

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The primary mission of the BRWA is to provide our members the highest quality water and wastewater services at rates that are reasonable and just while protecting public health.

FISCAL YEAR ENDED JUNE 30, 2020

BEDFORD REGIONAL WATER AUTHORITY

Providing quality service to everyone.



Bedford
Regional
Water Authority



1723 Falling Creek Road, Bedford, VA 24523-3137



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**BEDFORD REGIONAL
WATER AUTHORITY**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

BEDFORD REGIONAL WATER AUTHORITY

BEDFORD, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the Fiscal Year Ended
June 30, 2020*

PREPARED BY THE FINANCE DEPARTMENT

BEDFORD REGIONAL WATER AUTHORITY

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BEDFORD REGIONAL WATER AUTHORITY

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INTRODUCTORY SECTION

October 9, 2020

Board of Directors
Bedford Regional Water Authority
Bedford, Virginia

The Comprehensive Annual Financial Report (CAFR) for the Bedford Regional Water Authority (Authority) is hereby submitted for the fiscal year ended June 30, 2020. The CAFR was prepared by the Authority in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and 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 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 any 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.

The basic financial statements have been audited by our independent auditors, Brown, Edwards & Company, LLP, who have issued an unmodified ("clean") opinion of the financial statements of the Authority as of and for the year ended June 30, 2020. 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 Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 auditors' 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.



Organization and Function

The Authority was chartered December 18, 2012 under the Virginia Water and Waste Authorities Act and Sewer Authorities Act, Chapter 51 Title 15.2 of the Code of Virginia 1950 as amended, by concurrent resolutions adopted by the Bedford County Board of Supervisors and the City Council of the City of Bedford, Virginia (now the Town of Bedford). The Authority is authorized to acquire, finance, contract, operate, and maintain water systems, sewer systems, sewerage disposal and treatment systems, and other facilities or combinations thereof; furthermore, it is able to borrow money and to issue its revenue bonds to pay all or any part of the cost of such systems and facilities and related financing costs.

The revenues of the Authority are based on fixed and usage charges from the system users. The Authority does not have taxing power.



The Authority operates on a Board-administrator form of government. The Board consists of a Chair and six other Board members. Four members are appointed by the Bedford County Board of Supervisors, two are appointed by the Town Council and the seventh member was nominated by the other six members and confirmed by the Bedford County Board of Supervisors and the Town

Council. There are three standing committees comprised of two board members each; they include the Policies and Projects Committee, the Finance Committee, and the Personnel Committee. Regular meetings of the Authority Board of Directors are held the third Tuesday of every month at the Authority's office, with special meetings scheduled as needed.

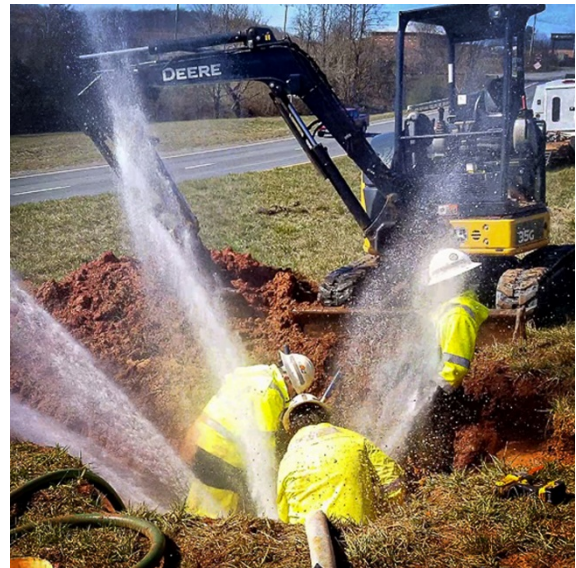
At the end of the fiscal year, water connections totaled 15,583. Water service is provided as follows:

- **Forest Central:** water is provided to the Forest, New London, and Boonsboro areas of the County with water purchased from the City of Lynchburg and distributed by the Authority; the contract is effective for fifteen years from July 1, 2007 through June 30, 2022. The agreement will be in force for twenty years commencing October 1, 2016 and ending on June 30, 2036, unless terminated as stated herein. At the conclusion of the initial twenty-year period, either party may terminate the agreement for any reason. Unless either party provides written notification of termination, the agreement will be automatically renewed in 10-year increments upon the conclusion of the initial twenty-year period. With the completion of the Smith Mountain Lake Water Treatment Facility (SML WTF) and waterlines, an additional source of water is available to the Forest area.
- **Stewartsville:** water is provided to the Stewartsville area with water purchased from the Western Virginia Water Authority and then distributed by the Authority. This agreement is in effect until June 30, 2030, unless renewed or terminated.

Organization and Function (Continued)

- **Bedford Central:** water is provided to the area inside and around the Town of Bedford through the Central Water Treatment Plant (WTP) located on Mountain Water Drive just outside of Town. The plant uses a surface water reservoir located at the foothills of the Peaks of Otter. The WTP is rated at 3.0 MGD. With the completion of the SMLWTF and waterlines an additional source of water is available to the Central district.
- **Mountain View Shores:** water in this subdivision is provided from a groundwater source accessed by three wells. Water from the three wells is filtered using greensand pressure filters and treated with chlorine, soda ash, permanganate, and a blended phosphate product before entering the distribution system.

- **Smith Mountain Lake Central Water System:** The source for the Lakes service area is Smith Mountain Lake, a reservoir maintained by American Electric Power for generation of hydroelectric power. In calendar year 2017, over 50% of the water was primarily treated at the Smith Mountain Lake Water Treatment Facility. This facility is one of the few membrane filtration plants in the state designed to treat surface water in accordance with the Safe Drinking Water Act and all other Virginia Department of Health guidelines. The filtration process requires no chemical addition and instead uses water being pressurized



through filtration membranes, with chlorine being added after filtration for disinfection in the distribution system to meet requirements set by the regulatory agencies. This system also provides water to customers in the Town of Bedford and Forest Central. The Smith Mountain Lake Water Treatment Facility (“SMLWTF”) is jointly owned with the Western Virginia Water Authority and is rated at 4.0 million gallons per day, with expansion capability of 6.0 MGD (without expanding the building). The Authority acquired the Mariners Landing water system, a well system, in May. A waterline is under construction to connect the system to the Central Water system and abandon this well in the early part of FY2021.

At the end of the fiscal year, sewer connections totaled 5,169. Sewer service is provided as follows:

- **Forest Central:** sewer service is provided to the Forest and New London areas of the County by collecting the wastewater and transmitting it to the Lynchburg Regional Wastewater Treatment Plant (“WWTP”) for treatment. The Regional Sewage Treatment Plant Agreement was executed on June 6, 1974, and it is in effect in perpetuity. The regional plant is rated at 22 million gallons per day (MGD), and the Authority has purchased 1.0 MGD capacity in the WWTP and sufficient capacity in the City’s interceptor lines allow for 1.0 MGD of sewage to flow to the regional plant.

Organization and Function (Continued)

- **Lakes Central:** sewer service is provided in Moneta by the Moneta WWTP to the Lakes community and along the Route 122 corridor. The Moneta WWTP has a current capacity of 0.5 MGD and can readily be expanded to treat 1.5 MGD.
- **Montvale:** sewer service is provided in the Montvale area by the Montvale WWTP, located behind the Montvale Elementary School. The Montvale WWTP is rated at 0.05 MGD and provides service to Montvale Elementary School, Montvale Library, Montvale Center for Business, and central Montvale community.
- **Bedford Central:** sewer service is provided inside and around the Town of Bedford using a WWTP located on Orange Street in Bedford. The Central WWTP is rated at 2.0 million gallons per day (MGD).
- **Mariners Sewer:** sewer service is provided using a WWTP that serves the development, along with 10 sewer pump stations.

