00	75.94	5.7%
2014	4.33	15.24	48.15	3.4%	7.17	17.34	6.00	71.83	0.0%

Notes: A residential bill is based on 7,600 gallons bi-monthly usage and a 5/8" meter.

Source: Augusta Water customer service records.

AUGUSTA WATER

Table 9

**SCHEDULE OF WATER AND SEWER RATES FOR ALL METER SIZES
Last Ten Fiscal Years (rates in effect on June 30) (Unaudited)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Water rates										
Fixed bi-monthly charge (meter size)										
5/8"	\$ 15.24	\$ 15.24	\$ 15.24	\$ 15.24	\$ 15.24	\$ 15.24	\$ 15.24	\$ 15.24	\$ 15.24	\$ 15.24
3/4"	22.86	22.86	22.86	22.86	22.86	22.86	22.86	22.86	22.86	22.86
1"	38.10	38.10	38.10	38.10	38.10	38.10	38.10	38.10	38.10	38.10
1 1/2"	80.01	80.01	80.01	80.01	80.01	80.01	80.01	80.01	80.01	80.01
2"	144.78	144.78	144.78	144.78	144.78	144.78	144.78	144.78	144.78	144.78
3"	247.65	247.65	247.65	247.65	247.65	247.65	247.65	247.65	247.65	247.65
4"	457.20	457.20	457.20	457.20	457.20	457.20	457.20	457.20	457.20	457.20
6"	762.00	762.00	762.00	762.00	762.00	762.00	762.00	762.00	762.00	762.00
Usage rate (per 1,000 gallons)	\$ 6.23	\$ 6.05	\$ 5.87	\$ 5.70	\$ 5.53	\$ 5.37	\$ 5.21	\$ 4.96	\$ 4.55	\$ 4.33
Sewer rates										
Fixed bi-monthly charge and Chesapeake Bay Fee (meter size)										
5/8"	\$ 23.34	\$ 23.34	\$ 23.34	\$ 23.34	\$ 23.34	\$ 23.34	\$ 23.34	\$ 23.34	\$ 23.34	\$ 23.34
3/4"	32.01	32.01	32.01	32.01	32.01	32.01	32.01	32.01	32.01	32.01
1"	49.35	49.35	49.35	49.35	49.35	49.35	49.35	49.35	49.35	49.35
1 1/2"	109.30	109.30	109.30	109.30	109.30	109.30	109.30	109.30	109.30	109.30
2"	184.73	184.73	184.73	184.73	184.73	184.73	184.73	184.73	184.73	184.73
3"	297.44	297.44	297.44	297.44	297.44	297.44	297.44	297.44	297.44	297.44
4"	587.54	587.54	587.54	587.54	587.54	587.54	587.54	587.54	587.54	587.54
6"	917.00	917.00	917.00	917.00	917.00	917.00	917.00	917.00	917.00	917.00
Usage rate (per 1,000 gallons)	\$ 10.53	\$ 10.22	\$ 9.92	\$ 9.63	\$ 9.35	\$ 9.08	\$ 8.82	\$ 8.40	\$ 7.71	\$ 7.17

Notes: All customers (commercial, residential, industrial, institutional) pay the same rates.

Source: Augusta Water customer service records.

AUGUSTA WATER

Table 10

**SCHEDULE OF WATER AND SEWER AVAILABILITY FEES FOR ALL METER SIZES
Last Ten Fiscal Years (rates in effect on June 30) (Unaudited)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Water availability fees										
(meter size)										
5/8"	\$ 2,645	\$ 2,645	\$ 2,645	\$ 2,645	\$ 2,645	\$ 2,645	\$ 2,645	\$ 2,645	\$ 2,645	\$ 2,645
3/4"	3,968	3,968	3,968	3,968	3,968	3,968	3,968	3,968	3,968	3,968
1"	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613
1 1/2"	13,225	13,225	13,225	13,225	13,225	13,225	13,225	13,225	13,225	13,225
2"	21,160	21,160	21,160	21,160	21,160	21,160	21,160	21,160	21,160	21,160
3"	42,320	42,320	42,320	42,320	42,320	42,320	42,320	42,320	42,320	42,320
4"	66,125	66,125	66,125	66,125	66,125	66,125	66,125	66,125	66,125	66,125
6"	132,250	132,250	132,250	132,250	132,250	132,250	132,250	132,250	132,250	132,250
Sewer availability fees										
(meter size)										
5/8"	\$ 4,900	\$ 4,900	\$ 4,900	\$ 4,900	\$ 4,900	\$ 4,900	\$ 4,900	\$ 4,900	\$ 4,900	\$ 4,900
3/4"	7,350	7,350	7,350	7,350	7,350	7,350	7,350	7,350	7,350	7,350
1"	12,250	12,250	12,250	12,250	12,250	12,250	12,250	12,250	12,250	12,250
1 1/2"	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500
2"	39,200	39,200	39,200	39,200	39,200	39,200	39,200	39,200	39,200	39,200
3"	78,400	78,400	78,400	78,400	78,400	78,400	78,400	78,400	78,400	78,400
4"	122,500	122,500	122,500	122,500	122,500	122,500	122,500	122,500	122,500	122,500
6"	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000

