



**CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY
LYNCHBURG, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015**



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LYNCHBURG, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

Prepared By:

The Accounting Department

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015

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CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Comprehensive Annual Financial Report
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AUTHORITY MEMBERS

James R. Marstin - Chairman

Wilson L. Dickerson - Vice-Chairman

Charles Droog (July 2014 - December 2014)

Calvin Adams (Jan 2015 - June 2015)

Carter S. Elliott, Jr.

Joseph Kirkland

William R. Moore

Daniel L. Richardson

Frank L. Davis, Jr. - Administrator

April Farmer - Treasurer

Wendy Meese - Secretary

CAMPBELL COUNTY

ADMINISTRATOR

FRANK L. DAVIS, JR.

fdavis@ccusa-water.com

**TELEPHONE****(434) 239-8654****FAX****(434) 237-5820**

UTILITIES AND SERVICE AUTHORITY

20644 TIMBERLAKE ROAD, LYNCHBURG, VIRGINIA 24502

December 28, 2015

To the Members of the Authority Board, Customers and Interested Parties:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Campbell County Utilities and Service Authority (Authority) for the fiscal year ended June 30, 2015. The CAFR was prepared by the Authority in conformity with U.S. Generally Accepted Accounting Principles (GAAP) with emphasis on disclosure of the financial activities of the Authority. Responsibility for both the completeness and reliability of the information, including all disclosures, rest with the Authority, and is based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The basic financial statements have been audited by our independent auditors, Robinson, Farmer, Cox Associates, who have issued an unqualified ("clean") opinion on the financial statements of the Authority as of and for the year ended June 30, 2015. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and Specifications for audits of Authorities, Boards and Commissions, issued by the Auditor of Public Accounts for the Commonwealth of Virginia. The annual audit is planned and performed to obtain reasonable, rather than absolute, assurance that the basic financial statements of Campbell County Utilities and Service Authority are free of any material misstatement. 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. This letter of transmittal is designed to complement the MD&A and should be read with it.

Profile

The Authority was created by a resolution of the Board of Supervisors of Campbell County, Virginia (the County) in 1964 according to the Virginia Water and Waste Authorities Act. The Articles of Incorporation were amended in 2012 to change the length of the term of service of the Authority Board members to coincide with the terms of the appointing Supervisor and to add the possibility of future stormwater management. The Authority was created for the purposes of acquisition, construction, operation and maintenance of a water system for the supply and distribution of water and of sewer and sewage disposal system. It is possible the Authority will also become responsible for stormwater management within Campbell County once directed by the Campbell County Board of Supervisors.

The Authority is separate from Campbell County and financial data included in the accompanying CAFR is not included in the financial information of Campbell County. It is commonly misinterpreted that the Authority receives tax revenue and other assistance from the County, but the Authority actually operates on its own revenue sources. In the past decade, there have been two projects that the County saw as beneficial to its overall Master Plan that were not financially conducive to the Authority, so the County agreed through moral obligation to fund the financing of these two projects.

The management of the Authority is vested in a board of seven members appointed by the Campbell County Board of Supervisors. The Authority Board hired an Administrator who is responsible for the daily functions of the Authority.

As of June 30, 2015, the Authority had 7,866 water connections and 2,327 sewer connections. A large portion of Campbell County remains rural so it is not economically feasible to extend water or sewer lines to all of the population of Campbell County. It is estimated that the Authority provides water to approximately 23,900 of the estimated 55,000 residents of Campbell County. Sewer main extensions are substantially more expensive and the Authority provided sewer treatment services to approximately 6,800 Campbell County residents. These figures do not include connections to commercial, industrial or governmental facilities.

Services Provided

The Authority provides service through 184 miles of water line and 48.2 miles of sewer mains. Prior to 1986, the Authority purchased all water from the City of Lynchburg to distribute to its customers; however, in the early 80's, due to rising costs of purchasing water being out of the Authority's control, the Authority Board and staff determined it was time to construct a water plant for the Authority to have some separation and independence from the City of Lynchburg. The Authority continues to purchase water from the City of Lynchburg to serve a small portion of its residential customers and along the Mount Athos corridor to serve a large business. The Authority still has access to the City of Lynchburg supply in case of emergency.

The Authority provides sewer treatment services to the Rustburg area within Campbell County, for approximately 190 customers. The treatment for the remaining customers in Campbell County is provided by purchasing these services from the City of Lynchburg. The Authority currently has access to 1 million gallons per day of capacity in the Lynchburg Sewer Treatment Plant and it is possible to purchase more capacity if it becomes necessary in the future. The Authority pays for the treatment services as well as a portion of the sewer capital expenses for the City.

The Authority has a contract to serve the County and Town of Appomattox on a wholesale basis with a minimum daily requirement of 30,000 gallons per day but current usage exceeds the minimum requirement. The Authority previously had a contract to serve the Town of Altavista on a wholesale basis, but the minimum amount was loosely enforced and the amount of water sold to Altavista has greatly decreased. Campbell County and the Authority are currently working to renegotiate a contract with the Town of Altavista.

*Economic
Conditions
and
Outlook*

Campbell County saw an explosion of growth in 2008, but growth has slowed significantly with the decline of the economy. The Authority still enjoys modest growth and has much opportunity for future growth. The Authority has benefited from growth of a local college and some multi-family housing developments.

Campbell County Board of Supervisors has a Master Plan for Campbell County that attempts to balance residential growth with commercial development. All proposed developments must first be approved by Campbell County to ensure it fits into Campbell County's Master Plan.

While the Authority has seen the effects of the economic downturn throughout all of its operations, the largest impact has been on new connections through the lack of availability fee revenue. The Authority adjusted to this downturn by developing a base fee for sewer customers that provides a steady and reliable source of revenue. The Authority also slightly increased the water base fee for the same reason. The Authority's overall fees remain competitive with other Authorities surrounding Campbell County.

*Internal
Control
Structure
and
Budgetary
Controls*

The Authority's management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that those financial records for preparing financial statements and preparing financial statements and maintaining asset accountability are reliable. Accounting functions are separated to the extent possible for a small-sized staff.

The Authority prepares an annual budget for current expenses and capital outlays, but also uses reasonable estimates of upcoming expenses to prepare a five-year plan which is used to assure that short and long-term financial objectives are being met. The Authority ensures that deficits and surpluses will be balanced during that five-year budget projection.

The proposed budget is presented to the Board for review and a Budget Committee of two Board members is assigned to evaluate each budgetary item.

Division managers participate in the budgeting process and are responsible for the budgetary items that are controllable within their division. The Accounting Manager is responsible for general Authority costs as well as monitoring expenses of the Authority as a whole. Budgetary control is exercised with the understanding that budget amounts (both revenue and expenses) are projections of anticipated service levels. Expenses are evaluated at year-end, whether they are under- or over-budget, to ensure they were made consistently with Authority policies.

*Relevant
Financial
Policies*

Investments are made according to limitations outlined in the Authority's Agreement of Trust with its Bond Trustee. Investments are made to safeguard principal, meet liquidity objectives, and seek fair value rates of return within the parameters of the Code of Virginia.

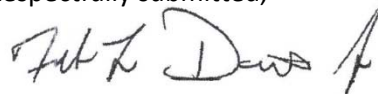
Awards

The accompanying CAFR is the fourth to be submitted to the Government Finance Officers Association (GFOA) on behalf of the Authority. In order to be awarded, the Authority had to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. The Authority was awarded its first Certificate of Achievement for fiscal year 2012.

A Certificate of Achievement (if awarded) would be valid for a period of one year only. We believe that our CAFR will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for the Authority.

We would like to thank the Authority Board Members for their dedicated and conscientious management of the Authority's operations and being diligent stewards of funds on behalf of the customers of Campbell County Utilities and Service Authority. These efforts are reflected in the accompanying information.

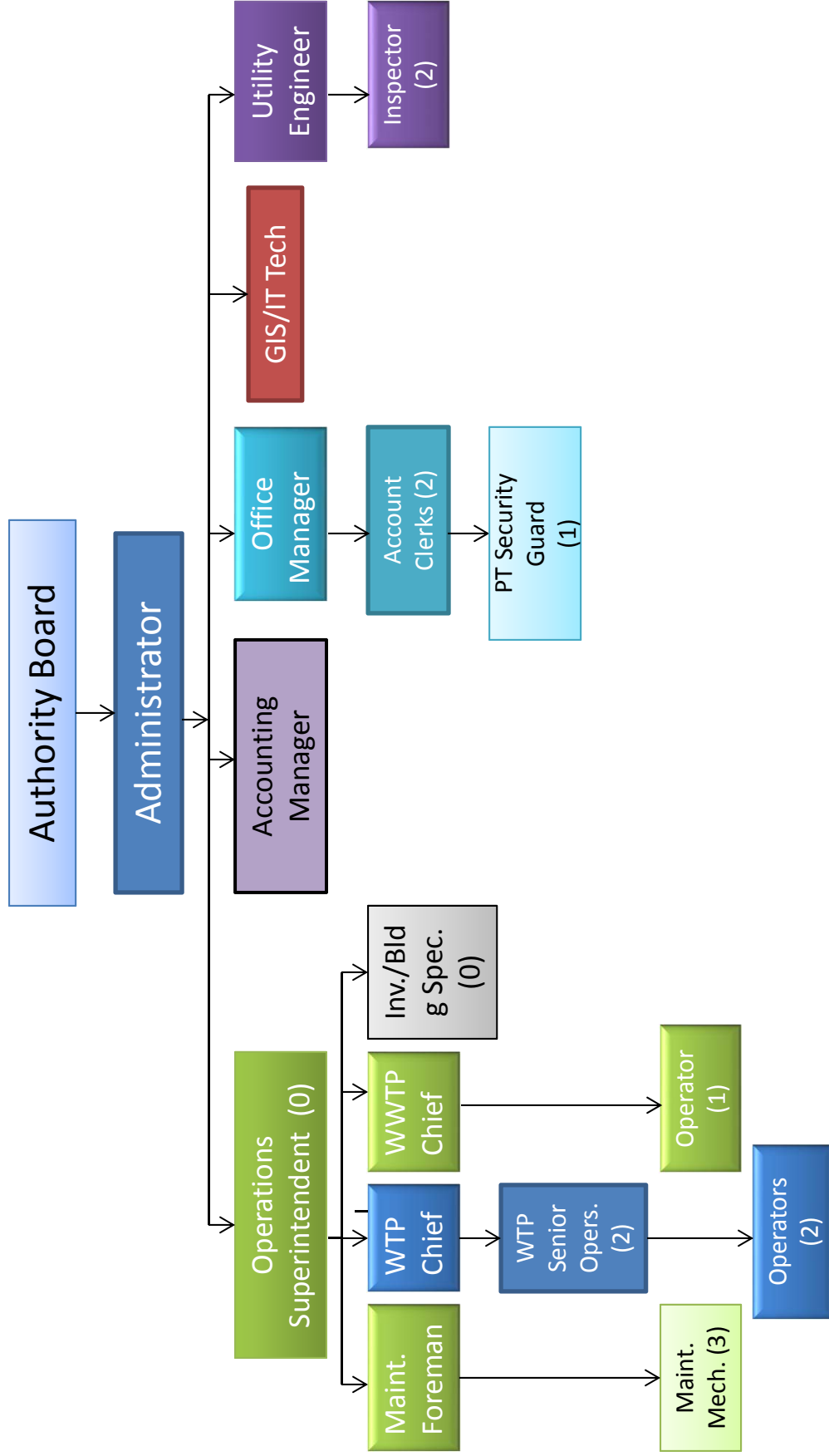
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Frank L. Davis, Jr.", with a stylized flourish at the end.

Frank L. Davis, Jr.
Administrator

CCUSA ORGANIZATIONAL CHART

June 30, 2015



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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Campbell County
Utilities and Service Authority
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Board Members
Campbell County Utilities and Service Authority
Lynchburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Campbell County Utilities and Service Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Campbell County Utilities and Service Authority, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 13 to the financial statements, in 2015 the Authority adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension funding on pages 15-21 and 61-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of Campbell County Utilities and Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Campbell County Utilities and Service Authority's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

December 28, 2015

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To the Board Members of
Campbell County Utilities and Service Authority
Lynchburg, Virginia

As management of Campbell County Utilities and Service Authority, (the "Authority"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial statements are comprised of only two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial statements

The *statement of net assets* presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or declining.

The *statement of revenues, expenses and changes in net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets 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 basic financial statements can be found on pages 24 through 27 of this report.

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 29 through 57 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in Exhibits 4-6 of the Required Supplementary Information (pages 61-63).

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of fiscal year 2015 by \$57,960,095 (net assets or total net position). Of this amount, \$7,900,282 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors compared to \$55,100,032 net assets (as restated) with \$7,543,198 unrestricted net assets at the close of fiscal year 2014 and \$53,205,220 net assets with \$6,953,688 unrestricted net assets at the close of fiscal year 2012.

Financial Highlights (Continued)

- The Authority's total net assets increased by \$2,860,063; however, 57.5% of this increase was attributable to capital contributions from developers. The percentage of increase in total net assets due to capital contributions was 56.6% in FY14 and 30.3% in FY13. This reflects that the portion of the growth of the Authority system from contributions from developers has increased significantly over the past two years as a result of new developments driving growth in the Authority's system. The Authority is currently investing in its own capital by upgrading aging lines; this capital outlay is not providing growth for the system, but is ensuring continued quality distribution is provided to Authority customers.
- The Authority's total liabilities decreased by \$1,205,444 this fiscal year from FY14 compared to a decrease of 1,141,855 in FY14 from FY13 and a decrease of \$462,414 in FY13 from FY12.
-

Statement of Net Assets:

The following table reflects the condensed Statement of Net Assets:

Table 1
Summary of Statement of Net Position
At of June 30, 2015 and June 30, 2014

| | June 30, 2015 | June 30, 2014 |
|--|-----------------------------|-----------------------------|
| Current assets | \$ 8,163,434 | \$ 7,125,773 |
| Capital assets | 59,857,095 | 59,817,669 |
| Restricted assets | 1,567,919 | 1,601,121 |
| Total assets | <u>\$ 69,588,448</u> | <u>\$ 68,544,563</u> |
| Deferred outflows | \$ 499,316 | 460,065 |
| Total assets and deferred outflows | <u><u>\$ 70,087,764</u></u> | <u><u>\$ 69,004,628</u></u> |
| Current liabilities | \$ 1,931,750 | \$ 1,974,525 |
| Long-term liabilities | 10,001,579 | 11,164,248 |
| Total liabilities | <u>\$ 11,933,329</u> | <u>\$ 13,138,773</u> |
| Deferred outflows | \$ 194,340 | - |
| Net investment in capital assets | \$ 49,559,813 | \$ 47,822,657 |
| Restricted | 500,000 | 500,000 |
| Unrestricted | 7,900,282 | 7,543,198 |
| Total net position | <u>\$ 57,960,095</u> | <u>\$ 55,865,855</u> |
| Total liabilities, deferred inflows, and net position | <u><u>\$ 70,087,764</u></u> | <u><u>\$ 69,004,628</u></u> |

- The Authority's combined net assets increased by \$2,860,063 during the year compared to an increase of \$2,660,635 in the previous fiscal year and \$1,359,123 in fiscal year 2013.