The Authority is not legally required to adopt a budget; however, it is a requirement of the bond covenants that the Authority's Board of Directors adopt an annual budget before the first day of each fiscal year. The Finance department prepares the budget, in coordination with department managers, and serves as a framework for the Authority's financial planning for the year. Authorization is given to the Executive Director to move funds within the line item operating budget without further Board action, provided that a financial report is presented at the monthly Board meeting. The Executive Director can also reprioritize any of the items on the capital budget, provided the total spent did not exceed the approved budget.

In March of this year, the coronavirus pandemic began affecting the United States. The Authority is happy to report that the Authority did not experience any furloughs during the pandemic and there was a shift to teleworking for some positions. At the start of the pandemic, the Authority was in the process of developing and adopting the FY2021 budget. Due to the uncertainty of revenue collection and delinquent customer accounts, the Board of Directors adopted a more conservative budget, which did not include any rate increases for customers or salary increases for employees. The Authority also did not adopt a Capital Improvement Program (CIP) budget and spending has been restricted in an effort to monitor cash flow. The Board will review the financial statements following the close of the first quarter of FY 2021 and determine the potential release of spending restrictions and approval of capital funding.

Local Economic Condition and Outlook



Bedford County is one of the fastest growing areas in the Commonwealth of Virginia. It encompasses 753 square miles of Piedmont Plateau in the Western Central portion of Virginia and is bordered by the Blue Ridge Mountains to the west, the James River to its northeast and Smith Mountain Lake to the south. It has rolling, hilly terrain with elevations ranging from 800 to 4200 feet above sea level.

The most recent population figure for Bedford County, including the Town is 78,997 (*source: US Census 2019 Population Estimate*). The 2020 Bedford Community Profile reports an unemployment rate, as of May 2020, of 7.6% for the County; compared to the same time period where Virginia was at 9.2% and the Country was at 13.0%. The current global pandemic has affected unemployment rates in several sectors.

Relevant Financial Policies

The Authority's financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority operates as an independent entity as allowed by the Virginia Water and Waste Authorities Act. Under this act and the Authority's charter, sufficient rates and fees are established so that the Authority can pay its operating expenses, principal and interest payments, and provide a margin of revenue that is sufficient to cover any contingencies that may arise. As part of the annual budget process, rates are examined to insure that they are adequate for the Authority's obligations.

The Authority has adopted the following financial policies: Purchasing Cards, Purchasing, Employee Awards, Capital Assets, Investments, Debt Management, Post Issuance Compliance, Alternate Delivery, PPEA, and Disposal of Surplus Property. The Authority believes that these procedures provide reasonable assurance that assets are properly recorded and protected; and that financial data is used confidently in the preparation of reports and projections.

Major Initiatives and Accomplishments

The following are a few of the major initiatives that the Authority accomplished during the fiscal year:

- During FY 2020 Developer Dedications included 7,606 linear feet of waterline totaling \$648,661 and 4,031 linear feet of sewer line totaling \$345,013.
- Purchases funded through the Capital Improvement Program (CIP) included vehicles and various equipment, replacement computers and servers, meter change outs throughout the County and several line replacement projects completed by the CIP crew, added in the previous fiscal year.
- The Authority acquired the Mariners Landing Water and Sewer system in May of this year.



Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Bedford Regional Water Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the sixth year that the Authority has received this prestigious award; its predecessor, the Bedford County Public Service Authority, received this award for eighteen consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the hard work and dedication of the Authority's Financial and Administrative departments. The Authority also wishes to express our appreciation to all of the departments who contributed information used to prepare this report. Appreciation is also given to the Board of Directors for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Respectfully submitted,

Jill W. Underwood

Jill W. Underwood
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Bedford Regional Water Authority
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell

Executive Director/CEO

BEDFORD REGIONAL WATER AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2020

BOARD OF DIRECTORS

Robert Flynn, Chairman

Michael C. Moldenhauer, Vice Chairman

Elmer Hodge

Carl H. Wells

Cynthia Gunnoe

Walter Siehien

Thomas D. Segroves

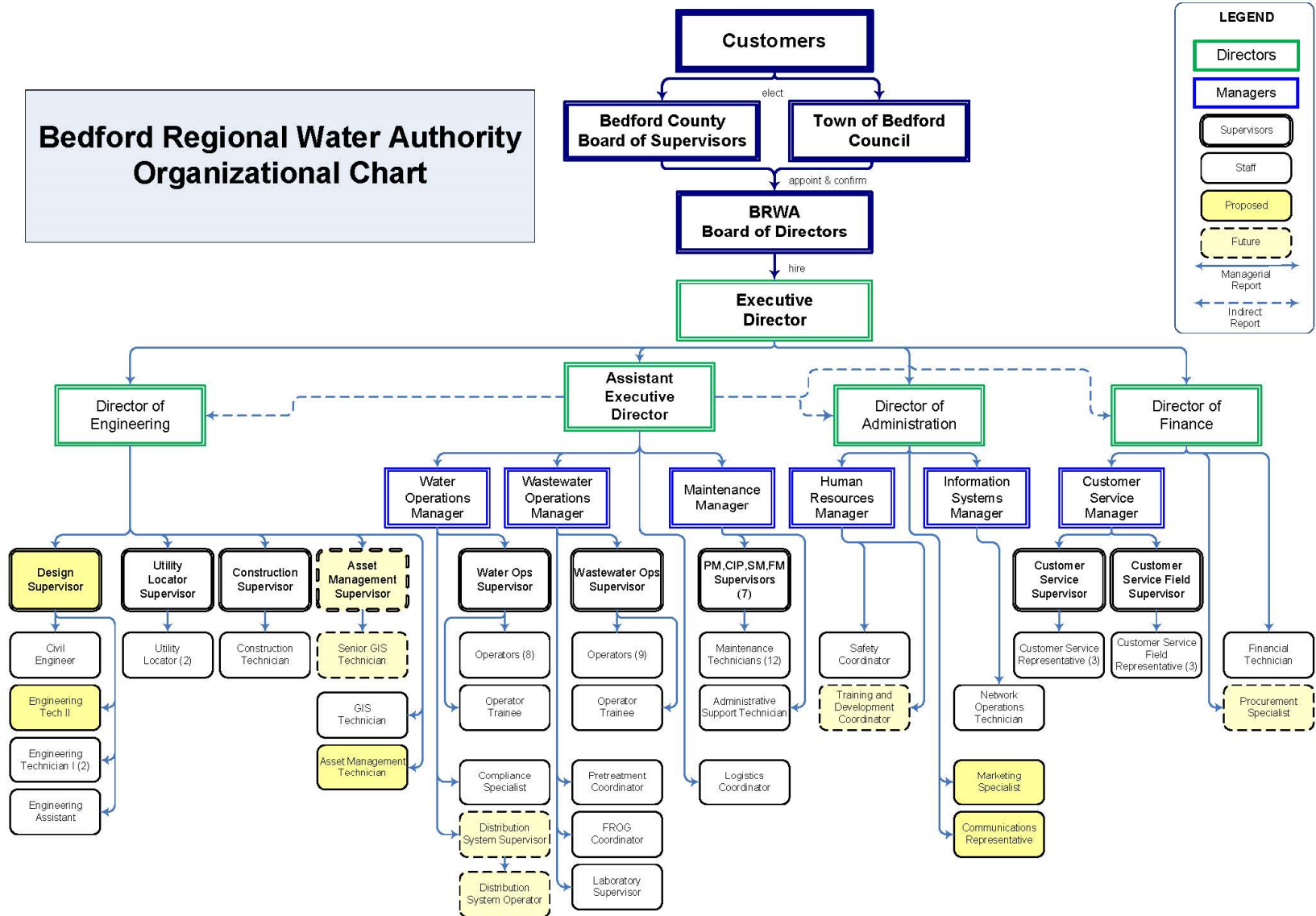
EXECUTIVE DIRECTOR

Brian M. Key, PE, Secretary/Treasurer

INDEPENDENT AUDITORS

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

Bedford Regional Water Authority Organizational Chart



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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Bedford Regional Water Authority
Bedford, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Bedford Regional Water Authority (the "Authority") as of and for the year ended June 30, 2020, 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.