Notes: All customers (commercial, residential, industrial, institutional) pay the same fees, except for multi-family residential complexes, which (effective April 1, 2005) are charged the higher of a fee based upon meter size or the calculation of the number of units multiplied by an equivalent residential connection (ERC) factor. The ERC factors were phased in to be fully in effect on July 1, 2006. The ERC factors are as follows:
Multi-family (apartments) 1 unit = 0.36 ERC where 1.0 ERC is equal to the 5/8" meter rate; hotel room = 0.36 ERC; mobile home = 0.56 ERC.

Source: Authority customer service records.

**SCHEDULE OF NEW AND CUMULATIVE WATER AND SEWER CONNECTIONS
Last Ten Fiscal Years (Unaudited)**

Fiscal Year Ended June 30,	New Water Connections	Active Water Connections	% Water Growth	New Sewer Connections	Active Sewer Connections	% Sewer Growth	Total Service Connections
2023	132	15,696	0.8%	124	9,593	1.3%	25,289
2022	124	15,570	0.8%	93	9,505	1.0%	25,075
2021	104	15,468	0.7%	89	9,416	1.0%	24,884
2020	103	15,371	0.7%	75	9,355	0.8%	24,726
2019	93	15,177	0.6%	74	9,141	0.8%	24,318
2018	116	15,077	0.8%	91	9,073	1.0%	24,150
2017	120	14,909	0.8%	97	9,058	1.1%	23,967
2016	117	14,773	0.8%	88	8,963	1.0%	23,736
2015	114	14,641	0.8%	82	8,854	0.9%	23,495
2014	111	14,527	0.8%	96	8,772	1.1%	23,299

Source: Augusta Water customer service records.

AUGUSTA WATER

Table 12

**ANNUAL WATER AND SEWER BILLED CONSUMPTION BY CUSTOMER TYPE
Last Ten Fiscal Years (Unaudited)**

Fiscal Year Ended June 30,	Water Consumption (1,000 gallons)					Sewer Billed Treatment (1,000 gallons)				
	Residential	Commercial	Industrial	Institutional	Total	Residential	Commercial	Industrial	Institutional	Total
2023	697,964	131,460	354,269	139,194	1,322,887	439,264	108,650	253,891	169,567	971,372
2022	717,882	131,983	359,232	128,334	1,337,431	440,169	112,943	232,511	164,293	949,916
2021	705,645	114,366	360,962	124,829	1,305,802	439,060	93,709	255,344	173,354	961,467
2020	690,718	112,079	329,856	157,057	1,289,710	425,426	85,476	238,302	182,930	932,134
2019	688,260	112,175	313,016	156,476	1,269,927	416,842	90,523	235,525	204,996	947,886
2018	701,815	104,420	273,115	165,579	1,244,929	416,581	92,109	184,779	179,550	873,019
2017	681,955	115,605	270,396	149,544	1,217,500	413,940	92,471	171,791	173,469	851,671
2016	693,758	121,874	264,710	147,395	1,227,737	416,946	97,066	171,316	182,208	867,536
2015	687,722	146,657	215,075	155,901	1,205,355	410,875	120,462	116,647	185,760	833,744
2014	681,817	118,730	211,847	158,717	1,171,111	405,074	92,006	112,182	201,733	810,995
Change from 2022 to 2023	-2.77%	-0.40%	-1.38%	8.46%	-1.09%	-0.21%	-3.80%	9.20%	3.21%	2.26%

Notes: Augusta Water customer service records as of June 30 of every year. "Commercial" includes apartments and business parks. "Institutional" includes government and community buildings, hospitals, schools, and churches as well as customers served through the Cities of Staunton and Waynesboro and the Town of Craigsville.