Statement of Net Assets: (Continued)

The following table shows the revenues and expenses of the Authority during the fiscal year:

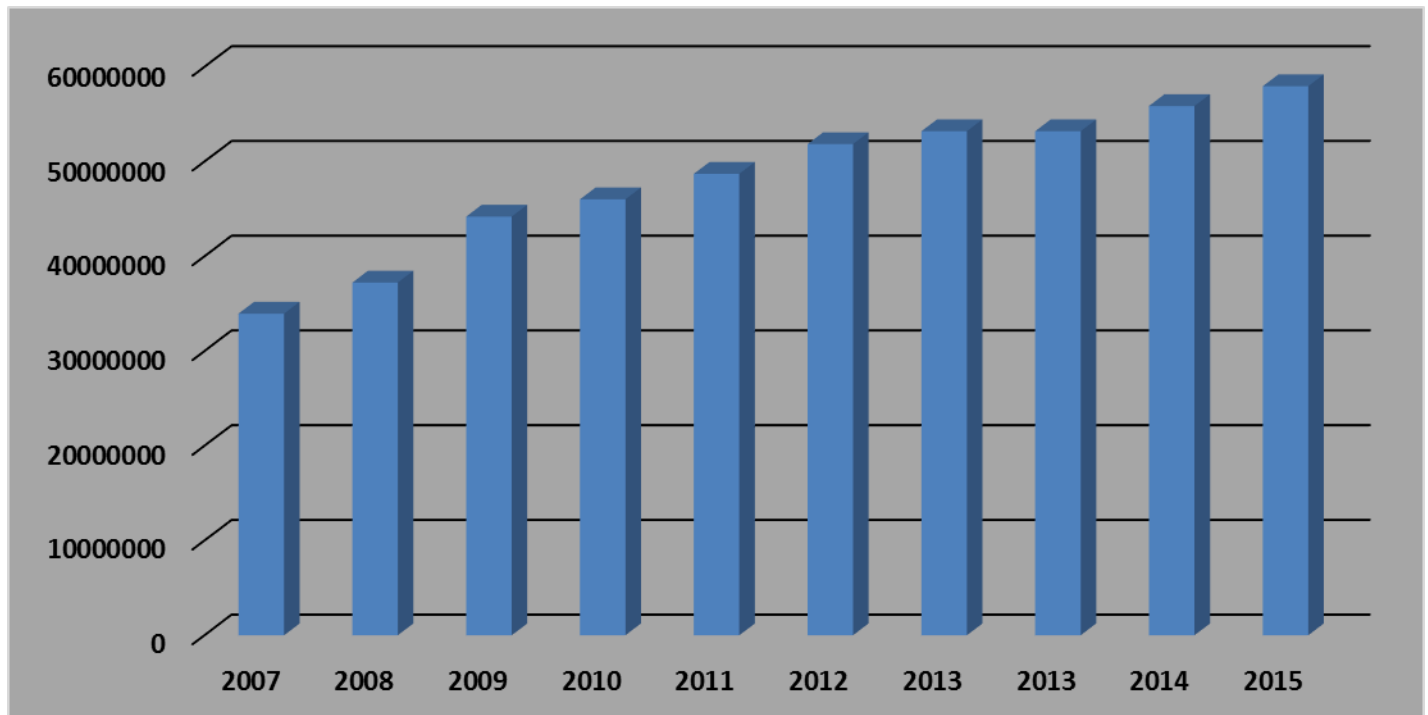
Table 2
Changes in Net Position
For the Years Ended June 30, 2015 and 2014

| | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|--|-----------------------------|-----------------------------|
| Operating revenues: | | |
| Water sales, charges and sewer service charges | \$ 6,106,067 | \$ 5,923,311 |
| Total operating revenues | <u>\$ 6,106,067</u> | <u>\$ 5,923,311</u> |
| Operating expenses: | | |
| Source of supply | \$ 945,314 | \$ 927,580 |
| Wastewater treatment | 297,071 | 291,115 |
| Maintenance and inspection | 506,247 | 400,525 |
| Personnel | 1,541,147 | 1,495,566 |
| Administrative and general | 268,306 | 317,424 |
| Depreciation | <u>1,908,543</u> | <u>1,491,463</u> |
| Total operating expenses | <u>\$ 5,466,628</u> | <u>\$ 4,923,673</u> |
| Net income from operations | <u>\$ 639,439</u> | <u>\$ 999,638</u> |
| Non-operating revenues (expenses): | | |
| Interest income | \$ 5,066 | \$ 14,354 |
| Interest expense | (362,239) | (421,280) |
| Availability charges | 878,725 | 305,150 |
| Connection fees | 60,270 | 54,650 |
| System development fee | 46,900 | 14,700 |
| Sewer capacity fee | 332,500 | 99,750 |
| Grant from Campbell County | 98,668 | 212,417 |
| Other nonoperating expenses | <u>(55,626)</u> | <u>(123,689)</u> |
| Total non-operating revenues (expenses) | <u>\$ 1,004,264</u> | <u>\$ 156,052</u> |
| Net income before capital contributions | \$ 1,643,703 | \$ 1,155,690 |
| Capital contributions | <u>1,216,360</u> | <u>1,504,945</u> |
| Change in net position | \$ 2,860,063 | \$ 2,660,635 |
| Net position - beginning of year | <u>55,100,032</u> | <u>53,205,220</u> |
| Net position - end of year | <u><u>\$ 57,960,095</u></u> | <u><u>\$ 55,865,855</u></u> |

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$57,960,095 at the close of fiscal year 2015.

By far the largest portion of the Authority's net assets (85.5%) reflects investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are *not* available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that 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.



At the end of FY15, the Authority was able to report positive balances in both categories of net assets. The same situation held true for the prior fiscal year.

Operating revenues increased by \$182,756 and operating expenses including depreciation and amortization increased \$542,955 from FY 2014. Key elements of these changes are as follows:

- Capital Contributions from developers in the form of dedicated facilities were \$1,216,360. These included water transmission and distribution lines, sewer mains, service lines and laterals.
- There were no changes to water and sewer user rates in FY15. Retail water consumption and meter service charges fell short of budgeted projections by 3.2% (\$150,579) while sewer revenue exceeded forecasts by 17.7% (\$178,947).
- Availability fees for water and sewer both exceeded budget expectations in FY15. Water availability fees exceeded budget by 133.2%, or \$255,625. Availability fees for sewer exceeded budget by 308.3%, or \$325,600. Authority staff and the Budget Committee (two Authority Board members) are conservative when preparing the budget for Availability Fees and do not budget for proposed projects until such projects are certain.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2015 net of accumulated depreciation was \$59,857,095. Investment in Capital Assets grew less than .01% during FY15. Investments in capital assets grew 4.3 during FY14 and 1.2% in FY13.

The Authority Board encumbered \$870,125 for capital projects throughout the year. All projects, with the exception of \$340,000 for water and sewer line replacement was encumbered at the May 2014 Board meeting for FY15. The remaining \$340,000 was encumbered at the January 2015 Board meeting.

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

Long-Term Debt - At the end of the fiscal year, the Authority had \$10,750,813 in bonds and notes outstanding and accrued leave versus \$12,553,457 at the end of FY14, a *decrease* of 14.4%. Campbell County pays a portion of the bond payments through a moral obligation agreement (\$98,668 in FY15). Accrued leave accounted for approximately .3% of long-term liabilities.

More detailed information on the Authority's long-term liabilities is presented in Note 6 of the Notes to the Financial Statements.

Review of Operations

Operating Revenues - Total Operating Revenue increased approximately 3.1% compared to an increase of 3.8% in FY14 from FY13. A comparison of the current fiscal year's actual and budgeted income is found on Schedule 2 under Supporting Schedules of the Financial Section. Operating Revenues exceeded the budget forecast by 1.1 % (or \$64,767).

Operating Expenses - Operating Expenses before depreciation and amortization came in approximately 7.2% below budget for FY15 (\$275,888). Operating Expenses before depreciation and amortization decreased from FY14 Operating Expenses by approximately 3.7% (\$125,875).

Expenses in the **Personnel division** increased by approximately 3.0%. The Authority was allowed a 3% cost of living adjustment and step increases were given to 7 employees according to longevity. An increase in health insurance premiums was another reason for the increase in this division.

Expenses in the **Administrative and General division** *decreased* by 15.6% for fiscal year 2015. Most line items in this division decreased during FY15 with the exception of: Legal Fees; Office equipment contracts; and, Dues, subscriptions, donations.

Expenses for the **Source of Supply division** (Expenses at the Water Treatment Plant) increased by approximately 4.0% from fiscal year 2014. A majority of the increase in this division is the result of increases in the charges from the City of Lynchburg for the purchase of water to serve 460 East customers. There were also increases in the Chemical and Electric service line items.

Expenses for the **RWWTP** increased 2.0%. There was a slight increase in Purchase of services from the City of Lynchburg.

Expenses in the **Maintenance and Inspection division** increased 26.4%, or \$105,722, with the biggest jump in expenses being in the Maintenance line item. Leak repairs and other required labor in the system is charged to this line item. The Electric expenses and Equipment and supplies line items also had notable increases in FY15.

Review of Operations (Continued)

The Naruna division continues to be a small portion of overall Authority expenses but showed a decrease of \$18,328 from FY14; however, there was a significant increase in this line item in FY14. If FY15 and FY13 are compared, this division reflects a 7.9 decrease in expenses. The wells in Naruna are not producing as they used to but the Authority is evaluating options to remedy this issue.

A summary of the current fiscal year's actual and budgeted expenses is found on Schedules 4 and 5 under Supporting Schedules of the Financial Section. A comparative summary of Authority financial data for FY14 and the previous nine years can be found in Table 2 in the Statistical Section.

Non-Operating Income and Expenses - Non-Operating items are items not directly related to Operations; they reflect more how the business is financed. They include such items as interest income and interest expense, availability fees, grants and contributions in aid to construction by various parties. Investments made by the Authority are tightly regulated as to the type of investments that can be made in the financial markets. Please see Note 3 in the Notes to Financial Statements for a discussion as to the statutes governing the investment of Authority funds.

Interest Expense decreased approximately 14.0% this fiscal year. Revenue from Availability exceeded budget projections for both water and sewer as was previously explained in more detail under the heading "Financial Analysis". Availability fees are used to fund capital asset projects and to help pay interest expense on the long-term debt; however, in FY12, the Authority Board created a Base Fee for sewer customers so that Availability Fees would not be the sole source to fund capital asset projects. Both the Water Base Fee and the Sewer Base Fee were increased slightly in FY13, \$1 and \$2 respectively. These fees have not increased since FY13.

Contributions in Aid to Construction (CIAC) recognized in FY15 totaled \$1,216,360. Developers construct water and sewer infrastructure as they develop properties and then the infrastructure is "dedicated" to the Authority for future maintenance.

An agreement with Campbell County directs that the Authority is to forward any Aid to Construction Fees and Connection Fees that are collected in the Leesville Road Billing zone to the County until the bond to fund the project is paid in full or for 20 years from the bond date (2001), whichever is shorter. Twenty percent of usage fees from all customers served in this billing zone are also forwarded to the County for the same extent of time. This is in accordance with the agreement with the County to assist in the funding of the project.

Trends in Operations

Connection Growth - A table containing new connections over the last 10 Fiscal Years is located in the Statistical section of this report. The annual growth of water customers was in the 3 to 6% range prior to FY09 but fell to the 1% range in fiscal years 2009 through FY12. New water connections were 1.1% in FY15. The average annual growth of sewer customers was in the 2-5% range and the Authority had even experienced as much as 9% in FY06 but that percentage of growth dropped to less than 2% in FY09 and has dropped to less than 1% in FY11 at only 20 new connections. The number of sewer customers grew 1.8% in FY15.

User Rates - The last increase in water or sewer usage rates was in FY12. Pages 84 and 85 in the Statistical Section lists the user rates for water and sewer as well as existing connection, availability and construction fees in place at fiscal year end.

Trends in Operations: (Continued)

Long Term Debt - The Authority issued a new Bond in December 2011 to fund construction of the new Tanglewood Water Tank. During the bonding process, it was found that the Authority could save \$321,422 by also refinancing most of its existing outstanding bonds. The Authority now has three bonds: the 2011 Bond A (new financing); the 2011 Bond B (refinancing of existing bonds); and the 2003 Bond which was at a low enough interest rate that did not benefit the Authority to include in the refinancing. The Revenue Bond Compliance report can be found on pages 75 and 76 in the Other Supplementary Information Section. Bond covenants require the Authority to maintain Debt Service Coverage Ratio of 1.15. The actual debt coverage achieved in FY15 was 3.25. Approximately 26.4% of the Authority's operating revenue was used to fund bond payments in fiscal year 2015 as compared to 27.8% in fiscal year 2014 (including non-operating revenue but not including Contributions in aid of construction, this calculation would have been 21.4% in FY15 and 24.8% in FY14).

Summary - The Authority had a successful financial year in its operations. Overall operating expenses were less than budgeted amounts. The Authority had adequate debt service coverage for the year. The Authority had a positive net income of \$1,643,703 before capital contributions this year.

Requests for Information

This financial report is designed to provide a general overview of Campbell County Utilities and Service Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Administrator, 20644 Timberlake Road, Lynchburg, Virginia 24502.