Auditor's 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 *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 auditor's 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 entity'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 entity'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.

Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bedford Regional Water Authority, as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Authority's 2019 financial statements, and in our report dated October 25, 2019, expressed an unmodified opinion on those financial statements. The 2019 financial information is provided for comparative purposes only. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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, schedule of departmental operating income, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Report on the Financial Statements (Continued)

Other Information (Continued)

The schedule of departmental operating income 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 schedule of departmental operating income 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 October 9, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 9, 2020

Management's Discussion and Analysis

The Bedford Regional Water Authority ("Authority") has prepared this Management's Discussion and Analysis (MD&A) as a supplement to the financial statements, to provide a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2020. It is encouraged that the information presented herein to be considered in conjunction with additional details that have been furnished in the letter of transmittal, which can be found on pages i-vi of this financial report.

In October of 2012 the Bedford County Public Service Authority entered into a consolidation agreement with the City of Bedford and County of Bedford. As part of the City of Bedford's reversion to a Town, the Authority and the City of Bedford water and sewer departments merged into the Bedford Regional Water Authority ("Authority"); the complete merger was effective on July 1, 2013

Financial Highlights

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$79,580,732 (*net position*). Of this amount \$12,006,937 (*unrestricted net position*) may be used to meet the BRWA's ongoing obligations to customers and creditors
- The Authority's total net position increased during the fiscal year by \$4,160,060. The primary cause for this increase relates to the rate equalization due to consolidation and capital contributions received by customers in order to connect to the Authority's system.

Overview of the Financial Statements

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

Enterprise fund financial statements. Since the Authority engaged only in business-type activities, the *enterprise fund financial statements* and *notes* were prepared in a manner similar to private-sector businesses.

The ***statement of net position*** presents information on the Authority's assets, deferred outflows, liabilities, and deferred inflows as of June 30, 2020 and June 30, 2019, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority had improved or deteriorated.

The ***statement of revenues, expenses, and changes in net position*** presents information showing how the Authority's net position changed between fiscal years 2020 and 2019. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, some of the revenues and expenses that are reported in this statement will only affect cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The ***statement of cash flows*** supplements the above two statements by presenting the changes in cash position as a result of the Authority's activities over the last two fiscal years.

These statements can be found on pages 12 through 14 of this report.

Overview of the Financial Statements (Continued)

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15 through 47 of this report.

Required supplementary 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 on pages 49 through 55 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$79,580,732 at the close of the most recent fiscal year. At the close of the previous fiscal year, liabilities and deferred inflows exceeded assets and deferred outflows by \$75,420,672.

By far the largest portion of the Authority's net position (82%) reflects its net investment in capital assets. The Authority uses these capital assets to provide services to customers; consequently, these assets were *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.

Financial Analysis (Continued)

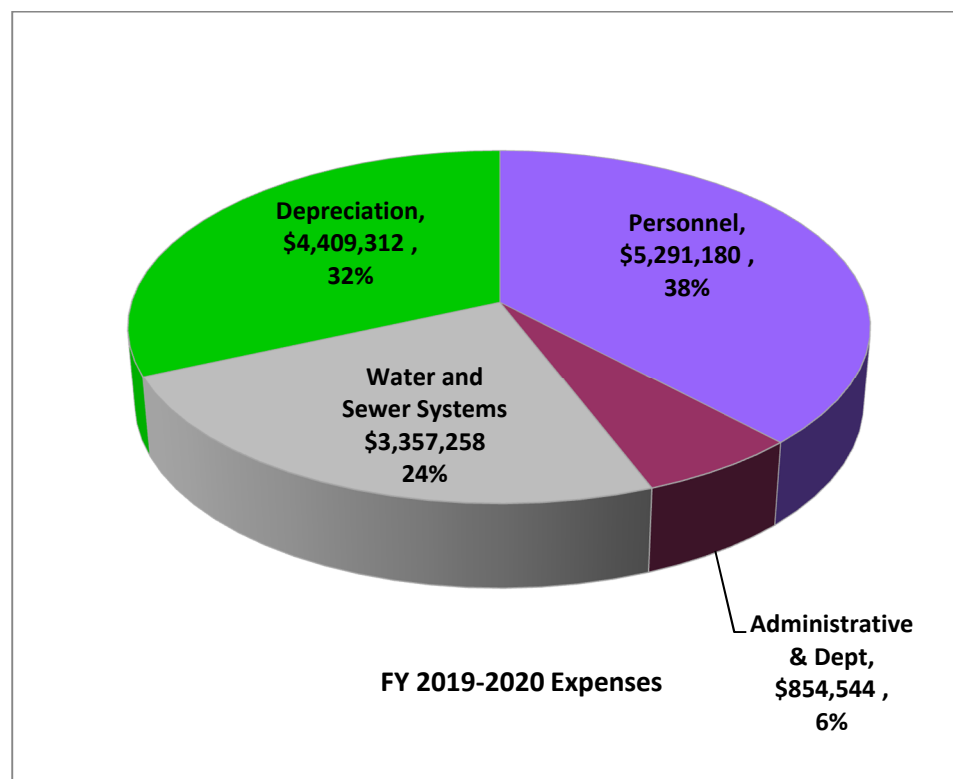
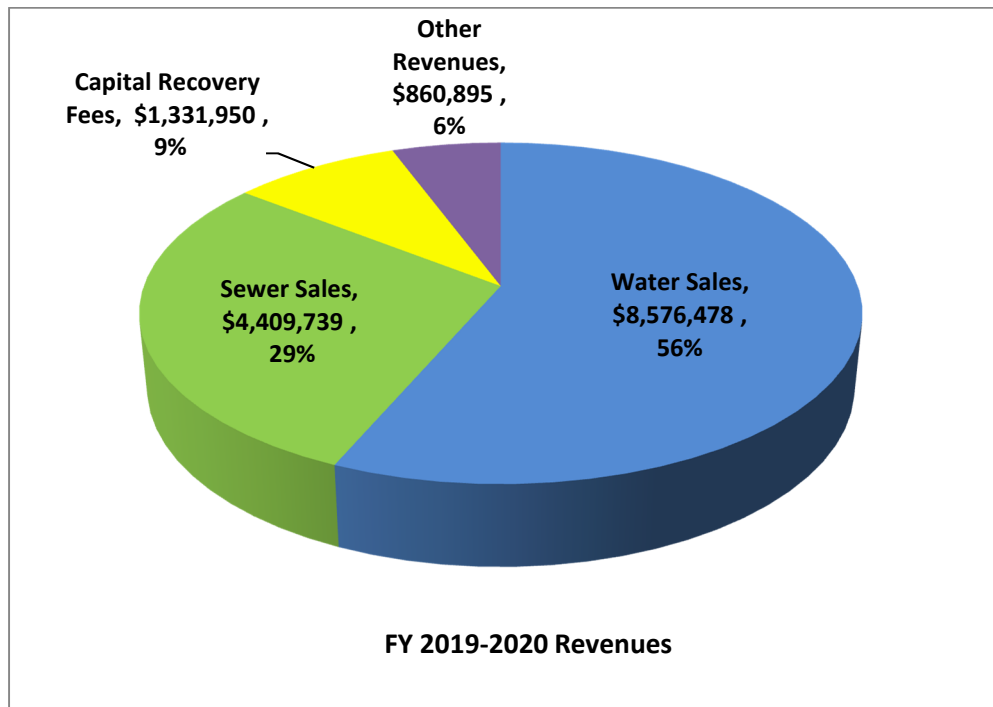
Condensed Statement of Net Position