AUGUSTA WATER

Table 13

**TOP TEN CUSTOMERS: WATER CONSUMPTION AND SEWER TREATMENT
Current Year and Ten Years Ago (Unaudited)**

Ten Largest Users of the Water System Annual Billed Consumption	2023				2014		
	in 000/gals	Rank	% of System	% Change from 2022	in 000/gals	Rank	% of System
Shamrock Farms	111,409	1	8.42%	6%	-	-	0.00%
Hershey Chocolate of Virginia	106,455	2	8.05%	-3%	68,288	1	5.83%
McKee Foods Corporation	58,274	3	4.41%	6%	50,708	3	4.33%
Augusta Health	31,075	4	2.35%	4%	54,846	2	4.68%
Augusta County School Board (16 schools)	20,735	5	1.57%	-6%	17,849	5	1.52%
Middle River Regional Jail	14,405	6	1.09%	-18%	17,276	6	1.48%
Nibco of VA	13,378	7	1.01%	-13%	-	-	0.00%
Daikin Applied	12,393	8	0.94%	-23%	14,369	7	1.23%
Flow Beverages	10,659	9	0.81%	-45%	-	-	0.00%
Shenandoah Valley Estates	9,344	10	0.71%	0%	12,105	8	1.03%
American Safety Razor Corp					18,035	4	1.54%
Cerro Metal Products					9,730	9	0.83%
Woodrow Wilson Rehabilitation Center					9,330	10	0.80%
	<u>388,127</u>		<u>29.34%</u>	<u>-3%</u>	<u>272,536</u>		<u>23.27%</u>
	<u>1,322,887</u>				<u>1,171,111</u>		

Ten Largest Users of the Sewer System Annual Billed Treatment	2023				2014		
	in 000/gals	Rank	% of System	% Change from 2022	in 000/gals	Rank	% of System
Shamrock Farms	111,357	1	11.46%	6%	-	-	-
Hershey Chocolate of Virginia	65,292	2	6.72%	39%	37,846	3	4.67%
City of Staunton (wholesale)	56,301	3	5.80%	15%	41,928	2	5.17%
Augusta Health	31,075	4	3.20%	4%	54,760	1	6.75%
McKee Foods Corporation	30,190	5	3.11%	7%	27,515	4	3.39%
Augusta County School Board (16 schools)	15,872	6	1.63%	2%	12,856	8	1.59%
Nibco of VA	13,378	7	1.38%	-13%	-	-	-
Daikin Applied	12,393	8	1.28%	-23%	14,369	7	1.77%
Middle River Regional Jail	12,237	9	1.26%	-21%	17,064	5	2.10%
Augusta Regional Landfill	12,058	10	1.24%	-2%	16,815	6	-
Shenandoah Valley Estates					12,105	9	1.49%
Cerro Metal Products					9,730	10	1.20%
	<u>360,153</u>		<u>37.08%</u>	<u>8%</u>	<u>244,988</u>		<u>30.21%</u>
Total System Annual Billed Treatment	<u>971,372</u>				<u>810,995</u>		