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- Basic Financial Statements -

Statement of Net Position
At June 30, 2015**ASSETS**

Current assets:

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 6,727,581 |
| Accounts receivable | 1,161,168 |
| Due from Campbell County | 11,825 |
| Inventory | 262,860 |
| Total current assets | <u>\$ 8,163,434</u> |

Noncurrent assets:

Restricted assets:

Cash and investments:

| | |
|--|---------------------|
| Debt service | \$ 1,067,919 |
| Cash and cash equivalents - debt service | 500,000 |
| Total restricted assets | <u>\$ 1,567,919</u> |

Capital assets:

| | |
|--|----------------------|
| Land and land rights | \$ 298,954 |
| Structures and improvements | 26,921,687 |
| Water and sanitary sewer mains and improvements other than structures | 48,902,558 |
| Machinery and equipment | 2,796,906 |
| Other | 1,082,106 |
| Lynchburg facilities capacity | 2,844,889 |
| Construction in progress | 899,781 |
| Total capital assets | <u>\$ 83,746,881</u> |

| | |
|-------------------------------|---------------------|
| Less accumulated depreciation | <u>(23,889,786)</u> |
|-------------------------------|---------------------|

| | |
|--------------------|----------------------|
| Net capital assets | <u>\$ 59,857,095</u> |
|--------------------|----------------------|

| | |
|-------------------------|----------------------|
| Total noncurrent assets | <u>\$ 61,425,014</u> |
|-------------------------|----------------------|

| | |
|--------------|-----------------------------|
| Total assets | <u><u>\$ 69,588,448</u></u> |
|--------------|-----------------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|--------------------------|
| Deferred amounts on refunding | \$ 397,579 |
| Pension contributions subsequent to measurement date | 101,737 |
| Total deferred outflows of resources | <u><u>\$ 499,316</u></u> |

Statement of Net Position

At June 30, 2015 (Continued)

LIABILITIES

Current liabilities:

| | |
|--|--------------|
| Accounts payable and accrued expenses | \$ 455,276 |
| Accrued interest payable | 72,239 |
| Advances for construction | 33,829 |
| Compensated absences, current portion | 13,988 |
| Notes payable, current portion | 55,518 |
| Revenue bonds payable, current portion | 1,300,900 |
| Total current liabilities | \$ 1,931,750 |

Noncurrent liabilities:

| | |
|---|---------------|
| Net pension liability | \$ 621,172 |
| Compensated absences, noncurrent portion | 41,964 |
| Notes payable, noncurrent portion | 825,143 |
| Revenue bonds payable, noncurrent portion | 8,513,300 |
| Total noncurrent liabilities | \$ 10,001,579 |
| Total liabilities | \$ 11,933,329 |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|------------|
| Items related to measurement of net pension liability | \$ 194,340 |
|---|------------|

NET POSITION

| | |
|----------------------------------|---------------|
| Net investment in capital assets | \$ 49,559,813 |
| Restricted: | |
| Debt service | 500,000 |
| Unrestricted | 7,900,282 |
| Total net position | \$ 57,960,095 |

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

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

Operating revenues:

| | |
|--|--------------|
| Water sales, charges and sewer service charges | \$ 6,106,067 |
|--|--------------|

Operating expenses:

| | |
|----------------------------|------------|
| Source of supply | \$ 945,314 |
| Wastewater treatment | 297,071 |
| Maintenance and inspection | 506,247 |
| Personnel | 1,541,147 |
| Administrative and general | 268,306 |

| | |
|--|--------------|
| Total operating expenses before depreciation | \$ 3,558,085 |
|--|--------------|

| | |
|--------------|--------------|
| Depreciation | \$ 1,908,543 |
|--------------|--------------|

| | |
|-------------------------|------------|
| Operating income (loss) | \$ 639,439 |
|-------------------------|------------|

Nonoperating revenues (expenses):

| | |
|-----------------------------|-----------|
| Interest income | \$ 5,066 |
| Interest expense | (362,239) |
| Availability charges | 878,725 |
| Connection fees | 60,270 |
| Sewer capacity fee | 332,500 |
| System development fee | 46,900 |
| Grant from Campbell County | 98,668 |
| Other nonoperating expenses | (55,626) |

| | |
|--------------------------------------|--------------|
| Net nonoperating revenues (expenses) | \$ 1,004,264 |
|--------------------------------------|--------------|

| | |
|--|--------------|
| Net income (loss) before capital contributions | \$ 1,643,703 |
|--|--------------|

| | |
|-----------------------|--------------|
| Capital contributions | \$ 1,216,360 |
|-----------------------|--------------|

| | |
|------------------------|--------------|
| Change in net position | \$ 2,860,063 |
|------------------------|--------------|

| | |
|---|------------|
| Net position - beginning of year, as restated | 55,100,032 |
|---|------------|

| | |
|----------------------------|---------------|
| Net position - end of year | \$ 57,960,095 |
|----------------------------|---------------|

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

Statement of Cash Flows
For the Year Ended June 30, 2015

| | |
|---|----------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 6,501,424 |
| Payments to/for employees | (1,587,844) |
| Payments to suppliers/others | (2,097,877) |
| Net cash provided by (used for) operating activities | \$ 2,815,703 |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | \$ (1,947,969) |
| Contributions from developers and customers | 1,211,526 |
| Contributions from governmental units | 95,579 |
| Availability charges | 878,725 |
| Connection fees | 60,270 |
| Sewer capacity fee | 332,500 |
| System development fee | 46,900 |
| Proceeds from issuance of notes payable | 84,495 |
| Retirement of indebtedness | (1,892,490) |
| Interest on long-term debt | (311,413) |
| Net cash provided by (used for) capital and related financing activities | \$ (1,441,877) |
| Cash flows from investing activities: | |
| Interest income | \$ 5,066 |
| Decrease in restricted assets | 33,202 |
| Net cash provided by (used for) investing activities | \$ 38,268 |
| Net increase (decrease) in cash and cash equivalents | \$ 1,412,094 |
| Cash and cash equivalents at beginning of year (includes restricted cash) | 5,815,487 |
| Cash and cash equivalents at end of year (includes restricted cash) | \$ 7,227,581 |
| Reconciliation of operating income to net cash provided by (used for) operating activities: | |
| Net income from operations | \$ 639,439 |
| Adjustment to reconcile operating income to net cash provided by (used for) operations: | |
| Depreciation | 1,908,543 |
| Other nonoperating expenses | (55,626) |
| Changes in operating assets, deferred outflows, liabilities, and deferred inflows: | |
| (Increase) decrease in: | |
| Accounts receivable | 395,357 |
| Inventory | (17,835) |
| Pension contributions subsequent to measurement date | (3,549) |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | (7,478) |
| Net pension liability | (242,839) |
| Compensated absences | 5,351 |
| Items related to measurement of net pension liability | 194,340 |
| Net cash provided by (used for) operating activities | \$ 2,815,703 |
| Supplemental Disclosure: | |
| Noncash investing, capital, and financing activities: | |
| Capital assets contributed | \$ 1,216,360 |

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

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CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015

NOTE 1 - NATURE OF BUSINESS AND REPORTING ENTITY:

A. Organization and Purpose:

The Campbell County Utilities and Service Authority (the "Authority") was established on November 24, 1964 by resolution of the Board of Supervisors of Campbell County, Virginia (the "County") and was chartered by the Commonwealth of Virginia State Corporation Commission in December 1964 to provide water and sewer services to County residents as permitted under the Code Virginia (1950) as amended (The "Enabling Act").

The Enabling Act provides that the Authority is authorized, subject to the restrictions of the Authority's articles of incorporation, among other things, (1) to acquire, construct, improve, operate and maintain any water system or sewage disposal system, (2) to issue revenue bonds of the Authority payable solely from revenues to pay all or any part of the cost of water system or sewage disposal system, (3) to fix, revise, charge and collect rates, fees and charges for the use of and for the services furnished by any system operated by the Authority and, (4) to enter into contracts with any unit, including counties and cities, and authorities, relating to the furnishing of services of any water system or sewage disposal system of the authority. The Enabling Act also provides that the Authority is subject in all respects to the jurisdiction of the Virginia State Water Control Board pursuant to the provisions of the State Water Control Law.

B. Financial Reporting Entity:

The Authority has determined that it is a related organization to Campbell County in accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 14. The Authority is a legally separate organization whose Board members are appointed by the Campbell County Board of Supervisors. Since the Board of Supervisors cannot impose its will on the Authority and since there is no potential financial benefit (or burden) in the relationship, the Board of Supervisors is not financially accountable for the Authority. Accordingly, the Authority is not considered a component unit of the County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation:

Basic Financial Statements - The Authority's financial statements are presented in accordance GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis-For State and Local Governments*. Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Required Supplementary Information
 - Schedule of Component of and Changes in Net Pension Liability and Related Ratios
 - Schedule of Employer Contributions
 - Notes to Required Supplementary Information

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation: (Continued)

Basis of Accounting - Campbell County Utilities and Service Authority operates as an enterprise fund, uses the flow of economic resources measurement focus, and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted Assets - Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments - Investments are reported at fair value.

Materials and Supplies Inventory - Inventories are valued at the lower of cost or net realizable value, using the first-in, first-out method of valuation.

Capital Assets and Depreciation - Purchased and constructed capital assets in service are recorded at historical cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Capital assets acquired by the Authority through contributions, such as from developers, are capitalized and recorded in the accounts at fair market value on the date accepted. The Authority provides for depreciation of capital assets in service on the straight-line method at amounts estimated to amortize the cost of assets over their estimated useful lives, as follows:

| | |
|-----------------------------|--------------------|
| Structures and Improvements | 20 to 66-2/3 years |
| Equipment | 5 to 10 years |

When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in results of operations. Depreciation expense for the year ended June 30, 2015 was \$1,908,543. Included in depreciation expense was \$540,628 charged to Lynchburg Facilities Capacity.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation: (Continued)

Allowance for Uncollectible Accounts - The Authority calculates its allowance for specific accounts using historical collection data and, in certain cases, specific account analysis. Historical collection data indicates that any uncollectible amounts would be negligible. Management believes that any accounts that may be written off would not be significant. Accordingly, no allowance for uncollectible accounts has been established.

Budgetary Comparison Schedules - The "Schedule of Income - Budget and Actual" for the Central/ Rustburg Division and the Naruna Division and the "Schedule of Expenses - Budget and Actual" for the Central/Rustburg Division and the Naruna Division, compare budget and actual data. Although a budget is not legally required to be adopted, a fiscal year budget is prepared for management and fiscal planning purposes and is required under the Agreement of Trust for the 1993 bond issue dated October 1, 1993 amended and supplemented by the First Supplemental Agreement of Trust dated March 15, 1997, the Second Supplemental Agreement of Trust dated September 1, 1999, the Third Supplemental Agreement of Trust dated June 1, 2001, the Fourth Supplemental Agreement of Trust dated August 15, 2003, the Fifth Supplemental Agreement of Trust dated January 7, 2004, and the Sixth Supplemental Agreement of Trust dated June 15, 2005. Budgetary control is exercised at the departmental level. Any changes to the budget as adopted require Board approval. A review of budgetary comparisons presented herein will disclose how accurately the Authority was able to forecast its revenues and expenses. Budgets are not adopted for the Capital Division.

Unbilled Revenue - The Authority bills service charges to customers on a bi-monthly basis. Service charges earned but unbilled are accrued based on the last billing. These items are reported in the financial statements as a part of receivables and revenues. The amount of estimated unbilled revenue included in accounts receivable totaled \$360,808.

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

Net Position - Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Net Position Flow Assumption - Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation: (Continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category. One item is the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

Long-term Obligations - Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

NOTE 3 - DEPOSITS AND INVESTMENTS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (the FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS: (Continued)

Investments:

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

The Authority does not have a formal investment policy that addresses credit risk or interest rate risk.

Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2015 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The Authority's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial papers are required to be rated no lower than Standard and Poor's A-1 and Moody's Investors Service P-1.

Authority's Rated Debt Investments

| Investment | S&P Rating | Value |
|----------------------------|---------------|---------------------|
| U.S. Government Securities | | |
| Money Market Funds | AAAm | \$ <u>1,067,919</u> |

Interest Rate Risk:

Investment Maturities (in years)

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> |
|----------------------------|---------------------|-----------------------------|
| U.S. Government Securities | | |
| Money Market Funds | \$ <u>1,067,919</u> | \$ <u>1,067,919</u> |

Funds held by US Bank as trustee for revenue bonds:

| | |
|---|---------------------|
| 2011 Revenue Bonds: | |
| Revenue bond debt service | \$ 291,133 |
| 2003 Revenue Bonds: | |
| Revenue bond debt service | 776,786 |
| Other funds: | |
| Minimum balance required by 1993 bond indenture | <u>500,000</u> |
| Total restricted assets | \$ <u>1,567,919</u> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 4 - CAPITAL ASSETS:

Details of changes in capital assets for the fiscal year ended June 30, 2015 are as follows:

| | <u>Balance July 1, 2014</u> | <u>Additions</u> | <u>Retirements and other reductions</u> | <u>Balance June 30, 2015</u> |
|---|-------------------------------------|-----------------------|---|--------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land rights | \$ 259,578 | \$ 39,376 | \$ - | \$ 298,954 |
| Construction in progress | <u>6,552,363</u> | <u>1,359,409</u> | <u>7,011,991</u> | <u>899,781</u> |
| Total capital assets not being depreciated | \$ <u>6,811,941</u> | \$ <u>1,398,785</u> | \$ <u>7,011,991</u> | \$ <u>1,198,735</u> |
| Capital assets being depreciated: | | | | |
| Structures and improvements | \$ 23,401,668 | \$ 3,520,019 | \$ - | \$ 26,921,687 |
| Water and Sanitary Sewer mains and improvements other than structures | 45,259,720 | 3,642,838 | - | 48,902,558 |
| Machinery and equipment | 2,595,901 | 201,005 | - | 2,796,906 |
| Other | 1,001,634 | 80,472 | - | 1,082,106 |
| Lynchburg Facilities Capacity | <u>2,728,049</u> | <u>116,840</u> | <u>-</u> | <u>2,844,889</u> |
| Total capital assets being depreciated | \$ <u>74,986,972</u> | \$ <u>7,561,174</u> | \$ <u>-</u> | \$ <u>82,548,146</u> |
| Less: Accumulated depreciation: | | | | |
| Structures and improvements | \$ (9,024,313) | \$ (485,665) | \$ - | \$ (9,509,978) |
| Water and Sanitary Sewer mains and improvements other than structures | (9,730,022) | (662,008) | - | (10,392,030) |
| Machinery and equipment | (1,458,435) | (193,951) | - | (1,652,386) |
| Other | (344,881) | (26,291) | - | (371,172) |
| Lynchburg Facilities Capacity | <u>(1,423,593)</u> | <u>(540,627)</u> | <u>-</u> | <u>(1,964,220)</u> |
| Total accumulated depreciation | \$ <u>(21,981,244)</u> | \$ <u>(1,908,542)</u> | \$ <u>-</u> | \$ <u>(23,889,786)</u> |
| Capital assets being depreciated, net | \$ <u>53,005,728</u> | \$ <u>5,652,632</u> | \$ <u>-</u> | \$ <u>58,658,360</u> |
| Net capital assets | <u>\$ 59,817,669</u> | <u>\$ 7,051,417</u> | <u>\$ 7,011,991</u> | <u>\$ 59,857,095</u> |