	2020	2019
Current assets	\$ 14,399,803	\$ 11,874,890
Cash and cash equivalent, restricted	831,567	649,310
Investments, restricted	1,771,570	1,737,570
Capital assets, net	106,639,821	108,017,007
Total Assets	123,642,761	122,278,777
Deferred loss on refunding	383,431	519,750
Deferred outflows related to pensions	595,511	363,292
Deferred outflows related to other postemployment benefits	92,655	62,880
Total Deferred Outflows of Resources	1,071,597	945,922
Current liabilities	4,045,399	3,972,927
Long-term liabilities	40,881,619	43,709,865
Total Liabilities	44,927,018	47,682,792
Deferred gain on refunding	87,269	-
Deferred outflows related to pensions	83,956	100,235
Deferred outflows related to other postemployment benefits	35,383	21,000
Total Deferred Inflows of Resources	206,608	121,235
Net investment in capital assets	64,970,658	63,427,831
Restricted for:		
Capital improvements	788,121	568,882
Debt collateral	1,815,016	1,817,998
Unrestricted	12,006,937	9,605,961
Total Net Position	\$ 79,580,732	\$ 75,420,672

Financial Analysis (Continued)**Condensed Statement of Revenues, Expenses and Changes in Fund Net Position**

	2020	2019
Revenues:		
Operating revenues:		
Water sales	\$ 8,576,478	\$ 8,029,324
Capital recovery fees	1,331,950	1,454,425
Sewer service	4,409,739	4,342,351
Wastewater treatment plant operation fees	305,430	285,291
Other revenues from customers	555,465	547,073
Total Revenues	15,179,062	14,658,464
Expenses:		
Operating expenses:		
Water systems	1,809,069	1,789,809
Sewer systems	1,548,189	1,624,180
Salaries and employee benefits	5,291,180	4,732,359
Management and general	285,691	530,772
Customer service and information systems	251,688	228,958
Vehicles	227,816	260,039
Engineering, operations and maintenance	89,349	72,731
Depreciation and amortization	4,409,312	4,352,852
Total Expenses	13,912,294	13,591,700
Nonoperating Revenues (Expenses):		
Gain (loss) on disposal of capital assets	(65,497)	25,498
Investment income	193,197	168,123
Interest expense	(1,556,017)	(1,673,218)
Total Nonoperating Revenues (Expenses)	(1,428,317)	(1,479,597)
Loss before capital contributions	(161,549)	(412,833)
Capital Contributions	4,321,609	3,129,186
Changes in net position	4,160,060	2,716,353
Net position- July 1	75,420,672	72,704,319
Net position- June 30	\$ 79,580,732	\$ 75,420,672

Financial Analysis (Continued)



Financial Analysis (Continued)

At the end of the current fiscal year, the Authority was able to report positive balances in total net position. The same held true for the prior fiscal year. At the end of the current fiscal year, the Authority had positive balances in unrestricted net position.

During the current fiscal year the Authority's net position increased by \$4,160,060.

Operating revenues increased by \$520,598 or 3.55% and operating expenses increased by \$320,594 or 2.36%.

Key elements of these changes are as follows:

- Water and sewer sales increased due to a rate increase, as well as an increase in customers.
- Capital Recovery Fees decreased due to the timing of development in the area.
- Management and general expenses decreased due to a lower required adjustment related to the allowance of doubtful accounts.
- Depreciation expense increased due to the addition of capital assets.
- Salaries and employee benefits increased as result of hiring new employees and increases in insurance premiums and other benefits.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets as of June 30, 2020 amounted to \$106,639,821 (net of accumulated depreciation). This investment in capital assets includes land and land rights, buildings, water and sewer systems, vehicles, equipment, and furniture and fixtures. Additional information related to capital assets is located in Note 4 of the *Notes to Financial Statements*.

	Capital Assets	
	2020	2019
Land and land rights	\$1,010,476	\$1,010,476
Construction in progress	297,756	182,050
Water and sewer systems	162,326,195	159,816,865
Vehicles	3,367,702	3,298,819
Office Facilities	2,725,885	2,569,710
Information Systems Equipment	1,659,539	1,603,370
Total Book Value	171,387,553	168,481,290
Less- accumulated depreciation	(64,747,732)	(60,464,283)
Total- net of accumulated depreciation	<u>\$106,639,821</u>	<u>\$108,017,007</u>

Capital Asset and Debt Administration (Continued)

Major capital asset events during the fiscal year included the following:

- Developer dedications of water and sewer lines throughout Bedford County totaled \$1,916,661.
- A total of \$2,857,365 was spent on water and sewer infrastructure.
- A total of \$56,169 was spent on Information Technology. This included computers and servers.
- A total of \$145,176 was spent on vehicles and equipment. This included new vehicles, trailers and several other equipment purchases.

Below are some of the projects that were placed into service during the fiscal year:

Dawn Drive Sewer Replacement	\$86,280
Dawn Drive Water Replacement	\$64,552
Administration Building Renovations	\$118,481
Rucker Road Waterline Extension	\$58,984
Cedarcrest Waterline Replacement	\$28,286
Mariners Landing System Acquisition	\$1,268,000

Long-term debt. At the end of the fiscal year, the Authority had \$41,007,894 in bonds and notes outstanding, versus \$43,922,163 last year, a decrease of 6.63% as shown below. Outstanding obligations decreased as a result of principal payments being made.

The Authority's Virginia Resource Authority Bonds are rated "AAA" from Standard and Poor's. Other obligations include accrued paid time off (PTO). More detailed information on the Authority's long-term liabilities is located in Note 5 of the *Notes to Financial Statements*.

Long-Term Debt		
	2020	2019
Lynchburg Sewer System Bonds	\$616,513	\$ 725,170
Due to Town of Bedford	3,246,381	3,716,993
2015 VRA Bonds	29,600,000	30,265,000
2009B Pooled Loan Bonds	-	3,715,000
2012 Pooled Bonds	3,075,000	3,755,000
2014 Pooled Bonds	1,745,000	1,745,000
2019 VRA Bonds	2,725,000	-
Unamortized premium on bonds	957,431	1,186,763
	<u>\$ 41,965,325</u>	<u>\$45,108,926</u>

Requests for information

This financial report is designed to provide a general overview of the Authority's finances. For additional financial information contact the BRWA's Finance Department in person or by mail at 1723 Falling Creek Road, Bedford, VA 24523, by email at finance@brwa.com or by telephone at (540)586-7679

FINANCIAL STATEMENTS

BEDFORD REGIONAL WATER AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020

		(For Comparative Purposes Only)
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 11,544,449	\$ 9,316,372
Accounts receivable (Note 3)	2,190,773	2,108,103
Inventory	488,552	364,730
Prepays	176,029	85,685
Total current assets	14,399,803	11,874,890
Noncurrent assets		
Cash and cash equivalents, restricted (Note 2)	831,567	649,310
Investments, restricted (Note 2)	1,771,570	1,737,570
Capital assets (Note 4)		
Nondepreciable	1,308,232	1,192,526
Depreciable, net	105,331,589	106,824,481
Total noncurrent assets	109,242,958	110,403,887
Total assets	123,642,761	122,278,777
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	383,431	519,750
Deferred outflows related to pensions (Note 7)	595,511	363,292
Deferred outflows related to other postemployment benefits (Note 8)	92,655	62,880
Total deferred outflows of resources	1,071,597	945,922
LIABILITIES		
Current liabilities		
Accounts payable	425,927	356,653
Accrued liabilities	106,761	148,802
Interest payable	393,431	424,020
Current maturities of other long-term liabilities (Note 5)	3,119,280	3,043,452
Total current liabilities	4,045,399	3,972,927
Long-term liabilities		
Customer security deposits	531,423	504,065
Unearned revenue	368,484	341,184
Other long-term liabilities – due in more than one year (Note 5)	38,995,564	42,185,405
Net pension liability (Note 7)	501,911	223,404
Net other postemployment benefit liabilities (Note 8)	484,237	455,807
Total long-term liabilities	40,881,619	43,709,865
Total liabilities	44,927,018	47,682,792
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	87,269	-
Deferred inflows related to pensions (Note 7)	83,956	100,235
Deferred inflows related to other postemployment benefits (Note 8)	35,383	21,000
Total deferred outflows of resources	206,608	121,235
NET POSITION		
Net investment in capital assets	64,970,658	63,427,831
Restricted for: (Note 2)		
Capital improvements	788,121	568,882
Debt collateral	1,815,016	1,817,998
Unrestricted	12,006,937	9,605,961
Total net position	\$ 79,580,732	\$ 75,420,672