Source: Augusta Water customer service and finance records

AUGUSTA WATER

Table 14

**TEN LARGEST CUSTOMERS
COMBINED ANNUAL WATER AND SEWER CHARGES
Year Ended June 30, 2023 (Unaudited)**

	<u>Water Rate Revenue</u>	<u>Water Consumption Rank (Table 13)</u>	<u>Sewer Rate Revenue</u>	<u>Sewer Consumption Rank (Table 13)</u>	<u>Other Operating Revenue</u>	<u>Total Operating Revenue</u>	<u>Percent Change from 2022</u>
City of Staunton (1)	\$ 17,053	-	\$ 276,039	3	\$ 1,789,983	\$ 2,083,075	33%
Shamrock Farms	696,821	1	1,176,114	1	16,869	1,889,804	10%
Hershey Chocolate of Virginia	667,787	2	693,027	2	3,202	1,364,016	18%
McKee Foods Corporation	368,579	3	323,403	5	3,188	695,170	10%
Augusta Health (formerly Augusta Medical Center)	202,345	4	337,734	4	1,354	541,433	9%
Augusta County School Board (16 Schools)	155,194	5	190,412	6	-	345,606	1%
Nibco of VA	86,088	7	147,373	9	1,988	235,449	-10%
Middle River Regional Jail	91,229	6	130,640	7	-	221,869	-17%
Daikin Applied	79,952	8	134,024	8	1,988	215,964	-20%
Flow Beverages	68,440	9	114,844	-	830	184,114	-43%
	<u>\$ 2,433,488</u>		<u>\$ 3,523,610</u>		<u>\$ 1,819,402</u>	<u>\$ 7,776,500</u>	<u>11%</u>
% of rate or non-hookup fee revenue from top 10 users	24.4%		31.0%		69.5%	32.2%	
Total rate or non-hookup fee revenue	\$ 9,976,176		\$ 11,371,187		\$ 2,617,910	\$ 23,965,273	
Reimbursement/septage charges	-		1,968,902		(1,968,902)	-	
Total hook-up fees	106,461		51,450		-	157,911	
Total Water and Sewer Charges (Exh 2, Sch 1, Table 3)	<u>\$ 10,082,637</u>		<u>\$ 13,391,539</u>		<u>\$ 649,008</u>	<u>\$ 24,123,184</u>	

(1) Water and sewer is supplied to a limited number of Staunton customers at a wholesale rate (the average of both water or sewer rates times 57.5% or \$3.2746/1,000 gallons of water and \$4.9029/1,000 gallons of sewer treated). Other operating revenue is the reimbursement Staunton pays to Augusta Water to operate the Middle River Regional Wastewater Treatment Plant, based on percent of wastewater flow (72.2% of charges in fiscal year 2023).

Source: Augusta Water customer service and finance records.

OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Senior Debt: Revenue Bonds	Subordinate Debt: Notes/Other Obligations	Total		
			Debt Outstanding	Per Connection (1)	As a Share of MHI (2)
2023	\$ 13,116,585	\$ 1,320,025	\$ 14,436,610	\$ 571	0.88%
2022	16,019,113	1,496,004	17,515,117	699	1.11%
2021	19,524,250	1,665,900	21,190,150	852	1.39%
2020	23,017,139	1,896,447	24,913,586	1,008	1.69%
2019	26,415,736	2,120,659	28,536,395	1,173	2.07%
2018	29,730,174	2,338,714	32,068,888	1,328	2.43%
2017	32,961,485	2,550,786	35,512,271	1,482	2.74%
2016	36,104,660	2,757,042	38,861,702	1,637	3.15%
2015	39,991,185	3,002,110	42,993,295	1,830	3.59%
2014	42,924,584	3,281,785	46,206,369	1,983	3.83%

Notes: Details on the Outstanding Debt can be found in Note 6 in the financial section.

(1) Total connections (water and sewer) data is found on Table 11.

(2) Median Household Income (MHI) data is found on Table 17; where if a particular year's data is not available, the last available data is used.

The Bond MTI limits debt to the amount which can be covered as follows: net available revenue is 1.1 times the Senior debt service payments and 1.0 times the subordinate debt service payments (see Table 16).

AUGUSTA WATER

Table 16

PLEDGED-REVENUE DEBT SERVICE COVERAGE

Last Ten Fiscal Years (Unaudited)

(amounts expressed in thousands, except for the coverage ratio)

Fiscal Year Ended June 30	Operating Revenues (Table 3)	Nonoper. Revenues: Interest Income (Table 5)	Availability Fees (Table 6)	Gross Pledged Revenues (1)	Less: Operating Expenses (less depreciation) (Table 4)	Net Available Revenue	Annual Debt Service			Coverage Ratio (2)
							Principal Payments	Interest Payments	Total Payments	
2023	\$ 24,123	\$ 408	\$ 912	\$ 25,443	\$ 15,337	\$ 10,106	\$ 3,079	\$ 383	\$ 3,462	2.92
2022	22,839	67	1,024	23,930	13,182	10,748	3,675	479	4,154	2.59
2021	21,917	55	1,349	23,321	12,432	10,889	3,723	583	4,306	2.53
2020	21,441	214	1,392	23,047	12,623	10,424	3,623	678	4,301	2.42
2019	20,668	222	919	21,809	11,459	10,350	3,532	771	4,303	2.41
2018	19,511	123	1,061	20,695	12,106	8,589	3,443	861	4,304	2.00
2017	18,981	77	966	20,024	11,126	8,898	3,349	948	4,297	2.07
2016	18,265	61	1,073	19,399	10,538	8,861	3,000	1,141	4,141	2.14
2015	16,781	58	1,422	18,261	9,955	8,306	3,216	1,376	4,592	1.81
2014	15,446	74	759	16,279	9,759	6,520	3,020	1,556	4,576	1.42