Lynchburg Facilities Capacity - The Authority entered into an agreement with the City of Lynchburg, Virginia to purchase capacity in its regional sewage treatment plant. The cost of this purchase is recorded in capital assets and is amortized over a period of 20 years. The amortization is based on the amount of principal payments made on notes payable to the City, as detailed in Note 6. Amortization of this cost is included in depreciation expense and totaled \$540,627 for FY15. The unamortized balance of this cost was \$880,669 at June 30, 2015.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 5 - CONSTRUCTION WORK IN PROGRESS:

| | Balance Beginning of Year | Cost of Construction | Adjustments/ Transfers to Utility Plant & Equipment | Balance End of Year |
|---|---------------------------------|-------------------------|--|---------------------------|
| Wards Road Relocation (Hartless) | \$ 5,994 | \$ - | \$ 5,994 | \$ - |
| Wards Crossing West - Phase I | 10,565 | 320,269 | 330,834 | - |
| Wards Crossing West - Phase 2 | 1,450 | 238,653 | 240,103 | - |
| Water Tank Painting/Equipment | 39,029 | - | 39,029 | - |
| Dreaming Creek Sewer Reconstruction | 26,697 | - | - | 26,697 |
| Water Master Plan 1 | 34,152 | - | 34,152 | - |
| Leesville Estates | 97,666 | - | - | 97,666 |
| Leesville Estates - Phase 2 | 10,367 | - | - | 10,367 |
| Courthouse Sewer Relocation | 55 | 14,691 | - | 14,746 |
| Daly Seven 1002 Unit Hotel | 10,522 | - | - | 10,522 |
| SCADA System | 202,638 | 105,409 | 26,828 | 281,219 |
| Hat Creek Water System | 805,735 | 495,637 | 1,301,372 | - |
| Seneca Park Pump Station PER | 655,848 | 2,376 | 658,224 | - |
| Campbell County Master Sewer Plan - Phase 2 | 62,300 | - | - | 62,300 |
| Route 460 West Sewer Study | 12,173 | - | - | 12,173 |
| Disinfection Byproducts Study | 46,320 | - | 46,320 | - |
| Tanglewood Water Tank (New) | 2,607,265 | 37,221 | 2,644,486 | - |
| Citizens Services Building Meter Vault | 2,319 | - | - | 2,319 |
| Waterlick Road Low Pressure Sewer | 17,857 | - | - | 17,857 |
| Leesville Estates - Phase 2 (2010) | 10,132 | - | - | 10,132 |
| Russell Woods Sewer | 181,868 | - | - | 181,868 |
| Appomattox Water Line | 7,408 | - | - | 7,408 |
| Seneca Park - Phase 2 | 702,737 | - | 702,737 | - |
| Campbell County Landfill W & S Improvements | 6,390 | - | - | 6,390 |
| Liberty Ridge W & S Completion | 27,257 | - | - | 27,257 |
| Rt 24/Tanglewood Water Line | 858,259 | 19,916 | 878,175 | - |
| Liberty Ridge Student Housing - Sect 1 | 3,750 | - | - | 3,750 |
| Water Tank Cleaning & Inspection | 13,642 | - | 13,642 | - |
| Brookneal Water Line/Naruna | 1,029 | 11,620 | - | 12,649 |
| Simon's Run Water Line | - | 1,342 | - | 1,342 |
| Dennis Riddle Drive Sewer Extension | 2,424 | - | - | 2,424 |
| Sunburst Road Low Pressure Sewer System | 87,725 | 2,370 | 90,095 | - |
| Woodhaven Service Replacement Project | - | 11,583 | - | 11,583 |
| Winston Lane Water Line | - | 19,182 | - | 19,182 |
| Terrace Hill/Silver Sprint Water Line Replacement | - | 21,301 | - | 21,301 |
| Timberlake Drive Main Water Line Replacement | - | 27,500 | - | 27,500 |
| Equalization Blower Panel | - | 21,277 | - | 21,277 |
| Route 29 Sewer System Model | - | 9,000 | - | 9,000 |
| Other | 790 | 62 | - | 852 |
| Total | \$ 6,552,363 | \$ 1,359,409 | \$ 7,011,991 | \$ 899,781 |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS:

A summary of long-term obligation activity for the year is as follows:

| | Balance July 1, 2014 as restated | Increases | Decreases | Balance June 30, 2015 | Due Within One Year |
|-----------------------|--|-------------------|---------------------|--------------------------|------------------------|
| Compensated absences | \$ 50,601 | \$ 18,001 | \$ 12,650 | \$ 55,952 | \$ 13,988 |
| Net pension liability | 864,011 | 345,022 | 587,861 | 621,172 | - |
| Notes payable | 1,304,456 | 84,495 | 508,290 | 880,661 | 55,518 |
| Revenue bonds payable | 11,198,400 | - | 1,384,200 | 9,814,200 | 1,300,900 |
| Totals | <u>\$ 13,417,468</u> | <u>\$ 447,518</u> | <u>\$ 2,493,001</u> | <u>\$ 11,371,985</u> | <u>\$ 1,370,406</u> |

Amounts required to amortize long-term debt:

| Fiscal Year Ending June 30, | Notes Payable | | Revenue Bonds | |
|-----------------------------------|-------------------|---------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 55,518 | \$ 15 | \$ 1,300,900 | \$ 270,845 |
| 2017 | 55,518 | 14 | 1,341,700 | 231,328 |
| 2018 | 55,518 | 14 | 1,385,200 | 190,577 |
| 2019 | 55,518 | 13 | 1,307,400 | 150,301 |
| 2020 | 55,518 | 13 | 463,000 | 124,248 |
| 2021 | 55,518 | 12 | 495,000 | 110,967 |
| 2022 | 55,518 | 11 | 403,000 | 97,402 |
| 2023 | 55,518 | 11 | 413,000 | 85,776 |
| 2024 | 43,817 | 10 | 425,000 | 73,864 |
| 2025 | 43,817 | 10 | 436,000 | 61,594 |
| 2026 | 43,817 | 9 | 350,000 | 50,382 |
| 2027 | 43,817 | 9 | 367,000 | 40,147 |
| 2028 | 35,209 | 8 | 277,000 | 29,555 |
| 2029 | 29,830 | 7 | 203,000 | 22,455 |
| 2030 | 29,830 | 7 | 209,000 | 16,275 |
| 2031 | 29,829 | 6 | 216,000 | 9,900 |
| 2032 | 29,829 | 6 | 222,000 | 3,330 |
| 2033 | 29,829 | 5 | - | - |
| 2034 | 8,556 | 5 | - | - |
| 2035 | 8,556 | 4 | - | - |
| 2036 | 8,556 | 3 | - | - |
| 2037 | 8,556 | 3 | - | - |
| 2038 | 8,556 | 2 | - | - |
| 2039 | 8,555 | 2 | - | - |
| 2040 | 8,555 | 1 | - | - |
| 2041 | 8,555 | 1 | - | - |
| 2042 | 2,816 | - | - | - |
| 2043 | 2,816 | - | - | - |
| 2044 | 2,816 | - | - | - |
| Total | <u>\$ 880,661</u> | <u>\$ 201</u> | <u>\$ 9,814,200</u> | <u>\$ 1,568,946</u> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)

Details of long-term obligations are as follows:

| | <u>Total</u> | <u>Amount Due Within One Year</u> |
|---|--------------|---|
| Compensated absences | \$ 55,952 | \$ 13,988 |
| Notes payable: | | |
| \$131,234 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$5,171 on June 1 through June 2015, thereafter \$1,284 through June 1, 2028, interest at 0% | \$ 16,692 | \$ 1,284 |
| \$468,039 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$11,701 on June 1 through 2023, interest at 5.5% | 93,605 | 11,701 |
| \$295,122 note payable to the City of Lynchburg, Virginia due in annual principal installments of \$8,608 on June 1 through 2027, interest at 0.35% | 103,290 | 8,608 |
| \$136,530 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$4,096 on June 1 through 2028, interest at 0% | 53,246 | 4,096 |
| \$172,189 note payable to the City of Lynchburg, Virginia due in annual principal installments of \$5,740 on June 1, through 2041, interest at 0.59% | 149,228 | 5,740 |
| \$425,467 note payable to the City of Lynchburg, Virginia due in annual principal installments of \$21,273 on June 1, through 2033, interest at 0% | 382,921 | 21,273 |
| \$84,495 note payable to the City of Lynchburg, Virginia due in annual principal installments of \$2,816 on June 1, through 2044, interest at 0% | 81,679 | 2,816 |
| Total notes payable | \$ 880,661 | \$ 55,518 |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)

Details of long-term obligations are as follows: (Continued)

| | <u>Total</u> | <u>Amount Due Within One Year</u> |
|--|-----------------------------|---|
| Revenue Bonds: | | |
| \$3,377,000 Water and Sewer System Revenue Bond, Series 2011A dated December 20, 2011 principal payable in various installments beginning October 1, 2012 through October 1, 2031, interest payable semi-annually at 3.00% | \$ 3,012,000 | \$ 138,000 |
| \$4,268,000 Water and Sewer System Refunding Revenue Bond, Series 2011B dated December 20, 2011, principal payable semi-annually in various incremental amounts beginning April 1, 2012 through October 1, 2027, interest payable semi-annually at 2.75% | 3,199,000 | 275,000 |
| \$9,738,200 Water and Sewer System Refunding Revenue bond dated August 15, 2003, principal payable annually in various incremental amounts due on October 15, 2018, interest payable semi-annually at 3.07% | <u>3,603,200</u> | <u>887,900</u> |
| Total revenue bonds | \$ <u>9,814,200</u> | \$ <u>1,300,900</u> |
| Total long-term obligations | \$ <u><u>10,750,813</u></u> | \$ <u><u>1,370,406</u></u> |

County of Campbell, Virginia has entered into a Support Agreement with the Authority whereby the County has undertaken a nonbinding obligation to appropriate to the Authority funds as necessary to pay the debt service required by the 1999 water and sewer system revenue bonds. The Authority received \$98,668 from the County in FY15.

NOTE 7 - PENSION PLAN:

Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of the Authority 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.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

| RETIREMENT PLAN PROVISIONS | | |
|---|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> | <p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| | | <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |
| <p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p> | <p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p> |
| <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p> | <p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> | <p>Creditable Service Same as Plan 1.</p> | <p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p> | <p>Vesting Same as Plan 1.</p> | <p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Vesting (Cont.) | Vesting (Cont.) | <p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p> |
| <p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> | <p>Calculating the Benefit See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit. | Calculating the Benefit (Cont.) | Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. | Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1. | Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable. |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p> | <p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p> | <p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> | <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> | <p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> |
| <p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p> | <p>Purchase of Prior Service Same as Plan 1.</p> | <p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|------------------|
| Inactive members or their beneficiaries currently receiving benefits | 10 |
| Inactive members: | |
| Vested inactive members | 1 |
| Non-vested inactive members | 1 |
| Inactive members active elsewhere in VRS | <u>3</u> |
| Total inactive members | 5 |
| Active members | <u>20</u> |
| Total covered employees | <u><u>35</u></u> |

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Authority's contractually required contribution rate for the year ended June 30, 2015 was 9.08% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$101,737 and \$98,188 for the years ended June 30, 2015 and June 30, 2014, respectively.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 5.35% |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation* |

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Long-Term Expected Rate of Return

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---------------------------|-------------------|--|--|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | 100.00% | | 5.83% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 8.33% |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Authority Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2013 | \$ 3,598,895 | \$ 2,734,884 | \$ 864,011 |
| Changes for the year: | | | |
| Service cost | \$ 94,235 | \$ - | \$ 94,235 |
| Interest | 248,500 | - | 248,500 |
| Contributions - employer | - | 98,188 | (98,188) |
| Contributions - employee | - | 53,477 | (53,477) |
| Net investment income | - | 436,173 | (436,173) |
| Benefit payments, including refunds of employee contributions | (97,794) | (97,794) | - |
| Administrative expenses | - | (2,287) | 2,287 |
| Other changes | - | 23 | (23) |
| Net changes | \$ 244,941 | \$ 487,780 | \$ (242,839) |
| Balances at June 30, 2014 | \$ 3,843,836 | \$ 3,222,664 | \$ 621,172 |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (Continued)

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

The following presents the net pension liability of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | Rate | | |
|-----------------------|-----------|---------|---------|
| | (6.00%) | (7.00%) | (8.00%) |
| Net Pension Liability | 1,209,716 | 621,172 | 140,810 |

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

For the year ended June 30, 2015, the Authority recognized pension expense of \$49,689. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 194,340 |
| Employer contributions subsequent to the measurement date | 101,737 | - |
| Total | \$ 101,737 | \$ 194,340 |

\$101,737 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 ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | |
|--------------------|-------------|
| 2016 | \$ (48,585) |
| 2017 | (48,585) |
| 2018 | (48,585) |
| 2019 | (48,585) |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - LITIGATION:

At June 30, 2015, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 9 - COMPENSATED ABSENCES:

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority has accrued the liability arising from outstanding compensated absences.

Authority employees earn vacation and sick leave at a variable rate based on length of service. No benefits or pay is received for unused sick leave upon termination. Vacation accumulates on a calendar year basis and terminates annually if not taken. The Authority has outstanding accrued vacation pay and related benefits totaling \$55,952 at June 30, 2015.

NOTE 10 - RISK MANAGEMENT:

The Authority insures against the risk of loss for workers' compensation, theft, property damage, and liability through contracts with commercial insurance carriers. A summary of coverage is detailed below:

| | | |
|----------------------------|---------------|--------------------------------------|
| Property damage | \$ 11,825,200 | 100% value |
| Flood damage | 2,500,000 | |
| Earthquake | 2,500,000 | |
| Local Government liability | 1,000,000 | each occurrence |
| Automobile liability | 1,000,000 | combined single limit |
| Umbrella liability | 5,000,000 | |
| Worker's compensation | 1,000,000 | employer's liability each occurrence |
| Boiler and machinery | 1,000,000 | |

There have been no insurance settlements exceeding insurance coverage during the past three years.

NOTE 11 - INTEREST COST:

Interest attributable to capitalized assets as of June 30, 2015 was immaterial.