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

BEDFORD REGIONAL WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2020

		(For Comparative Purposes Only)
	2020	2019
OPERATING REVENUES		
Water sales	\$ 8,576,478	\$ 8,029,324
Capital recovery fees	1,331,950	1,454,425
Sewer service	4,409,739	4,342,351
Wastewater treatment plant operation fees	305,430	285,291
Review fees	87,372	62,690
Meter base installation fees	97,871	90,000
Account changes	81,665	56,750
Other	239,934	245,896
Penalties	48,623	91,737
Total operating revenues	<u>15,179,062</u>	<u>14,658,464</u>
OPERATING EXPENSES		
Water systems	1,809,069	1,789,809
Sewer systems	1,548,189	1,624,180
Depreciation and amortization	4,409,312	4,352,852
Salaries and employee benefits	5,291,180	4,732,359
Management and general	285,691	530,772
Customer service and information systems	251,688	228,958
Vehicles	227,816	260,039
Engineering, operations, and maintenance	89,349	72,731
Total operating expenses	<u>13,912,294</u>	<u>13,591,700</u>
Operating income	<u>1,266,768</u>	<u>1,066,764</u>
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposal of capital assets	(65,497)	25,498
Investment income	193,197	168,123
Interest expense	(1,556,017)	(1,673,218)
Total nonoperating revenues (expenses)	<u>(1,428,317)</u>	<u>(1,479,597)</u>
Loss before capital contributions	(161,549)	(412,833)
CAPITAL CONTRIBUTIONS (Note 6)	<u>4,321,609</u>	<u>3,129,186</u>
Change in net position	4,160,060	2,716,353
Net position – beginning at July 1	<u>75,420,672</u>	<u>72,704,319</u>
Net position – ending at June 30	<u>\$ 79,580,732</u>	<u>\$ 75,420,672</u>

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

BEDFORD REGIONAL WATER AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

		(For Comparative Purposes Only)
	2020	2019
OPERATING ACTIVITIES		
Cash received from customers	\$ 15,151,050	\$ 14,392,412
Cash paid for goods and services	(4,271,290)	(4,377,961)
Cash paid to employees	(5,260,586)	(4,745,072)
Net cash provided by operating activities	5,619,174	5,269,379
CAPITAL AND RELATED FINANCING ACTIVITIES		
County of Bedford – capital debt assistance	2,000,000	2,000,000
Acquisition and construction of capital assets	(1,094,386)	(3,183,336)
Proceeds from revenue bond anticipation note and bond refunding	2,955,733	-
Principal paid on long-term borrowings	(5,639,269)	(2,668,592)
Interest paid on long-term borrowings	(1,644,355)	(1,698,930)
Proceeds from sale of capital assets	54,240	26,595
Net cash used in capital and related financing activities	(3,368,037)	(5,524,263)
INVESTING ACTIVITIES		
Purchase of restricted investments	(34,000)	(68,000)
Interest received	193,197	168,123
Net cash provided by investing activities	159,197	100,123
Net increase (decrease) in cash and cash equivalents	2,410,334	(154,761)
CASH AND CASH EQUIVALENTS		
Beginning at July 1	9,965,682	10,120,443
Ending at June 30	<u>\$ 12,376,016</u>	<u>\$ 9,965,682</u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 11,544,449	\$ 9,316,372
Cash and cash equivalents, restricted	831,567	649,310
	<u>\$ 12,376,016</u>	<u>\$ 9,965,682</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,266,768	\$ 1,066,764
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	4,409,312	4,352,858
Pension expense net of employer contributions	30,009	(36,232)
Other postemployment benefit expense net of employer contributions	13,038	12,643
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(82,670)	184,627
Inventory	(123,822)	16,972
Prepays	(90,344)	(10,338)
Increase (decrease) in:		
Accounts payable	154,678	121,888
Unearned revenue	27,300	(334,925)
Customer security deposits	27,358	(115,754)
Compensated absences and accrued liabilities	(12,453)	10,876
Net cash provided by operating activities	<u>\$ 5,619,174</u>	<u>\$ 5,269,379</u>
SCHEDULE OF NONCASH ACTIVITIES		
Contributions of capital assets	<u>\$ 2,321,609</u>	<u>\$ 1,129,186</u>
Capital asset purchases included in accounts payable	<u>\$ 1,140</u>	<u>\$ 86,544</u>

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

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies

Reporting entity

The Bedford Regional Water Authority (the “Authority”) was chartered December 18, 2012 under the Water and Wastewater Authorities Act, §§15.2-5100, et seq. of the *Code of Virginia*, 1950, as amended, by concurrent resolutions adopted by the Bedford County Board of Supervisors and the City Council of the City of Bedford, Virginia (now the Town of Bedford, Virginia) (the “Town”). The Authority primarily serves water and sewer needs of the Smith Mountain Lake, Forest, Montvale, Stewartsville, New London, Town of Bedford, and Boonsboro areas of Bedford County, Virginia (the “County”). The Authority operates on a Board-administrator form of government. The Board consists of a Chairman and six other Board members, four of whom are appointed by the County Board of Supervisors, two of whom are appointed by the Town Council of the Town, and the seventh of whom is nominated by the six directors and confirmed by the County Board of Supervisors and the Town Council. The Authority is not a component unit of the County nor of the Town.

Measurement focus and basis of accounting

The Authority’s financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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. The Authority also recognizes as operating revenue the portion of facility fees intended to recover the cost of connecting new customers to the system. 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.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and cash equivalents

The Authority’s cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities three months or less from the date of acquisition.

Investments

The Authority’s investments consist of municipal bonds with original maturities greater than one year from the date of acquisition.

Accounts receivable

Accounts receivable are stated net of an allowance for doubtful accounts. The Authority calculates its allowance for doubtful accounts using historical collection data and specific account analysis.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Unbilled accounts receivable

Unbilled accounts receivable consist of amounts earned as of year-end, but not yet billed because billing dates do not coincide with year-end.

Inventory

Inventory consists of grinder pumps, parts, and meters reported at cost. Inventory is generally used for construction and for operation and maintenance work and is not held for resale. Costs of inventory are charged to construction or operations when used.

Capital assets

Capital assets are stated at cost, except for donated assets, which are recorded at fair market value at the date of acquisition. Donated capital assets are reported at acquisition value. The threshold for recording capital assets is \$1,000. Depreciation of property and equipment is computed using the straight-line method over useful lives as follows:

System, lines, and source of supply structures	50-66 years
Leasehold improvements	5-40 years
Vehicles and equipment	5-10 years
Information systems equipment	3-10 years

Leasehold improvements include administrative and other facilities constructed and additions affixed to those facilities on land leased from Bedford County. These leasehold improvements are depreciated over the shorter of the useful life of the asset or the remaining term of the lease. The lease term includes all reasonably assured renewals.

Compensated absences

The paid-time-off (PTO) policy of the Authority provides for up to 312 hours per year of earned vacation leave, depending on years of service. Employees that are Plan 1 or Plan 2 VRS participants may carry over 640 hours to the succeeding year. Employees that are Hybrid Plan VRS participants may carry over 352 hours to the succeeding year. Upon termination, one half of the accumulated PTO balance is payable at 100% of the employee's current pay rate. Compensated absences are accrued when incurred.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions and Other Postemployment Benefits (OPEB)

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

Deferred outflows/inflows of resources

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

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

Unearned revenue

Unearned revenue consists of monies or tangible assets given to the Authority under prescribed conditions by developers in exchange for credit vouchers to be used to pay capital recovery fees (both water and sewer) in order to connect to the Authority's system. The Authority recognizes the revenue when the credit voucher is redeemed.