Notes:

(1) The gross revenues shown are those pledged for debt service coverage, according to the bond Master Trust Indenture.

(2) The coverage ratio is calculated as Net Available Revenue divided by Total Annual Debt Service Payments.

AUGUSTA WATER

Table 17

DEMOGRAPHIC AND ECONOMIC STATISTICS FOR AUGUSTA COUNTY
Last Ten Calendar Years Available (Unaudited)

Calendar Year	Population (2)	Median Household Income (2)	Per Capita Personal Income (2)	Total Personal Income (3)	Unemployment Rate (1)		Labor Force (1)	Total Housing Units (2)
					County	State		
2022	78,064	\$ 69,082	\$ 32,461	\$ 2,534,035,504	2.30%	2.60%	39,939	33,138
2021	77,563	65,076	30,493	2,365,128,559	2.20%	2.60%	36,679	32,940
2020	77,487	62,668	29,400	2,278,117,800	4.30%	5.70%	36,864	32,590
2019	75,558	61,305	29,366	2,218,836,228	2.00%	2.40%	38,007	32,851
2018	75,457	59,544	30,088	2,270,350,216	2.30%	2.60%	37,228	32,732
2017	75,144	56,802	28,601	2,149,193,544	3.00%	3.30%	36,696	32,552
2016	74,997	54,558	27,000	2,024,919,000	3.60%	3.80%	37,024	32,285
2015	74,314	54,018	26,398	1,961,740,972	3.60%	3.90%	36,141	32,139
2014	73,862	52,027	25,519	1,884,884,378	4.30%	4.50%	36,267	31,798
2013	73,912	50,971	23,882	1,765,166,384	4.70%	5.40%	39,367	31,577

Sources:

- (1) Virginia Labor Market Information (www.VirginiaLMI.com)
- (2) www.QuickFacts.census.gov
- (3) Calculated as Population times Per Capita Personal Income

AUGUSTA WATER

Table 18

**TEN LARGEST EMPLOYERS FOR AUGUSTA COUNTY
Current Year and Nine Years Ago (Unaudited)**

<u>Employer</u>	<u>Fiscal Year 2023</u>			<u>Fiscal Year 2014</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>
Augusta County School Board	1,000+	1		1,000+	1	
Augusta Medical Center	1,000+	2		1,000+	2	
Hershey Chocolate of Virginia	1,000+	3		500-999	3	
Target Corp.	1,000+	4		500-999	5	
McKee Foods Corporation	500-999	5		500-999	4	
AAF McQuay, Inc.	500-999	6		250,499	6	
Hollister, Inc.	500-999	7		250,499	7	
County of Augusta	250-499	8		250-499	10	
NIBCO of Virginia	250-499	9		-	-	
Variform Inc.	250-499	10		-	-	
Blue Ridge Community College	-	-		250,499	8	
J.B. Hunt Transport	-	-		250,499	9	
Totals-average	<u>7,375</u>		<u>18.96%</u>	<u>6,125</u>		<u>16.33%</u>
Total County Employment	<u>38,898</u>			<u>37,499</u>		

Source: Augusta County Economic Development

**PERMITS AND VALUE OF NEW CONSTRUCTION FOR AUGUSTA COUNTY
Last Ten Calendar Years (Unaudited)**

Calendar Year	All Sectors		Single Family Residences (2)		New water connections as a percent of single family home construction (3)
	Building Permits (1)	New Construction Value	Number of Units	New Construction Value	
2022	851	\$ 229,066,617	180	\$ 59,473,564	73.3%
2021	840	273,801,833	189	53,436,084	65.6%
2020	794	66,551,188	188	49,679,485	55.3%
2019	825	94,793,394	163	34,705,705	63.2%
2018	779	99,825,726	151	33,953,826	61.6%
2017	907	103,899,075	167	31,126,351	69.5%
2016	826	111,606,991	163	31,898,818	73.6%
2015	812	61,667,740	164	32,459,946	71.3%
2014	801	94,707,519	168	33,540,788	67.9%
2013	728	75,334,117	147	26,527,631	75.5%
Change from 2021 to 2022	1.31%	-16.34%	-4.76%	11.30%	

Notes:

(1) General building permits include alterations and repairs.