NOTE 12 - CONSTRUCTION COMMITMENTS:

At June 30, 2015 the Authority had no major projects under construction.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 13 - ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The Authority implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

| | |
|--|----------------------|
| Net position at June 30, 2014, as reported | \$ 55,865,855 |
| Implementation of GASB 68 | <u>(765,823)</u> |
| Net position at June 30, 2014, as restated | <u>\$ 55,100,032</u> |

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- Required Supplementary Information -

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Schedule of Components of and Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

| | <u>2014</u> |
|--|----------------------------|
| Total pension liability | |
| Service cost | \$ 94,235 |
| Interest | 248,500 |
| Benefit payments, including refunds of employee contributions | (97,794) |
| Net change in total pension liability | <u>\$ 244,941</u> |
| Total pension liability - beginning | <u>3,598,895</u> |
| Total pension liability - ending (a) | <u><u>\$ 3,843,836</u></u> |
| Plan fiduciary net position | |
| Contributions - employer | \$ 98,188 |
| Contributions - employee | 53,477 |
| Net investment income | 436,173 |
| Benefit payments, including refunds of employee contributions | (97,794) |
| Administrative expense | (2,287) |
| Other | 23 |
| Net change in plan fiduciary net position | <u>\$ 487,780</u> |
| Plan fiduciary net position - beginning | <u>2,734,884</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 3,222,664</u></u> |
| Political subdivision's net pension liability - ending (a) - (b) | \$ 621,172 |
| Plan fiduciary net position as a percentage of the total pension liability | 83.84% |
| Covered-employee payroll | \$ 1,069,535 |
| Political subdivision's net pension liability as a percentage of covered-employee payroll | 58.08% |

This schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions
For the Year Ended June 30, 2015

| <u>Date</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to Contractually Required Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Employer's Covered Employee Payroll</u> | <u>Contributions as a % of Covered Employee Payroll</u> |
|-------------|--|---|---|--|---|
| 2015 | \$ 101,737 | \$ 101,737 | \$ - | \$ 1,120,448 | 9.08% |

This schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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- Other Supplementary Information -
Supporting Schedules

Schedule of Revenues and Expenses
For the Year Ended June 30, 2015

| | <u>Total</u> | <u>Central/ Rustburg</u> | <u>Naruna</u> |
|----------------------------------|---------------------|------------------------------|------------------|
| Operating revenues: | | | |
| Water fees | \$ 4,623,555 | \$ 4,544,421 | \$ 79,134 |
| Sewer fees | 1,188,947 | 1,188,947 | - |
| Account establishment fees | 26,850 | 26,850 | - |
| Reconnection fees | 34,480 | 34,480 | - |
| Fire protection fee | 31,093 | 31,093 | - |
| Meter tamper fee | 500 | 500 | - |
| Miscellaneous | 200,642 | 200,642 | - |
| Total operating revenues | <u>\$ 6,106,067</u> | <u>\$ 6,026,933</u> | <u>\$ 79,134</u> |
| Operating expenses: | | | |
| Source of supply: | | | |
| Purchase of water | \$ 40,233 | \$ 40,233 | \$ - |
| Water charges (460 East) | 496,367 | 496,367 | - |
| Chemicals | 159,716 | 159,040 | 676 |
| Electrical services | 189,105 | 185,735 | 3,370 |
| Maintenance | 18,299 | 17,845 | 454 |
| Equipment and supplies | 12,725 | 12,123 | 602 |
| Safety | 180 | 180 | - |
| Uniforms | 2,055 | 2,055 | - |
| Fuel | 3,774 | 3,774 | - |
| Landfill fees | 828 | 828 | - |
| Vehicle expense | 2,870 | 2,689 | 181 |
| Telephone | 2,677 | 2,677 | - |
| Fees and charges | 15,489 | 15,489 | - |
| Office supplies | 996 | 996 | - |
| Total source of supply | <u>\$ 945,314</u> | <u>\$ 940,031</u> | <u>\$ 5,283</u> |
| Wastewater Treatment: | | | |
| Purchase of services - Lynchburg | \$ 225,875 | \$ 225,875 | \$ - |
| Chemicals | 4,702 | 4,702 | - |
| Electrical services | 23,923 | 23,923 | - |
| Maintenance | 9,125 | 9,125 | - |
| Equipment and supplies | 14,635 | 14,635 | - |
| Safety | 435 | 435 | - |
| Uniforms | 1,180 | 1,180 | - |
| Fuel | 540 | 540 | - |
| Vehicle expense | 1,145 | 1,145 | - |
| Landfill disposal | 7,657 | 7,657 | - |
| Fees and charges | 3,765 | 3,765 | - |
| Office supplies | 619 | 619 | - |
| Telephone | 3,470 | 3,470 | - |
| Total wastewater treatment | <u>\$ 297,071</u> | <u>\$ 297,071</u> | <u>\$ -</u> |

Schedule of Revenues and Expenses

For the Year Ended June 30, 2015 (Continued)

| | <u>Total</u> | <u>Central/ Rustburg</u> | <u>Naruna</u> |
|---|------------------|------------------------------|---------------|
| Operating expenses: (Continued) | | | |
| Maintenance and Inspection: | | | |
| Electrical services | \$ 141,382 | \$ 141,382 | \$ - |
| Electrical repairs | - | - | - |
| Maintenance | 259,961 | 259,961 | - |
| Rustburg Elementary School pump station | 664 | 664 | - |
| Miscellaneous utilities | 3,273 | 3,273 | - |
| Equipment and supplies | 72,156 | 72,156 | - |
| Safety | 704 | 704 | - |
| Uniforms | 2,429 | 2,429 | - |
| Fuel | 1,818 | 1,818 | - |
| Vehicle Expense | 19,615 | 19,615 | - |
| Fees and charges | 2,220 | 2,220 | - |
| Telephone | 2,025 | 2,025 | - |
| | <u>506,247</u> | <u>506,247</u> | <u>-</u> |
| Total maintenance and inspection | \$ 506,247 | \$ 506,247 | \$ - |
| Personnel: | | | |
| Salaries | \$ 1,202,396 | \$ 1,202,396 | \$ - |
| Unemployment insurance | 772 | 772 | - |
| Health insurance | 162,335 | 162,335 | - |
| Disability insurance | 5,512 | 5,512 | - |
| Retirement benefits | 63,021 | 63,021 | - |
| FICA | 90,993 | 90,993 | - |
| Workmen's compensation | 16,118 | 16,118 | - |
| | <u>1,541,147</u> | <u>1,541,147</u> | <u>-</u> |
| Total personnel | \$ 1,541,147 | \$ 1,541,147 | \$ - |
| Administrative and General: | | | |
| Legal fees | \$ 8,222 | \$ 8,222 | \$ - |
| Engineering fees | 7,085 | 7,085 | - |
| Auditing fees | 23,240 | 23,240 | - |
| Recording fees | 57 | 57 | - |
| Insurance general | 37,806 | 35,538 | 2,268 |
| Postage | 32,213 | 32,213 | - |
| Office and billing supplies | 27,221 | 27,221 | - |
| Service charge (over and short) | 43 | 43 | - |
| Bank fees | 499 | 499 | - |
| Office equipment contracts | 73,332 | 73,332 | - |
| Safety | 205 | 205 | - |
| Telephone | 14,939 | 14,939 | - |
| Electrical services | 12,225 | 12,225 | - |

Schedule of Revenues and Expenses

For the Year Ended June 30, 2015 (Continued)

| | <u>Total</u> | <u>Central/ Rustburg</u> | <u>Naruna</u> |
|---|----------------------------|------------------------------|-------------------------|
| Operating expenses: (Continued) | | | |
| Administrative and General: (Continued) | | | |
| Advertising | \$ 234 | \$ 234 | \$ - |
| Travel, mileage, and education | 5,128 | 5,128 | - |
| Dues, subscriptions, and donations | 9,024 | 9,024 | - |
| Janitorial supplies | 2,319 | 2,319 | - |
| Landfill fees | 1,049 | 1,049 | - |
| Maintenance office | 9,504 | 9,504 | - |
| Trustee fees | 6,743 | 6,743 | - |
| Miscellaneous | (26,552) | (26,552) | - |
| Fees and charges | <u>23,770</u> | <u>23,624</u> | <u>146</u> |
| Total administrative and general | \$ <u>268,306</u> | \$ <u>265,892</u> | \$ <u>2,414</u> |
| Operating expenses before depreciation | \$ <u>3,558,085</u> | \$ <u>3,550,388</u> | \$ <u>7,697</u> |
| Depreciation | \$ <u>1,908,543</u> | \$ <u>1,897,323</u> | \$ <u>11,220</u> |
| Total operating expenses | \$ <u>5,466,628</u> | \$ <u>5,447,711</u> | \$ <u>18,917</u> |
| Net income from operations | \$ <u>639,439</u> | \$ <u>579,222</u> | \$ <u>60,217</u> |
| Nonoperating income (expenses): | | | |
| Availability fees water | \$ 447,525 | \$ 447,525 | \$ - |
| Availability fees wastewater | 431,200 | 431,200 | - |
| Connection fees water | 48,870 | 48,870 | - |
| Connection fees wastewater | 11,400 | 11,400 | - |
| Sewer capacity fee | 332,500 | 332,500 | - |
| System development fee | 46,900 | 46,900 | - |
| Interest income | 5,066 | 5,066 | - |
| Grant from Campbell County | 98,668 | 98,668 | - |
| Capital contributions | 1,216,360 | 1,216,360 | - |
| Interest expense | (362,239) | (362,239) | - |
| Other nonoperating expenses | <u>(55,626)</u> | <u>(55,626)</u> | <u>-</u> |
| Total nonoperating income (expenses) | \$ <u>2,220,624</u> | \$ <u>2,220,624</u> | \$ <u>-</u> |
| Net income | \$ <u><u>2,860,063</u></u> | \$ <u><u>2,799,846</u></u> | \$ <u><u>60,217</u></u> |

Central/Rustburg Division

Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2015

| | Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------|--------------|--|
| Operating revenues: | | | |
| Water fees | \$ 4,695,000 | \$ 4,544,421 | \$ (150,579) |
| Sewer fees | 1,010,000 | 1,188,947 | 178,947 |
| Account establishment fees | 23,000 | 26,850 | 3,850 |
| Reconnection fees | 36,000 | 34,480 | (1,520) |
| Fire protection fee | 46,000 | 31,093 | (14,907) |
| Meter tamper fee | 300 | 500 | 200 |
| Miscellaneous | 151,000 | 200,642 | 49,642 |
| Total operating income | \$ 5,961,300 | \$ 6,026,933 | \$ 65,633 |
| Nonoperating revenues: | | | |
| Availability fees water | \$ 191,900 | \$ 447,525 | \$ 255,625 |
| Availability fees wastewater | 105,600 | 431,200 | 325,600 |
| Connection fees water | - | 48,870 | 48,870 |
| Connection fees wastewater | - | 11,400 | 11,400 |
| Sewer capacity fee | - | 332,500 | 332,500 |
| System development fee | - | 46,900 | 46,900 |
| Interest income | 11,000 | 5,066 | (5,934) |
| Grant from Campbell County | 98,800 | 98,668 | (132) |
| Capital contributions | - | 1,216,360 | 1,216,360 |
| Total nonoperating revenues | \$ 407,300 | \$ 2,638,489 | \$ 2,231,189 |
| Total revenues | \$ 6,368,600 | \$ 8,665,422 | \$ 2,296,822 |

Naruna Division

Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2015

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--------------------------|-------------------------|-------------------------|---|
| Operating revenues: | | | |
| Water fees | \$ <u>80,000</u> | \$ <u>79,134</u> | \$ <u>(866)</u> |
| Total operating revenues | \$ <u><u>80,000</u></u> | \$ <u><u>79,134</u></u> | \$ <u><u>(866)</u></u> |

Central/Rustburg Division

Schedule of Expenses - Budget and Actual
For the Year Ended June 30, 2015

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------|------------|--|
| Operating expenses: | | | |
| Source of Supply: | | | |
| Purchase of water | \$ 33,600 | \$ 40,233 | \$ (6,633) |
| Water charges (460 East) | 526,500 | 496,367 | 30,133 |
| Chemicals | 158,540 | 159,040 | (500) |
| Electrical services | 190,000 | 185,735 | 4,265 |
| Maintenance | 30,300 | 17,845 | 12,455 |
| Equipment and supplies | 28,000 | 12,123 | 15,877 |
| Safety | 2,000 | 180 | 1,820 |
| Uniforms | 2,200 | 2,055 | 145 |
| Fuel | 2,500 | 3,774 | (1,274) |
| Landfill fees | 830 | 828 | 2 |
| Vehicle expense | 7,700 | 2,689 | 5,011 |
| Telephone | 2,700 | 2,677 | 23 |
| Fees and charges | 14,600 | 15,489 | (889) |
| Office supplies | 2,150 | 996 | 1,154 |
| Total source of supply | \$ 1,001,620 | \$ 940,031 | \$ 61,589 |
| Wastewater Treatment: | | | |
| Purchase of services - Lynchburg | \$ 217,000 | \$ 225,875 | \$ (8,875) |
| Chemicals | 5,000 | 4,702 | 298 |
| Electrical services | 26,500 | 23,923 | 2,577 |
| Maintenance | 14,900 | 9,125 | 5,775 |
| Equipment and supplies | 14,300 | 14,635 | (335) |
| Safety | 1,200 | 435 | 765 |
| Uniforms | 750 | 1,180 | (430) |
| Fuel | 1,400 | 540 | 860 |
| Vehicle expense | 2,600 | 1,145 | 1,455 |
| Landfill disposal | 5,900 | 7,657 | (1,757) |
| Fees and charges | 8,900 | 3,765 | 5,135 |
| Telephone | 3,900 | 3,470 | 430 |
| Office Supplies | 800 | 619 | 181 |
| Concord WWTP | 3,700 | - | 3,700 |
| Total wastewater treatment | \$ 306,850 | \$ 297,071 | \$ 9,779 |
| Maintenance and Inspection: | | | |
| Electrical services | \$ 193,000 | \$ 141,382 | \$ 51,618 |
| Electrical repairs | 8,500 | - | 8,500 |
| Maintenance | 190,100 | 259,961 | (69,861) |
| Rustburg Elementary School pump station | 3,800 | 664 | 3,136 |
| Miscellaneous utilities | 3,700 | 3,273 | 427 |
| Equipment and supplies | 65,200 | 72,156 | (6,956) |
| Fire hydrants | 23,500 | - | 23,500 |
| Safety | 2,300 | 704 | 1,596 |
| Uniforms | 2,650 | 2,429 | 221 |
| Fuel | 3,250 | 1,818 | 1,432 |
| Vehicle Expense | 32,450 | 19,615 | 12,835 |
| Fees and charges | 2,200 | 2,220 | (20) |
| Telephone | 2,500 | 2,025 | 475 |
| Total maintenance and inspection | \$ 533,150 | \$ 506,247 | \$ 26,903 |

Central/Rustburg Division

Schedule of Expenses - Budget and Actual
For the Year Ended June 30, 2015 (Continued)