Fair value measurement

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

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Commercial paper and corporate bonds are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Net position

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

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Estimates

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

Note 2. Deposits and Investments

Deposits

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

Investments

Statutes authorize 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, 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 and VIP).

The fair value of the positions in the external investment pools (Local Government Investment Pool and Virginia Investment Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. The pools maintain a policy to operate in a manner consistent with SEC Rule 2a-7. Due to the nature of LGIP and VIP, they are considered a cash and cash equivalents on the statement of net position.

Interest rate risk

Interest rate risk is the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates. The Authority’s investment policy limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, it follows the *Code of Virginia* for investment compliance matters.

Credit risk

The Authority has no policy regarding credit risk. The investments in LGIP and VIP funds are rated AAAM by Standard and Poor’s.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 2. Deposit and Investments (Continued)

Deposit and investment restrictions

Cash and cash equivalents, investments, restricted, and net position, restricted consist of the following:

	Cash and Cash Equivalents, Restricted	Investments, Restricted	Net Position, Restricted
New Projects Reserve Fund	\$ 229,926	\$ -	\$ 229,926
Sewerline Replacement Fund	558,195	-	558,195
VRA Debt Service Fund	43,446	1,771,570	1,815,016
	<u>\$ 831,567</u>	<u>\$ 1,771,570</u>	<u>\$ 2,603,137</u>

New Projects Reserve Fund. The County of Bedford and the Authority entered into an agreement to set aside 40% of the County's portion of funds received from the lease of two water tanks to wireless service providers. The funds in this reserve account are to be held for future capital projects for the benefit of the County, as the County deems appropriate.

Sewerline Replacement Fund. The Authority established a sewerline replacement fund as required by the DEQ consent order inherited from the Town as part of the consolidation agreement.

VRA Debt Service Fund. The Authority established a debt service fund with PNC Capital Markets by purchasing municipal bonds and cash equivalents to ensure its debt coverage requirements would be met. This fund is required by the 2015 debt issuance, and represents the highest debt service payment due during the life of the debt issue. Compliance with the debt coverage requirement is contingent upon this fund, therefore this amount is shown as restricted cash and net position. Those bonds mature on November 15, 2026 and are measured using a Level 2 input as it relates to fair value measurement. The debt service fund with PNC Capital Markets amounted to \$1,815,016 at June 30, 2020.

Note 3. Accounts Receivable

Accounts receivable, net consists of the following:

	Billed	Unbilled	Total
Water	\$ 833,505	\$ 631,260	\$ 1,464,765
Sewer	718,565	316,295	1,034,860
Other	177,489	-	177,489
	1,729,559	947,555	2,677,114
Less:			
Allowance for doubtful accounts	(486,341)	-	(486,341)
	<u>\$ 1,243,218</u>	<u>\$ 947,555</u>	<u>\$ 2,190,773</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 4. Capital Assets

Capital asset activity for the year was as follows:

	Beginning July 1	Increases	Decreases	Ending June 30
Capital assets, not being depreciated				
Land and land rights	\$ 1,010,476	\$ -	\$ -	\$ 1,010,476
Construction in progress	182,050	629,619	(513,913)	297,756
Total capital assets, not being depreciated	1,192,526	629,619	(513,913)	1,308,232
Capital assets, being depreciated				
System, lines, and source of supply structures	159,816,865	2,857,365	(348,035)	162,326,195
Leasehold improvements	2,569,710	156,175	-	2,725,885
Vehicles and equipment	3,298,819	145,176	(76,293)	3,367,702
Information systems equipment	1,603,370	56,169	-	1,659,539
Total capital assets, being depreciated	167,288,764	3,214,885	(424,328)	170,079,321
Less accumulated depreciation for:				
System, lines, and source of supply structures	(55,361,535)	(4,056,302)	238,286	(59,179,551)
Leasehold improvements	(1,742,045)	(164,774)	-	(1,906,819)
Vehicles and equipment	(1,871,534)	(309,122)	66,305	(2,114,351)
Information systems equipment	(1,489,169)	(57,842)	-	(1,547,011)
Total accumulated depreciation	(60,464,283)	(4,588,040)	304,591	(64,747,732)
Total capital assets being depreciated, net	106,824,481	(1,373,155)	(119,737)	105,331,589
Total capital assets, net	\$ 108,017,007	\$ (743,536)	\$ (633,650)	\$ 106,639,821

The leasehold improvements represent the Authority's administrative building, which is located on land leased from the County of Bedford. The lease began on March 30, 1999 and is for an initial term of 40 years, with renewal options for four additional ten-year periods. The land reverts to the County at the end of the lease.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 4. Capital Assets (Continued)

Construction commitments

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

<u>Project</u>	<u>Total Remaining Commitment</u>
Ivy Creek Interceptor VCWRLF Funding Assistance	\$ 2,860
BRWA Administration Parking Lot – Design 2	663
Turkey Mountain Booster Station - Design	40,207
Stoney Creek PMP Study	12,000
	<u>\$ 55,730</u>

Note 5. Long-Term Liabilities

The following is a summary of the Authority's long-term liabilities transactions for the year:

	<u>Beginning July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending June 30</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 39,480,000	\$ 2,725,000	\$ (5,060,000)	\$ 37,145,000	\$ 2,335,000
Lynchburg Sewer System Bonds	725,170	-	(108,657)	616,513	45,359
Due To Town of Bedford	3,716,993	-	(470,612)	3,246,381	475,027
Bond Premiums	1,186,763	230,733	(460,065)	957,431	226,514
Compensated absences	119,931	59,571	(29,983)	149,519	37,380
	<u>\$ 45,228,857</u>	<u>\$ 3,015,304</u>	<u>\$ (6,129,317)</u>	<u>\$ 42,114,844</u>	<u>\$ 3,119,280</u>

The Authority does not have any debt that is a direct borrowing or direct placement.

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding</u>
<u>Revenue Bonds:</u>					
Virginia Resources Authority					
Water and Sewer Bonds	2.13-5.13%	10/07/15	04/01/46	\$ 31,225,000	\$ 29,600,000
Water and Sewer Bonds	5.13	07/24/19	10/01/22	2,725,000	2,725,000
Water and Sewer Bonds	2.29-5.13	10/01/12	10/01/23	5,020,000	3,075,000
Water and Sewer Bonds	3.82-4.43	07/29/14	10/01/25	2,320,000	1,745,000
					37,145,000
					957,431
					<u>\$ 38,102,431</u>
<u>Due To Other Governmental Units:</u>					
Lynchburg Sewer System Bonds	1.75-5.00%	Various	06/01/44	\$ 3,236,174	\$ 616,513
Due To Town of Bedford	Various	Various	02/21/26	7,501,599	3,246,381
					<u>\$ 3,862,894</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 5. Long-Term Liabilities (Continued)

Prior Year Defeasance of Debt

In 2012, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service on the refunded bonds through their maturity date. The deferred costs are being amortized over the life of the new bonds as a component of interest expense. As a result, the liability for those bonds has been removed from the financial statements. At June 30, 2020, \$3,255,000 of these bonds remains outstanding.

In 2014, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service on the refunded bonds through their maturity date. The deferred costs are being amortized over the life of the new bonds as a component of interest expense. As a result, the liability for those bonds has been removed from the financial statements. At June 30, 2020, \$1,835,000 of these bonds remains outstanding.