(2) Single family information is a subset of the total information but is only for new construction and does not include townhomes, duplexes or manufactured homes.

(3) There is not a direct correlation: the time between permit issue and hook-up to public water varies widely, from several months to several years and many homes are built outside subdivisions and the public water (and sewer) service areas. New water connection information is from Table 11 which is reported in fiscal years (a six month delay).

Source: Augusta County, Department of Building Inspections.

AUGUSTA WATER

Table 20

**OPERATING INFORMATION
Last Ten Calendar Years (Unaudited)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employees (full-time equivalent as of June 30):										
Administration, Engineering and Customer Service	26	25	24	29	27	28	26	25	27	26
Water and Sewer Plant Maintenance & Operators	43	44	40	33	33	32	32	33	33	32
Water and Sewer Line Maintenance & Construction	28	25	29	37	37	37	40	37	34	33
Landfill--on-site (managed for the Cities of Staunton and Waynesboro, and Augusta County)	14	13	14	14	14	13	14	15	14	14
Total	111	107	107	113	111	110	112	110	108	105
Value of capital assets per non-Landfill employee*	\$1,354	\$1,399	\$1,436	\$1,359	\$1,393	\$1,412	\$1,422	\$1,481	\$1,524	\$1,590
Service connections (water & sewer) per non-Landfill employee	261	267	260	250	251	249	245	250	250	256
Water System (operational and capital asset statistics):										
Number of water systems	12	12	12	12	12	12	12	12	12	12
Number of service connections	15,696	15,570	14,903	15,371	15,177	15,077	14,909	14,773	14,641	14,527
Miles of water mains (2 inch or larger pipe)	415	415	415	412	411	419	419	419	417	417
Number of fire hydrants	2,157	2,112	2,112	2,093	2,059	2,035	2,035	2,035	2,033	2,020
Daily average produced & treated or purchased (MGD)	4.375	4.345	4.157	4.287	4.291	4.240	4.292	4.495	4.746	4.483
Daily average consumption/billed (MGD):	3.624	3.664	3.578	3.533	3.479	3.410	3.336	3.364	3.302	3.209
--Average water purchased for consumption (MGD)	1.064	1.104	1.023	1.277	1.189	1.077	0.924	1.100	1.101	1.028
--Average water distributed from ACSA's facilities (MGD)	2.560	2.560	2.555	2.256	2.290	2.333	2.412	2.264	2.201	2.181
Storage capacity (MGD)	13.030	13.030	13.030	13.030	13.030	13.030	13.030	13.030	13.030	13.030
Sewer System (operational and capital asset statistics):										
Number of treatment plants	9	9	9	9	9	9	9	9	9	9
Number of service connections	9,593	9,505	9,302	9,355	9,141	9,073	9,058	8,963	8,854	8,772
Miles of sanitary sewers (8 inch or larger pipe)	228	225	225	224	223	234	234	234	233	233
Daily average treatment (MGD, without Staunton)	2.992	3.528	4.228	3.069	5.051	2.874	3.094	3.763	3.151	3.686
Permitted capacity of treatment plants (MGD, without Staunton)	11.035	11.035	11.035	11.035	11.035	11.035	11.035	11.035	11.035	11.035
Value of capital assets (net of depreciation/ amortization)*										
	\$131,368	\$131,519	\$133,547	\$134,573	\$135,137	\$136,964	\$139,367	\$140,660	\$143,276	\$144,701
Special weather conditions										
	dry	-	wet	-	wet	-	-	wet	-	wet

* Expressed in thousands

Source: Augusta Water financial, customer service, operations and engineering records. (MGD equals millions of gallons per day)

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 Board of Directors
Augusta Water

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the fiduciary activity of the Augusta Water (Authority), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated December 7, 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 the 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 a material misstatement of the Authority’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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.

PBMares, LLP

Harrisonburg, Virginia
December 7, 2023