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------|--------------|--|
| Operating expenses: (Continued) | | | |
| Personnel: | | | |
| Salaries | \$ 1,209,493 | \$ 1,202,396 | \$ 7,097 |
| Unemployment insurance | 1,050 | 772 | 278 |
| Health insurance | 158,500 | 162,335 | (3,835) |
| Disability insurance | 6,200 | 5,512 | 688 |
| Retirement benefits | 116,700 | 63,021 | 53,679 |
| FICA | 92,400 | 90,993 | 1,407 |
| Workmen's compensation | 19,700 | 16,118 | 3,582 |
| Total personnel | \$ 1,604,043 | \$ 1,541,147 | \$ 62,896 |
| Administrative and General: | | | |
| Legal fees | \$ 17,500 | \$ 8,222 | \$ 9,278 |
| Engineering fees | 27,000 | 7,085 | 19,915 |
| Auditing fees | 27,500 | 23,240 | 4,260 |
| Recording fees | 100 | 57 | 43 |
| Insurance general | 40,400 | 35,538 | 4,862 |
| Postage | 40,000 | 32,213 | 7,787 |
| Office and billing supplies | 31,500 | 27,221 | 4,279 |
| Service charge (over and short) | - | 43 | (43) |
| Bank fees | 5,100 | 499 | 4,601 |
| Office equipment contracts | 71,500 | 73,332 | (1,832) |
| Safety | - | 205 | (205) |
| Telephone | 18,400 | 14,939 | 3,461 |
| Electrical services | 13,000 | 12,225 | 775 |
| Advertising | 3,000 | 234 | 2,766 |
| Travel, mileage, and education | 17,000 | 5,128 | 11,872 |
| Dues, subscriptions, and donations | 9,300 | 9,024 | 276 |
| Janitorial supplies | 2,400 | 2,319 | 81 |
| Landfill fees | 1,325 | 1,049 | 276 |
| Maintenance office | 17,800 | 9,504 | 8,296 |
| Trustee fees | 7,600 | 6,743 | 857 |
| Fees and charges | 25,300 | 23,624 | 1,676 |
| Miscellaneous | - | (26,552) | 26,552 |
| Total administrative and general | \$ 375,725 | \$ 265,892 | \$ 109,833 |
| Total operating expenses before depreciation | \$ 3,821,388 | \$ 3,550,388 | \$ 271,000 |
| Depreciation | \$ - | \$ 1,897,323 | \$ (1,897,323) |
| Total operating expenses | \$ 3,821,388 | \$ 5,447,711 | \$ (1,626,323) |

Naruna Division

Schedule of Expenses - Budget and Actual
For the Year Ended June 30, 2015

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-------------------|-------------------|---|
| Operating expenses: | | | |
| Source of supply: | | | |
| Chemicals | \$ 1,385 | \$ 676 | \$ 709 |
| Electrical services | 4,500 | 3,370 | 1,130 |
| Maintenance | 1,700 | 454 | 1,246 |
| Equipment and supplies | 1,200 | 602 | 598 |
| Vehicle expense | 600 | 181 | 419 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total source of supply | \$ 9,385 | \$ 5,283 | \$ 4,102 |
| | <u> </u> | <u> </u> | <u> </u> |
| Administrative and General: | | | |
| Insurance general | \$ 2,600 | \$ 2,268 | \$ 332 |
| Fees and charges | 600 | 146 | 454 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total administrative and general | \$ 3,200 | \$ 2,414 | \$ 786 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total operating expenses before depreciation | \$ 12,585 | \$ 7,697 | \$ 4,888 |
| | <u> </u> | <u> </u> | <u> </u> |
| Depreciation | \$ - | \$ 11,220 | \$ (11,220) |
| | <u> </u> | <u> </u> | <u> </u> |
| Total operating expenses | \$ 12,585 | \$ 18,917 | \$ (6,332) |
| | <u> </u> | <u> </u> | <u> </u> |

Capital Improvement Division

Central/Rustburg Division

Schedule of Expenses

For the Year Ended June 30, 2015

Other nonoperating expenses:

| | | |
|--------------------|----|--------|
| New water services | \$ | 42,871 |
|--------------------|----|--------|

| | | |
|------------------------|--|--------|
| Replacement radio read | | 12,551 |
|------------------------|--|--------|

| | | |
|--|--|------------|
| New service laterals - Central / Rustburg Wastewater | | <u>204</u> |
|--|--|------------|

| | | |
|-----------------------------------|----|----------------------|
| Total other nonoperating expenses | \$ | <u><u>55,626</u></u> |
|-----------------------------------|----|----------------------|

Revenue Bond Compliance
 Section 602 of Agreement of Trust
 At June 30, 2015

Computations supporting compliance with this section of the agreement are as follows:

REVENUES BY "REVENUES" DEFINITION (SECTION 101 OF TRUST AGREEMENT)

| | | |
|---|----|------------------|
| Central & Rustburg Operating Income (Schedule 2) | \$ | 6,026,933 |
| Availability Fees - Water | | 447,525 |
| Availability Fees - Sewage | | 431,200 |
| Interest' | | |
| Water and Wastewater Loans (Central & Rustburg) | | - |
| Revenue Fund | | - |
| Principal Account (Bonds) | | - |
| Interest Account (Bonds) | | - |
| Debt Service Reserve Account | | - |
| | \$ | <u>6,905,658</u> |
| LESS Revenues (Net) transferred to Improvement Fund | | (1,509,003) |
| SUB-TOTAL | \$ | <u>5,396,655</u> |

ADD FOR COVENANT CALCULATION PER SECTION 602

| | | |
|---|----|------------------|
| Equity Account Interest' | \$ | - |
| Operating Account Interest' | | 5,066 |
| Improvement Fund @ June 30 in excess of \$500,000 | | 5,220,717 |
| SUB-TOTAL | \$ | <u>5,225,783</u> |

| | | |
|--------------------------------|----|------------|
| TOTAL SOURCES AVAILABLE | \$ | 10,622,438 |
|--------------------------------|----|------------|

REVENUE COVENANT REQUIREMENT:

| | | |
|--|----|-----------|
| Operating expenses (Schedule 4) | \$ | 5,447,711 |
| Amount required to be paid in Improvement Fund | | - |
| 115% of amount required to be paid into Bond Fund ² | | 1,830,358 |
| 115% of amount of all other debt service scheduled for FY | | - |
| Amount to be paid into the Debt Service Reserve Fund | | <u>-</u> |
| TOTAL REVENUE COVENANT REQUIREMENTS | \$ | 7,278,069 |

| | | |
|--|----|-----------|
| EXCESS OF SOURCES AVAILABLE OVER REVENUE COVENANT REQUIREMENT | \$ | 3,344,369 |
|--|----|-----------|

Revenue Bond Compliance
Section 602 of Agreement of Trust
At June 30, 2015 (Continued)

| | |
|--|---------------------|
| 1 - Reconcile Interest to Audit | |
| Interest shown on worksheet | \$ 5,066 |
| Improvement Fund Interest (In Fund Balance) | - |
| General Construction Fund Interest | - |
| Restricted Interest (5400-70) | - |
| Unrealized gain/(loss) on investments reported as interest | - |
| | <u>\$ 5,066</u> |
| 2 - July through September, 2014 | \$ 416,871 |
| October, 2014 | 135,090 |
| November, 2014 through March, 2015 | 634,293 |
| April through June, 2015 | 405,362 |
| | <u>\$ 1,591,616</u> |
| 15% Coverage Factor | 1.15 |
| | <u>\$ 1,830,358</u> |

Percent Debt Coverage Achieved

| | |
|---------------------------------|---------------------|
| Revenue by Covenant | \$ 10,622,438 |
| Expenses | (5,447,711) |
| Payment to Debt Service Reserve | - |
| Actual Debt Payments Made | <u>(1,591,616)</u> |
| EXCESS | <u>\$ 3,583,111</u> |

| | |
|-------------------------------------|-------------------|
| 15% Required Debt Coverage (Excess) | \$ 1,591,616 |
| | 15% |
| | <u>\$ 238,742</u> |

| | |
|--|--------------|
| Actual Debt Coverage Achieved - Excess/Actual Debt Payment | |
| EXCESS | \$ 3,583,111 |
| ACTUAL DEBT PAYMENT | \$ 1,591,616 |
| COVERAGE | 225% |

- Statistical Section -

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the Authority's financial performance has changed over time.

1-2

Revenue, Rates and Usage Information

These tables contain information to help the reader assess the factors affecting the Authority's change in revenues and its ability to generate revenues.

3-6

Expenses

This table contains comparative information about the Authority's expenses.

7

Debt Capacity

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

8-9

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time.

10-11

Operating Information

These tables contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the activities it performs.

12-14

Sources

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Net Position by Component Last Ten Fiscal Years

| | Fiscal Years Ended June 30, | | | |
|----------------------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2013 | 2012 |
| Net investment in capital assets | \$ 49,559,813 | \$ 47,822,657 | \$ 45,751,532 | \$ 45,190,445 |
| Restricted | 500,000 | 500,000 | 500,000 | 500,000 |
| Unrestricted | 7,900,282 | 7,543,198 | 6,953,688 | 6,155,652 |
| Total net position | <u>\$ 57,960,095</u> | <u>\$ 55,865,855</u> | <u>\$ 53,205,220</u> | <u>\$ 51,846,097</u> |

Table 1

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|----|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 43,134,844 | \$ 39,835,523 | \$ 37,731,391 | \$ 30,148,035 | \$ 28,765,780 | \$ 25,776,430 |
| | 500,000 | 503,842 | 503,842 | 573,690 | 582,635 | 583,122 |
| | 5,070,599 | 5,678,259 | 5,953,572 | 6,510,356 | 4,604,002 | 4,657,937 |
| \$ | <u>48,705,443</u> | <u>\$ 46,017,624</u> | <u>\$ 44,188,805</u> | <u>\$ 37,232,081</u> | <u>\$ 33,952,417</u> | <u>\$ 31,017,489</u> |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Changes in Net Position Last Ten Fiscal Years

| | Fiscal Years Ended June 30, | | | |
|--|-----------------------------|--------------|--------------|--------------|
| | 2015 | 2014 | 2013 | 2012 |
| Operating revenues: | | | | |
| Water sales, charges and sewer charges | \$ 6,106,067 | \$ 5,923,311 | \$ 5,708,387 | \$ 5,537,066 |
| Operating expenses: | | | | |
| Source of supply | \$ 945,314 | \$ 927,580 | \$ 942,914 | \$ 928,754 |
| Wastewater treatment | 297,071 | 291,115 | 267,650 | 299,838 |
| Maintenance and inspection | 506,247 | 400,525 | 426,625 | 394,358 |
| Personnel | 1,541,147 | 1,495,566 | 1,595,327 | 1,498,082 |
| Administrative and general | 268,306 | 317,424 | 316,351 | 284,210 |
| Depreciation and amortization | 1,908,543 | 1,491,463 | 1,505,456 | 1,240,752 |
| Total operating expenses | \$ 5,466,628 | \$ 4,923,673 | \$ 5,054,323 | \$ 4,645,994 |
| Operating income | \$ 639,439 | \$ 999,638 | \$ 654,064 | \$ 891,072 |
| Nonoperating revenues (expenses): | | | | |
| Interest income | \$ 5,066 | \$ 14,354 | \$ 17,979 | \$ 19,939 |
| Interest expense | (362,239) | (421,280) | (469,778) | (489,059) |
| Availability charges | 878,725 | 305,150 | 419,075 | 779,200 |
| Connection fees | 60,270 | 54,650 | 87,030 | 93,150 |
| Sewer capacity fee | 332,500 | 99,750 | 129,450 | 310,237 |
| System development fee | 46,900 | 14,700 | 30,100 | 700 |
| Operating grant from Campbell County | 98,668 | 212,417 | 260,070 | 283,052 |
| Payment to Campbell County | - | - | - | - |
| Reimbursement of prior year availability fee | - | - | - | - |
| Other nonoperating expenses | (55,626) | (123,689) | (181,196) | (147,427) |
| Total nonoperating revenues (expenses) | \$ 1,004,264 | \$ 156,052 | \$ 292,730 | \$ 849,792 |
| Income before capital grants and contributions | \$ 1,643,703 | \$ 1,155,690 | \$ 946,794 | \$ 1,740,864 |
| Capital contributions | 1,216,360 | 1,504,945 | 412,329 | 1,399,790 |
| Change in net position | \$ 2,860,063 | \$ 2,660,635 | \$ 1,359,123 | \$ 3,140,654 |

Table 2

| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 5,053,381 | \$ 4,629,864 | \$ 4,552,307 | \$ 4,490,797 | \$ 4,230,308 | \$ 3,929,674 |
| \$ 967,096 | \$ 868,653 | \$ 937,394 | \$ 895,666 | \$ 856,959 | \$ 867,916 |
| 229,077 | 227,986 | 206,374 | 167,008 | 168,341 | 143,059 |
| 335,035 | 340,886 | 433,396 | 316,599 | 325,968 | 232,278 |
| 1,469,652 | 1,442,454 | 1,420,630 | 1,421,334 | 1,251,501 | 1,120,432 |
| 273,194 | 244,330 | 287,245 | 317,711 | 313,716 | 259,738 |
| 1,324,268 | 1,184,683 | 1,140,359 | 1,058,257 | 1,002,347 | 974,770 |
| \$ 4,598,322 | \$ 4,308,992 | \$ 4,425,398 | \$ 4,176,575 | \$ 3,918,832 | \$ 3,598,193 |
| \$ 455,059 | \$ 320,872 | \$ 126,909 | \$ 314,222 | \$ 311,476 | \$ 331,481 |
| \$ 21,982 | \$ 25,303 | \$ 34,625 | \$ 193,968 | \$ 221,192 | \$ 181,311 |
| (510,503) | (551,613) | (584,472) | (623,081) | (568,854) | (668,525) |
| 141,125 | 340,509 | 185,620 | 1,478,111 | 412,820 | 1,129,761 |
| 34,070 | 102,163 | 99,777 | 110,974 | 132,392 | 37,060 |
| 26,250 | 31,500 | 99,400 | 73,250 | - | - |
| (52,859) | 62,300 | 27,300 | 121,800 | 65,100 | 281,900 |
| 282,503 | 280,997 | 281,820 | 285,843 | 280,768 | 282,534 |
| - | - | (1,478) | - | - | - |
| - | (127,775) | - | - | - | - |
| (114,292) | (163,499) | (227,114) | (327,345) | (192,397) | (60,087) |
| \$ (171,724) | \$ (115) | \$ (84,522) | \$ 1,313,520 | \$ 351,021 | \$ 1,183,954 |
| \$ 283,335 | \$ 320,757 | \$ 42,387 | \$ 1,627,742 | \$ 662,497 | \$ 1,515,435 |
| 2,404,484 | 1,508,062 | 6,914,337 | 1,651,922 | 2,272,431 | 1,858,897 |
| \$ 2,687,819 | \$ 1,828,819 | \$ 6,956,724 | \$ 3,279,664 | \$ 2,934,928 | \$ 3,374,332 |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Revenues by Source
Last Ten Fiscal Years

| Fiscal Years Ended June 30, | Operating Revenues | Nonoperating Revenues | | | |
|--------------------------------------|--|-----------------------|-------------------------|--------------------|--------------------------|
| | Water Sales Charges and Sewer Charges | Interest Income | Availability Charges | Connection Fees | Sewer Capacity Fee |
| 2006 | \$ 3,929,674 | \$ 181,311 | \$ 1,129,761 | \$ 37,060 | \$ - |
| 2007 | 4,230,308 | 221,192 | 412,820 | 132,392 | - |
| 2008 | 4,490,797 | 193,968 | 1,478,111 | 110,974 | 73,250 |
| 2009 | 4,552,307 | 34,625 | 185,620 | 99,777 | 99,400 |
| 2010 | 4,629,864 | 25,303 | 340,509 | 102,163 | 31,500 |
| 2011 | 5,053,381 | 21,982 | 141,125 | 34,070 | 26,250 |
| 2012 | 5,537,066 | 19,939 | 779,200 | 93,150 | 310,237 |
| 2013 | 5,708,387 | 17,979 | 419,075 | 87,030 | 129,450 |
| 2014 | 5,923,311 | 14,354 | 305,150 | 54,650 | 99,750 |
| 2015 | 6,106,067 | 5,066 | 878,725 | 60,270 | 332,500 |

Table 3

| | | | Other | | |
|------------------------------|----------------------------------|-----------------------------------|--|-------------------|--|
| System Development Fee | Grant from Campbell County | Total Nonoperating Revenues | Capital Grants and Contributions | Total Revenues | |
| \$ 281,900 | \$ 282,534 | \$ 1,912,566 | \$ 1,858,897 | \$ 7,701,137 | |
| 65,100 | 280,768 | 1,112,272 | 2,272,431 | 7,615,011 | |
| 121,800 | 285,843 | 2,263,946 | 1,651,922 | 8,406,665 | |
| 27,300 | 281,820 | 728,542 | 6,914,337 | 12,195,186 | |
| 62,300 | 280,997 | 842,772 | 1,508,062 | 6,980,698 | |
| (52,859) | 282,503 | 453,071 | 2,404,484 | 7,910,936 | |
| 700 | 283,052 | 1,486,278 | 1,399,790 | 8,423,134 | |
| 30,100 | 260,070 | 943,704 | 412,329 | 7,064,420 | |
| 14,700 | 212,417 | 701,021 | 1,504,945 | 8,129,277 | |
| 46,900 | 98,668 | 1,422,129 | 1,216,360 | 8,744,556 | |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Schedule of Water and Sewer Rates

Last Ten Fiscal Years

| | | Fiscal Years Ended June 30, | | | |
|---------------------------------------|---|---|---|---|---|
| | | 2015 | 2014 | 2013 | 2012 |
| Rates | | | | | |
| Base Fee | | | | | |
| | Meter Size | | | | |
| | 3/4 x 5/8" | \$ 16.00 | \$ 16.00 | \$ 16.00 | \$ 15.00 |
| | 1" | \$ 22.00 | \$ 22.00 | \$ 22.00 | \$ 21.00 |
| | 1 1/2" | \$ 35.00 | \$ 35.00 | \$ 35.00 | \$ 33.00 |
| | 2" | \$ 53.00 | \$ 53.00 | \$ 53.00 | \$ 50.00 |
| | 3" | \$ 104.00 | \$ 104.00 | \$ 104.00 | \$ 97.00 |
| | 4" | \$ 154.00 | \$ 154.00 | \$ 154.00 | \$ 144.00 |
| | 6" | \$ 254.00 | \$ 254.00 | \$ 254.00 | \$ 237.00 |
| | 8" | \$ 379.00 | \$ 379.00 | \$ 379.00 | \$ 354.00 |
| | Sewer Service | | | | |
| | 4" | \$ 12.00 | \$ 12.00 | \$ 12.00 | \$ 10.00 |
| | 6" | \$ 28.00 | \$ 28.00 | \$ 28.00 | \$ 23.00 |
| | 8" | \$ 47.00 | \$ 47.00 | \$ 47.00 | \$ 39.00 |
| | 10" | \$ 54.00 | \$ 54.00 | \$ 54.00 | \$ 45.00 |
| | 12" | \$ 77.00 | \$ 77.00 | \$ 77.00 | \$ 64.00 |
| Commodity and Disposal Charges | | | | | |
| | Water (per 100 cubic feet) | \$ 4.65 | \$ 4.65 | \$ 4.65 | \$ 4.50 |
| | Sewer (per 100 cubic feet) | \$ 4.90 | \$ 4.90 | \$ 4.90 | \$ 4.75 |
| Service Connection Charges | | | | | |
| Water | | | | | |
| | Meter Size | | | | |
| | 3/4 x 5/8" | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 |
| | 1" | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 |
| | Over 1" | Actual cost plus 15%, minimum \$2,100 | Actual cost plus 15%, minimum \$2,100 | Actual cost plus 15%, minimum \$2,100 | Actual cost plus 15%, minimum \$2,100 |
| Sewage | | | | | |
| | Meter Size | | | | |
| | 4" service lateral | \$ 1,900 | \$ 1,900 | \$ 1,900 | \$ 1,900 |
| | Others | Actual cost plus 15%, minimum \$1,900 | Actual cost plus 15%, minimum \$1,900 | Actual cost plus 15%, minimum \$1,900 | Actual cost plus 15%, minimum \$1,900 |
| Availability Charges | | | | | |
| Water | | | | | |
| | Single Family Dwelling | \$ 1,900 | \$ 1,900 | \$ 1,900 | \$ 1,900 |
| | Multi-Family, per unit | \$ 1,425 | \$ 1,425 | \$ 1,425 | \$ 1,425 |
| | Motels, per unit | \$ 475 | \$ 475 | \$ 475 | \$ 475 |
| Sewage | | | | | |
| | Single Family Dwelling | \$ 2,200 | \$ 2,200 | \$ 2,200 | \$ 2,200 |
| | Multi-Family, per unit | \$ 1,650 | \$ 1,650 | \$ 1,650 | \$ 1,650 |
| | Motels, per unit | \$ 550 | \$ 550 | \$ 550 | \$ 550 |
| | Construction Fee (per acre) | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 |
| | Aid-to-Construction Fee (per application) | \$ 2,525 | \$ 2,525 | \$ 2,525 | \$ 2,525 |

Table 4

| 2011 | | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | | |
|---------------------------------------|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-------|
| | | | | | | | | | | | | |
| \$ | 13.00 | \$ | 13.00 | \$ | 13.00 | \$ | 13.00 | \$ | 13.00 | \$ | 13.00 | |
| \$ | 18.00 | \$ | 18.00 | \$ | 18.00 | \$ | 18.00 | \$ | 18.00 | \$ | 18.00 | |
| \$ | 28.00 | \$ | 28.00 | \$ | 28.00 | \$ | 28.00 | \$ | 28.00 | \$ | 28.00 | |
| \$ | 43.00 | \$ | 43.00 | \$ | 43.00 | \$ | 43.00 | \$ | 43.00 | \$ | 43.00 | |
| \$ | 83.00 | \$ | 83.00 | \$ | 83.00 | \$ | 83.00 | \$ | 83.00 | \$ | 83.00 | |
| \$ | 123.00 | \$ | 123.00 | \$ | 123.00 | \$ | 123.00 | \$ | 123.00 | \$ | 123.00 | |
| \$ | 203.00 | \$ | 203.00 | \$ | 203.00 | \$ | 203.00 | \$ | 203.00 | \$ | 203.00 | |
| \$ | 303.00 | \$ | 303.00 | \$ | 303.00 | \$ | 303.00 | \$ | 303.00 | \$ | 303.00 | |
| | | | | | | | | | | | | |
| | n/a | | n/a | | n/a | | n/a | | n/a | | n/a | |
| | n/a | | n/a | | n/a | | n/a | | n/a | | n/a | |
| | n/a | | n/a | | n/a | | n/a | | n/a | | n/a | |
| | n/a | | n/a | | n/a | | n/a | | n/a | | n/a | |
| | n/a | | n/a | | n/a | | n/a | | n/a | | n/a | |
| | | | | | | | | | | | | |
| \$ | 4.20 | \$ | 3.80 | \$ | 3.80 | \$ | 3.70 | \$ | 3.55 | \$ | 3.35 | |
| \$ | 4.75 | \$ | 4.45 | \$ | 4.45 | \$ | 4.15 | \$ | 3.85 | \$ | 3.55 | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| \$ | 1,500 | \$950 / \$1,500 | \$ | 950 | \$ | 950 | \$ | 950 | \$ | 950 | \$ | 950 |
| \$ | 2,100 | \$1,100 / \$2,100 | \$ | 1,100 | \$ | 1,100 | \$ | 1,100 | \$ | 1,100 | \$ | 1,100 |
| | | | | | | | | | | | | |
| Actual cost plus 15%, minimum \$2,100 | Actual cost plus 15%, minimum \$1,100/\$2,100 | Actual cost plus 15%, minimum \$1,100 | Actual cost plus 15%, minimum \$1,100 | Actual cost plus 15%, minimum \$1,100 | Actual cost plus 15%, minimum \$1,100 | Actual cost plus 15%, minimum \$1,100 | Actual cost plus 15%, minimum \$1,100 | Actual cost plus 15%, minimum \$1,100 | Actual cost plus 15%, minimum \$1,100 | Actual cost plus 15%, minimum \$1,100 | Actual cost plus 15%, minimum \$1,100 | |
| | | | | | | | | | | | | |
| \$ | 1,900 | \$750 / \$1,900 | \$ | 750 | \$ | 750 | \$ | 750 | \$ | 750 | \$ | 750 |
| Actual cost plus 15%, minimum \$1,900 | Actual cost plus 15%, minimum \$900/\$1,900 | Actual cost plus 15%, minimum \$900 | Actual cost plus 15%, minimum \$900 | Actual cost plus 15%, minimum \$900 | Actual cost plus 15%, minimum \$900 | Actual cost plus 15%, minimum \$900 | Actual cost plus 15%, minimum \$900 | Actual cost plus 15%, minimum \$900 | Actual cost plus 15%, minimum \$900 | Actual cost plus 15%, minimum \$900 | Actual cost plus 15%, minimum \$900 | |
| | | | | | | | | | | | | |
| \$ | 1,900 | \$1,500/\$1,900 | \$ | 1,500 | \$ | 1,500 | \$ | 1,500 | \$ | 1,500 | \$ | 1,500 |
| \$ | 1,425 | \$1,125/\$1,425 | \$ | 1,125 | \$ | 1,125 | \$ | 1,125 | \$ | 1,125 | \$ | 1,125 |
| \$ | 475 | \$560/\$475 | \$ | 560 | \$ | 560 | \$ | 560 | \$ | 560 | \$ | 560 |
| | | | | | | | | | | | | |
| \$ | 2,200 | \$1,900/\$2,200 | \$ | 1,900 | \$ | 1,900 | \$ | 1,900 | \$ | 1,900 | \$ | 1,900 |
| \$ | 1,650 | \$1,425/\$1,650 | \$ | 1,425 | \$ | 1,425 | \$ | 1,425 | \$ | 1,425 | \$ | 1,425 |
| \$ | 550 | \$725/\$550 | \$ | 725 | \$ | 725 | \$ | 725 | \$ | 725 | \$ | 725 |
| | | | | | | | | | | | | |
| \$ | 1,500 | \$ | 1,500 | \$ | 1,500 | \$ | 1,500 | \$ | 1,500 | \$ | 1,500 | |
| \$ | 2,450 | \$ | 2,450 | \$ | 2,300 | \$ | 2,225 | \$ | 2,150 | \$ | 2,075 | |

Water and Wastewater Flows

Gallons In Thousands

Last Ten Fiscal Years

| Fiscal Year | Water | Wastewater |
|----------------|---------|------------|
| 2006 | 555,327 | 103,987 |
| 2007 | 590,106 | 116,167 |
| 2008 | 632,967 | 117,517 |
| 2009 | 560,901 | 121,105 |
| 2010 | 646,863 | 132,886 |
| 2011 | 664,578 | 132,294 |
| 2012 | 679,010 | 133,881 |
| 2013 | 769,007 | 136,104 |
| 2014 | 781,705 | 146,265 |
| 2015 | 773,239 | 179,367 |

Principal Water and Wastewater System Customers
Current Year and Nine Years Ago

| Water | | | | | |
|--|--------|---------------|--------------------------------------|--------|---------------|
| 2015 | | | 2006 | | |
| Customer Name | Units | Amount Billed | Customer Name | Units | Amount Billed |
| Clayton Estate MHP | 27,201 | \$ 128,051 | Clayton Estate (Mobile Home Park) | 15,117 | \$ 51,563 |
| Willow Brook Apartments | 15,910 | 79,070 | Locust Gardens (Mobile Home Park) | 7,300 | 25,901 |
| Locust Gardens (Mobile Home Park) | 7,380 | 34,635 | Willow Brook Apartments | 9,318 | 24,940 |
| Whitestone Village | 5,958 | 29,157 | Whitestone Village | 6,405 | 23,365 |
| Blue Ridge Regional Jail | 5,947 | 28,908 | Woodside Associates | 5,200 | 17,857 |
| Timken | 5,223 | 25,619 | Buffalo Creek (Mobile Home Park) | 3,725 | 12,761 |
| Deal Properties (formerly Woodside Associates) | 4,829 | 22,755 | Blue Ridge Regional Jail | 3,777 | 12,396 |
| Spring Hill Suites | 4,574 | 22,349 | Lynchburg Partners (Shopping Center) | 3,032 | 11,905 |
| Briarwood Village MHP | 4,370 | 20,531 | Gene R. Falwell (Mobile Home Park) | 3,432 | 11,833 |
| Buffalo Creek (Mobile Home Park) | 4,249 | 19,968 | Progress Printing | 3,358 | 11,517 |

Volume and billing data are for period from July 1, 2014 through June 30, 2015. The ten largest customers together account for approximately 10.64% of total consumption and billings for retail water service.

| Wastewater | | | | | |
|--------------------------------------|--------|---------------|--------------------------------------|-------|---------------|
| 2015 | | | 2006 | | |
| Customer Name | Units | Amount Billed | Customer Name | Units | Amount Billed |
| Willow Brook Apartments | 15,910 | \$ 7,911 | Willow Brook Apartments | 9,318 | \$ 33,079 |
| Whitestone Village | 5,958 | 29,986 | Whitestone Village | 6,405 | 22,738 |
| Spring Hill Suites | 4,574 | 22,485 | Progress Printing | 4,358 | 15,471 |
| Wards Crossing West | 3,457 | 17,155 | Blue Ridge Regional Jail | 3,280 | 11,644 |
| Blue Ridge Regional Jail | 5,947 | 29,212 | Lynchburg Partners (Shopping Center) | 3,032 | 10,764 |
| Lynchburg Partners (Shopping Center) | 2,691 | 13,330 | LCS Trust (Apartments) | 2,375 | 8,550 |
| Runk & Pratt | 2,689 | 13,248 | Runk & Pratt | 2,249 | 7,984 |
| F & C Properties (car wash) | 3,124 | 15,380 | Five Flags Car Wash | 2,100 | 7,561 |
| LCS Trust (Apartments) | 2,736 | 13,694 | Maytag | 1,191 | 4,283 |
| Rustburg High School | 1,746 | 8,627 | Intermet | 1,137 | 4,036 |

Volume and billing data are for period from July 1, 2014 through June 30, 2015. The ten largest customers together account for approximately 21.76% of total consumption and billings for sewage service.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Expenses by Type Last Ten Fiscal Years

| <u>Fiscal Years Ended June 30,</u> | <u>Source of Supply</u> | <u>Wastewater Treatment</u> | <u>Maintenance and Inspection</u> | <u>Personnel</u> | <u>Administrative and General</u> |
|--|-----------------------------|---------------------------------|---|------------------|---|
| 2006 | \$ 867,916 | \$ 143,059 | \$ 232,278 | \$ 1,120,432 | \$ 259,738 |
| 2007 | 856,959 | 168,341 | 325,968 | 1,251,501 | 313,716 |
| 2008 | 895,666 | 167,008 | 316,599 | 1,421,334 | 317,711 |
| 2009 | 937,394 | 206,374 | 433,396 | 1,420,630 | 287,245 |
| 2010 | 868,653 | 227,986 | 340,886 | 1,442,454 | 244,330 |
| 2011 | 967,096 | 229,077 | 335,035 | 1,469,652 | 273,194 |
| 2012 | 928,754 | 299,838 | 394,358 | 1,498,082 | 284,210 |
| 2013 | 942,914 | 267,650 | 426,625 | 1,595,327 | 316,351 |
| 2014 | 927,580 | 291,115 | 400,525 | 1,495,566 | 317,424 |
| 2015 | 945,314 | 297,071 | 506,247 | 1,541,147 | 268,306 |

Table 7

| <u>Depreciation and Amortization</u> | <u>Interest Expense</u> | <u>Other Nonoperating Expenses</u> | <u>Total</u> |
|--|-----------------------------|--|--------------|
| \$ 974,770 | \$ 668,525 | \$ 60,087 | \$ 4,326,805 |
| 1,002,347 | 568,854 | 192,397 | 4,680,083 |
| 1,058,257 | 623,081 | 327,345 | 5,127,001 |
| 1,140,359 | 584,472 | 228,592 | 5,238,462 |
| 1,184,683 | 551,613 | 291,274 | 5,151,879 |
| 1,324,268 | 510,503 | 114,292 | 5,223,117 |
| 1,240,752 | 489,059 | 147,427 | 5,282,480 |
| 1,505,456 | 469,778 | 181,196 | 5,705,297 |
| 1,491,463 | 421,280 | 123,689 | 5,468,642 |
| 1,908,543 | 362,239 | 55,626 | 5,884,493 |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Outstanding Debt by Type Last Ten Fiscal Years

| | Fiscal Years Ended June 30, | | |
|--|-----------------------------|----------------------|----------------------|
| | 2015 | 2014 | 2013 |
| Revenue bonds payable, less deferred amounts on refunding | \$ 9,416,622 | \$ 10,738,335 | \$ 11,969,948 |
| Notes payable | 880,661 | 1,304,456 | 989,080 |
| Total outstanding debt | <u>\$ 10,297,283</u> | <u>\$ 12,042,791</u> | <u>\$ 12,959,028</u> |
| Debt per capita | \$ 183.12 | \$ 218.03 | \$ 235.49 |
| Debt as a percentage of personal income | 0.22% | 0.27% | 0.30% |

Notes:

Debt per capita was calculated based on population figures for the calendar year (CY) ending within the fiscal year (FY) obtained from U.S. Department of Commerce - Bureau of Economic Analysis for the County of Campbell. See Table 10.

Debt as a percentage of personal income was calculated based on personal income for the CY ending within the FY obtained from U.S. Department of Commerce - Bureau of Economic Analysis for the County of Campbell.

Commencing 2008, data for Campbell County is combined with Lynchburg City. Separate data is no longer available. See Table 10.

Table 8

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 13,216,261 | \$ 11,319,406 | \$ 12,372,525 | \$ 13,387,934 | \$ 14,366,581 | \$ 15,123,958 | \$ 15,377,958 |
| <u>1,077,443</u> | <u>993,182</u> | <u>1,022,550</u> | <u>970,342</u> | <u>1,052,113</u> | <u>1,120,321</u> | <u>1,195,004</u> |
| <u>\$ 14,293,704</u> | <u>\$ 12,312,588</u> | <u>\$ 13,395,075</u> | <u>\$ 14,358,276</u> | <u>\$ 15,418,694</u> | <u>\$ 16,244,279</u> | <u>\$ 16,572,962</u> |
| \$ 261.03 | \$ 224.51 | \$ 256.43 | \$ 273.00 | \$ 295.88 | \$ 312.29 | \$ 323.06 |
| 0.34% | 0.30% | 0.34% | 0.36% | 0.40% | 1.15% | 1.18% |

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Revenue Bond Debt Service Coverage
Last Ten Fiscal Years

| <u>Fiscal Years Ended June 30,</u> | <u>Gross Revenue (1)</u> | <u>Direct Operating Expense (1)</u> | <u>Net Available</u> | <u>Required Debt Service Payments (2)</u> | <u>Coverage</u> |
|--|------------------------------|---|--------------------------|---|-----------------|
| 2006 | \$ 6,531,886 | \$ 3,593,872 | \$ 2,938,014 | \$ 976,992 | 3.01 |
| 2007 | 6,107,295 | 4,138,055 | 1,969,240 | 1,235,603 | 1.59 |
| 2008 | 7,762,054 | 4,679,775 | 3,082,279 | 1,575,686 | 1.96 |
| 2009 | 7,985,927 | 4,846,140 | 3,139,787 | 1,573,895 | 1.99 |
| 2010 | 7,556,768 | 4,692,514 | 2,864,254 | 1,574,809 | 1.82 |
| 2011 | 7,007,511 | 4,709,479 | 2,298,032 | 1,443,668 | 1.59 |
| 2012 | 11,247,408 | 6,209,457 | 5,037,951 | 1,582,990 | 3.18 |
| 2013 | 8,865,387 | 6,378,807 | 2,486,580 | 1,344,059 | 1.85 |
| 2014 | 9,306,738 | 6,509,351 | 2,797,387 | 1,622,923 | 1.72 |
| 2015 | 10,622,437 | 7,039,327 | 3,583,110 | 1,591,616 | 2.25 |

(1) Amounts per Schedule 7 - Revenue Bond Compliance

(2) Including payments on revenue bonds and contracts payable

Fiscal year 2012 Required Debt Service Payments amount excludes refunding and early payoff since the payments were not required to be made in that year

Demographic Data for the Service Area
Campbell County, Virginia
Last Ten Calendar Years

| <u>Calendar Year</u> | <u>Population (1)</u> | <u>Personal Income (thousands of \$) (3)</u> | <u>Per Capita Personal Income (\$) (3)</u> | <u>Unemployment Rate (2)</u> |
|--------------------------|-----------------------|--|--|----------------------------------|
| 2014 | 56,232 | 4,613,912 | 34,450 | 5.30% |
| 2013 | 55,235 | 4,468,968 | 33,538 | 5.47% |
| 2012 | 55,030 | 4,371,387 | 33,053 | 6.00% |
| 2011 | 54,759 | 4,227,599 | 32,161 | 6.70% |
| 2010 | 54,842 | 4,063,813 | 33,046 | 6.20% |
| 2009 | 52,237 | 3,962,812 | 32,698 | 7.20% |
| 2008 | 52,595 | 4,022,605 | 33,297 | 4.00% |
| 2007 | 52,112 | 1,488,006 | 29,445 | 3.40% |
| 2006 | 52,016 | 1,408,808 | 27,084 | 3.20% |
| 2005 | 51,300 | 1,408,808 | 27,462 | 3.40% |

(1) Weldon Cooper Center, University of Virginia

(2) U.S. Department of Commerce - Bureau of Economic Analysis, for Campbell + Lynchburg

(3) U.S. Department of Commerce - Bureau of Economic Analysis, Commencing 2008, data for Campbell County is combined with Lynchburg City. Separate data is no longer available.

Principal Employers in the Campbell Area
Current Year

| Employer | Industry | 2014 | | |
|--------------------------|--|-----------|------|-----------------------|
| | | Employees | Rank | % of Total Employment |
| BWX | Nuclear | 1000 + | 1 | 4% + |
| Campbell County Schools | Public Education | 1000 + | 2 | 4% + |
| Areva NP | Nuclear | 500-999 | 3 | 2%-4% |
| Abbott Industries | Pharmaceuticals | 500-999 | 4 | 2%-4% |
| BGF Industries | Fiberglass fabric | 500-999 | 5 | 2%-4% |
| Campbell County Govt | Local Government | 250-499 | 6 | 1%-2% |
| Moore's Electric & Mech. | Contractor/Electrical | 250-499 | 7 | 1%-2% |
| Wal Mart | General Merchandise Stores | 250-499 | 8 | 1%-2% |
| Timken Company | Automotive Parts | 250-499 | 9 | 1%-2% |
| Schrader International | Transportation Equipment Manufacturing | 250-499 | 10 | 1%-2% |
| Totals | | 4750 + | | 19% + |

Total employed 15,900

Source: Employer data; Virginia Employment Commission - as of 4th Quarter, 2014

Note: Period of Nine Years Ago is not available

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Number of Employees by Identifiable Activity Last Ten Fiscal Years

| | Fiscal Years Ended June 30, | | |
|--|-----------------------------|------|------|
| | 2015 | 2014 | 2013 |
| Number of budgeted full-time equivalent positions: | | | |
| Administration (1) | 4.0 | 4.0 | 4.0 |
| Water Treatment (2) | 5.0 | 5.0 | 5.0 |
| Wastewater Treatment (3) | 2.0 | 2.0 | 2.0 |
| Maintenance/Inspection/Inventory (4) | 7.0 | 7.0 | 7.0 |
| Customer Service FT | 2.0 | 2.0 | 2.0 |
| Customer Service PT | 1.0 | 0.0 | 0.0 |
| Part Time or Temp | 0.0 | 0.0 | 0.0 |
| Total | 21.0 | 20.0 | 20.0 |

(1) Administration staff includes the Administrator, Operations Superintendent, Utilities Engineer, Office Manager and GIS/IT Technician. These positions have water and wastewater functions that vary per year and per position.

(2) Water Treatment employees work approximately 93% for the Central System and 7% for Naruna.

(3) As of FY11, a small wastewater treatment facility was constructed to serve Concord Elementary School. Wastewater employees work approximately 4% for the new Concord Wastewater Treatment Facility.

(4) Maintenance/Inspection/Inventory employees have water and wastewater functions.

Table 12

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|------|------|------|------|------|------|------|
| 5.0 | 5.0 | 5.0 | 6.0 | 6.0 | 5.0 | 5.0 |
| 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| 8.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| 2.0 | 2.0 | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 |
| 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 | 1.0 |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 0.0 |
| 22.0 | 21.0 | 22.0 | 22.0 | 22.0 | 21.0 | 21.0 |

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Operating and Capital Indicators

Last Ten Fiscal Years

| | Fiscal Years Ended June 30, | | | |
|--|-----------------------------|--------|--------|--------|
| | 2015 | 2014 | 2013 | 2012 |
| Water | | | | |
| Size of watershed (square miles) | 315 | 315 | 315 | 315 |
| Raw water safe yield (mgd) | | | | |
| Urban system | 13.82 | 13.82 | 13.82 | 13.82 |
| Miles of pipelines | 184.00 | 180.00 | 179.00 | 179.00 |
| Number of treatment plants | 1 | 1 | 1 | 1 |
| Number of pumping stations | 3 | 3 | 3 | 3 |
| Number of reservoirs | 1 | 1 | 1 | 1 |
| Number of finished water storage tanks | 10 | 10 | 9 | 9 |
| Maximum treatment capacity (mgd) | 4.100 | 4.000 | 4.000 | 4.120 |
| Water treated (mgd) | 2.200 | 2.100 | 2.100 | 1.862 |
| Unused capacity (mgd) | 1.900 | 1.900 | 1.900 | 2.258 |
| Percentage of capacity utilized | 53.00% | 52.50% | 52.50% | 45.19% |
| Wastewater | | | | |
| Miles of pipelines | 48.20 | 48.20 | 48.20 | 48.20 |
| Number of treatment plants | 1 | 1 | 1 | 1 |
| Number of pumping stations | 15 | 15 | 15 | 15 |
| Maximum treatment capacity (mgd) | 0.200 | 0.200 | 0.200 | 0.200 |
| Wastewater treated (mgd) | 0.073 | 0.073 | 0.073 | 0.073 |
| Unused capacity (mgd) | 0.127 | 0.127 | 0.127 | 0.127 |
| Percentage of capacity utilized | 36.50% | 36.50% | 36.50% | 36.50% |

Notes: mgd = millions of gallons per day

Safe yield is a measure of raw water resources during a drought of record.

Table 13

| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--------|--------|--------|--------|--------|--------|
| 315 | 315 | 315 | 315 | 315 | 315 |
| 13.82 | 13.82 | 13.82 | 13.82 | 13.82 | 13.82 |
| 179.00 | 179.00 | 179.00 | 179.00 | 179.00 | 179.00 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 9 | 9 | 9 | 9 | 9 | 9 |
| 4.120 | 4.120 | 4.120 | 4.120 | 4.120 | 4.120 |
| 1.823 | 1.762 | 1.604 | 1.860 | 1.700 | 1.640 |
| 2.297 | 2.358 | 2.516 | 2.260 | 2.420 | 2.480 |
| 44.25% | 42.77% | 38.93% | 45.15% | 41.26% | 39.81% |
| 48.20 | 48.20 | 48.20 | 48.20 | 48.20 | 48.20 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 14 | 14 | 14 | 13 | 13 | 12 |
| 0.200 | 0.200 | 0.200 | 0.200 | 0.200 | 0.200 |
| 0.074 | 0.088 | 0.086 | 0.087 | 0.083 | 0.07 |
| 0.126 | 0.112 | 0.114 | 0.113 | 0.117 | 0.13 |
| 37.00% | 44.00% | 43.00% | 43.50% | 41.50% | 35.00% |

Water and Wastewater System Connections
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Water</u> | <u>Wastewater</u> |
|--------------------|--------------|-------------------|
| 2006 | 6,766 | 1,759 |
| 2007 | 6,990 | 1,890 |
| 2008 | 7,234 | 1,997 |
| 2009 | 7,313 | 2,033 |
| 2010 | 7,399 | 2,066 |
| 2011 | 7,464 | 2,086 |
| 2012 | 7,558 | 2,155 |
| 2013 | 7,669 | 2,216 |
| 2014 | 7,780 | 2,285 |
| 2015 | 7,866 | 2,327 |

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Honorable Board Members
Campbell County Utilities and Service Authority
Lynchburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Campbell County Utilities and Service Authority as of and for the year ended June 30, 2015, 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 28, 2015.

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) to determine 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 that 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Campbell County Utilities and Service 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

December 28, 2015