Current Year Defeasance of Debt

On July 24, 2019, the Authority issued \$2,725,000 in Water and Sewer Bonds with an interest rate of 5.13% per annum. The Authority issued the bonds to advance refund \$2,855,000 of the outstanding 2009 Water and Sewer Bonds with interest rates ranging from 4.10% to 5.00% per annum. The Authority used the net proceeds along with other resources to purchase U.S. government securities that were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2009 bonds. As a result, that portion of the 2009 bonds is considered defeased, and the Authority has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$2,855,000 at June 30, 2020. The advance refunding reduced total debt service payments over the next 4 years by nearly \$176,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$174,332. The bonds are due in annual installments ranging from \$905,000 to \$1,000,000, paid semi-annually, through October 1, 2022.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 5. Long-Term Liabilities (Continued)

The annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year	Lynchburg Sewer System Bonds		Revenue Bonds		Due To Town of Bedford	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 45,359	\$ 262	\$ 2,335,000	\$ 1,392,734	\$ 475,027	\$ 80,070
2022	36,082	16	2,445,000	1,285,622	482,342	72,881
2023	36,082	16	2,575,000	1,160,959	490,012	65,475
2024	36,082	15	1,590,000	1,058,031	582,000	53,071
2025	36,082	14	1,655,000	989,653	600,000	35,902
2026-2030	180,413	58	5,380,000	4,196,263	617,000	18,201
2031-2035	137,867	37	5,310,000	3,394,831	-	-
2036-2040	74,046	16	6,390,000	2,384,675	-	-
2041-2045	34,500	1	7,730,000	1,082,684	-	-
2046	-	-	1,735,000	32,858	-	-
	<u>\$ 616,513</u>	<u>\$ 435</u>	<u>\$ 37,145,000</u>	<u>\$ 16,978,310</u>	<u>\$ 3,246,381</u>	<u>\$ 325,600</u>

Note 6. Capital Contributions

Capital contributions by source are summarized as follows:

Developers and customers	\$ 2,321,609
County of Bedford – capital debt assistance	<u>2,000,000</u>
	<u>\$ 4,321,609</u>

The County of Bedford contributes funding annually to assist in the payment of debt service for water and sewer lines and plant expansion.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 7. Defined Benefit Pension Plan

Plan Description

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>16</u>
Inactive members:	
Vested inactive members	6
Non-vested inactive members	18
Inactive members active elsewhere in VRS	<u>9</u>
Total inactive members	33
Active members	<u>67</u>
Total covered employees	<u><u>116</u></u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 7. Defined Benefit Pension Plan (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2020 was 6.08% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$215,026 and \$193,711 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

- * Administrative expenses as a percent of the fair 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 rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 7. Defined Benefit 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		<u>5.13 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.63 %</u>

- * The above allocation provides for a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund allocation.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 7. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2018	\$ 4,857,346	\$ 4,633,942	\$ 223,404
Changes for the year:			
Service cost	263,853	-	263,853
Interest	333,704	-	333,704
Change of assumptions	208,200	-	208,200
Differences between expected and actual experience	131,158	-	131,158
Contributions – employer	-	193,711	(193,711)
Contributions – employee	-	146,766	(146,766)
Net investment income	-	321,040	(321,040)
Benefit payments, including refunds of employee contributions	(180,290)	(180,290)	-
Administrative expenses	-	(2,905)	2,905
Other changes	-	(204)	204
Net changes	756,625	478,118	278,507
Balances at June 30, 2019	\$ 5,613,971	\$ 5,112,060	\$ 501,911

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 7. Defined Benefit Pension Plan (Continued)

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Political subdivision's net pension liability	\$ 1,445,898	\$ 501,911	\$ (233,058)

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

For the year ended June 30, 2020, the political subdivision recognized pension expense of \$244,783. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 214,775	\$ -
Change in assumptions	165,710	38,814
Net difference between projected and actual earnings on pension plan investments	-	45,142
Employer contributions subsequent to the measurement date	<u>215,026</u>	<u>-</u>
Total	<u>\$ 595,511</u>	<u>\$ 83,956</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 7. Defined Benefit Pension Plan (Continued)

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

The \$215,026 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. 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 Ending June 30,	Reduction to Pension Expense
2021	\$ 106,124
2022	52,908
2023	72,717
2024	64,780
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities

Local Plan

Plan Description and Benefits Provided

Employees who are eligible to retire from VRS pension plan are allowed access to the Authority's health insurance plan until they reach age 65. Retirees pay the blended (employees and retirees) published rate, however as they are older than the typical employee (and thus more expensive) there is a cost to this right to purchase insurance at the blended rate.

VRS retirement eligibility is age 50 with 10 years of service or age 55 with 5 years of service for employees hired prior to July 1, 2010 who were vested in the plan prior to July 1, 2013. VRS retirement eligibility is the earlier of age 60 with 5 of service or 90 combined age and service points for other employees. These vesting terms also apply to the Authority's local postemployment benefit plan.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	<u>3</u>
Total inactive employees	3
Active plan members	<u>74</u>
	<u><u>77</u></u>

Total OPEB Liability

The Authority's total OPEB liability of \$226,966 was measured as of June 30, 2020 and was determined based on an actuarial valuation performed as of June 30, 2019.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

Local Plan (Continued)

Actuarial Assumptions and other inputs

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

Healthcare cost trend rates	4.00%
Discount rate	2.45%, 20 year tax exempt obligation municipal bond rate
Actuarial cost method	Entry Age Normal Funding Method
Retirees' share of benefit-related costs	\$680 - \$1,199 per month

Mortality rates were the same rates from the VRS valuation. (See Note 7)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2018 through June 30, 2019.

Changes in assumptions and other inputs reflect an increase in the discount rate due to changes in the 20-year bond index.

Changes in the Total OPEB Liability

Balance at June 30, 2019	<u>\$ 228,807</u>
Changes for the year:	
Service cost	17,876
Interest	6,631
Differences between expected and actual experience	(894)
Assumption or other input changes	(21,278)
Benefit payments	<u>(4,176)</u>
Net changes	<u>(1,841)</u>
Balance at June 30, 2020	<u><u>\$ 226,966</u></u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

Local Plan (Continued)

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current discount rate:

	1.00% Decrease (1.45%)	Current Discount Rate (2.45%)	1.00% Increase (3.45%)
Total OPEB liability	<u>\$ 244,753</u>	<u>\$ 226,966</u>	<u>\$ 210,153</u>

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current healthcare cost trend rates:

	1.00% Decrease (3.00%)	Current Healthcare Cost Trend Rates (4.00%)	1.00% Increase (5.00%)
Total OPEB liability	<u>\$ 198,018</u>	<u>\$ 226,966</u>	<u>\$ 261,516</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

Local Plan (Continued)

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

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$24,632. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 766
Change in assumptions	16,467	18,238
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u><u>\$ 16,467</u></u>	<u><u>\$ 19,004</u></u>

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

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ 125
2022	125
2023	125
2024	125
2025	127
Thereafter	(3,164)

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

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

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2020 Contribution	\$18,380
June 30, 2019 Contribution	\$16,120

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

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

The net OPEB liabilities were measured as of June 30, 2019 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2020 proportionate share of liability	\$257,271
June 30, 2019 proportion	0.01581%
June 30, 2018 proportion	0.01493%
June 30, 2020 expense	\$11,445

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

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,110	\$ 3,336
Change in assumptions	16,243	7,758
Net difference between projected and actual earnings on OPEB plan investments	-	5,285
Changes in proportion	24,455	-
Employer contributions subsequent to the measurement date	18,380	-
Total	<u>\$ 76,188</u>	<u>\$ 16,379</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

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

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ 6,410
2022	6,410
2023	8,648
2024	9,701
2025	8,062
Thereafter	2,198

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

- * Administrative expenses as a percent of the fair 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,390,238
Plan fiduciary net position	1,762,972
Employers' net OPEB liability	\$ 1,627,266
Plan fiduciary net position as a percentage of total OPEB liability	52.00%

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

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		5.13 %
		Inflation	2.50 %
*Expected arithmetic nominal return			7.63 %

* The above allocation provides for a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liability will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	<u>\$ 337,982</u>	<u>\$ 257,271</u>	<u>\$ 191,816</u>

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 8. Other Postemployment Benefits Liabilities (Continued)

A summary of the other postemployment benefits related financial statement elements are as follows:

	<u>2020</u>	<u>2019</u>
Net other postemployment benefit liabilities		
Local Sponsored Health Insurance	\$ (226,966)	\$ (228,807)
VRS - Group Life Insurance	<u>(257,271)</u>	<u>(227,000)</u>
Total net other postemployment benefit liabilities	<u>\$ (484,237)</u>	<u>\$ (455,807)</u>
Deferred outflows of resources		
Difference between expected and actual experience		
VRS - Group Life Insurance	\$ 17,110	\$ 11,000
Change in actuarial assumptions		
Local Sponsored Health Insurance	16,467	19,760
VRS - Group Life Insurance	16,243	-
Change in proportion		
VRS - Group Life Insurance	24,455	16,000
Contributions subsequent to measurement date		
VRS - Group Life Insurance	<u>18,380</u>	<u>16,120</u>
Total deferred outflows of resources	<u>\$ 92,655</u>	<u>\$ 62,880</u>
Deferred inflows of resources		
Difference between expected and actual experience		
Local Sponsored Health Insurance	\$ (766)	\$ -
VRS - Group Life Insurance	(3,336)	(5,000)
Change in actuarial assumptions		
Local Sponsored Health Insurance	(18,238)	-
VRS - Group Life Insurance	(7,758)	(9,000)
Net difference between projected and actual investment earnings		
VRS - Group Life Insurance	<u>(5,285)</u>	<u>(7,000)</u>
Total deferred outflows of resources	<u>\$ (35,383)</u>	<u>\$ (21,000)</u>
Other postemployment benefit expense		
Local Sponsored Health Insurance	\$ 24,632	\$ 25,826
VRS - Group Life Insurance	<u>11,445</u>	<u>6,000</u>
Total other postemployment benefit expense	<u>\$ 36,077</u>	<u>\$ 31,826</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 9. Service Contracts

City of Lynchburg

The Authority, as well as Amherst County and the Campbell County Utilities and Service Authority, have a sewage treatment agreement with the City of Lynchburg (the “City”). This perpetual agreement shall continue in full force and in effect until terminated by mutual agreement. As part of this agreement, each member of the Regional Sewage Treatment Plant is responsible for their proportionate share of improvements to Joint-Use Facilities. As the City performs additions to specified portions of the system, the Authority shows its proportionate share of improvements as additions to debt and capital assets. Sewage treatment under this agreement for 2020 was \$243,340. There were no current year additions to debt or to related capital assets under this agreement for 2020.

Effective July 1, 2007, the Authority renewed its water purchase contract with the City of Lynchburg. The new contract is effective through June 30, 2022. The contract is renewable in ten-year increments, if mutually agreed. Water purchases under this contract for 2020 were \$619,418.

On June 30, 2015, the Authority entered into a new water purchase contract with the City of Lynchburg. This new contract supersedes the July 1, 2007 contract and had an effective starting date of October 1, 2016 and ending date of June 30, 2036. The contract is automatically renewed in ten-year increments, upon the conclusion of the initial 20 year period. The Authority constructed a water treatment facility and additional transmission mains in Bedford County, some of which serve the Forest area of Bedford County. The Authority must purchase at least an average of 1.25 million gallons of water per day from the City measured on an annual basis for the period beginning July 1, 2016 and ending June 30, 2017 and at least an average of 1.0 million gallons of water per day measured on an annual basis thereafter until the termination of the contract. The contract had a provision that if the Authority did not complete construction on the Route 460 waterline connecting the Smith Mountain Lake and Town of Bedford Central Water System to the Forest Water System by July 1, 2018, the 2015 agreement would terminate and the contract with the City dated July 1, 2007 would be reinstated for the remainder of the contract term. Since the construction was completed prior to July 1, 2018, the 2015 contract remains in effect.

Under the agreements to purchase water and sewer services from the City of Lynchburg, the Authority is charged provisional rates for water purchases and sewer services which are then adjusted in subsequent fiscal years for the actual cost of providing those services to the Authority. These adjustments, resulting in credits or (expenses) towards current year purchases, totaled \$(7,337) for water and \$31,660 for sewer in 2020. The adjustments are not estimable and are therefore accounted for in the year they are charged to the Authority.

Western Virginia Water Authority (WVWA)

The Authority has an agreement through June 30, 2030 to purchase surplus water from the WVWA at a bulk rate, which is determined by a mutually agreed-upon formula. The agreement also establishes minimum annual average daily quantities to be purchased. The water purchased serves the Stewartsville area of Bedford County. Water purchases under this agreement were \$31,347 for 2020.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 9. Service Contracts (Continued)

Western Virginia Water Authority (WVWA) (Continued)

In addition, as part of this agreement, the Authority has agreed to provide water to residents and businesses near Smith Mountain Lake. Certain terms exist as part of this agreement that include a capital requirement for both parties to fund their proportionate share of any expansion to the related facilities should existing capacity no longer be sufficient.

Each party has the ability to transfer any portion of their ownership of capacity in the Smith Mountain Lake Water Treatment Plant to the other party, at terms that are mutually agreed to at the time of the transfer. Either party may, on or after July 1, 2024, and following one year's written notice period, require the other party to purchase its interest in the Smith Mountain Water Facility at its then depreciated book value.

Note 10. Risk Management

The Risk Management Programs of the Authority are as follows:

Worker's compensation

Worker's Compensation Insurance is provided through the Virginia Risk Sharing Association ("VRSA"). During fiscal year 2020, total premiums paid were \$59,288. Benefits are those afforded through the Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon payroll, job rates, and claims experience.

General liability and other

The Authority provides general liability and other insurance through policies with the Virginia Municipal League Pool. General liability, business, and automobile have a \$1,000,000 limit. Boiler and machinery coverage maintains an additional \$2,000,000 umbrella policy over all forms of liability insurance. The Virginia Municipal League Pool was organized to formulate, develop, and administer on behalf of the member localities, a program of insurance, lower costs for that coverage, and a comprehensive loss control program. Pool members are not subject to a supplemental assessment in the event of deficiencies. The Pool maintains a re-insurance policy, which prevents members' responsibility for the Pool's liabilities if the assets of the Pool were exhausted. The Pool limits membership from small to medium-sized Virginia localities and currently has approximately 500 members.

There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

Unemployment benefits

The Authority does not pay state unemployment taxes for employees to draw upon should they be terminated and qualify for unemployment. Instead, should an employee be terminated and qualify for unemployment benefits, the state will pay the employee and charge the Authority for reimbursement.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 11. Commitments and Contingencies

Arbitrage

At times, the Authority has certain debt instruments subject to arbitrage regulations. At June 30, 2020, no amounts of rebate liabilities were associated with any debt issuances.

Smith Mountain Lake Water Treatment Facility

The Authority entered into an agreement with the Western Virginia Water Authority (WVWA) on May 7, 2014 whereby both parties desired to share in the construction cost, ownership, operation, and liabilities of the Smith Mountain Lake Water Treatment Plant (the “Plant”). This project was completed in June 2018. The total cost of this project was \$14 million, which was split between the Authority and WVWA. The Authority is funding their portion of the project with the October 2015 debt issuance. As part of this agreement, the Authority will lease certain real estate to the Plant. This ground lease shall continue in effect until June 30, 2030, unless renewed or terminated. Base rent for the real estate is \$20,000 per year.

Note 12. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Authority’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Note 13. New Accounting Standards

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

The GASB issued **Statement No. 84, Fiduciary Activities** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87, Leases** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 13. New Accounting Standards (Continued)

In March 2018, the GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement improves the information disclosed in the notes to government financial statements related to debt. The requirements of this Statement are effective for fiscal years beginning after June 15, 2019.

The GASB issued **Statement No. 90**, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61 in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91**, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In January 2020, the GASB issued **Statement No. 92**, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 13. New Accounting Standards (Continued)

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

Note 14. Subsequent Event

In November 2020, the Authority will issue up to \$4,600,000 in Series 2020C Revenue Bonds for upgrades to the Central Wastewater Treatment Plant.

REQUIRED SUPPLEMENTARY INFORMATION

BEDFORD REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2020

	Actuarially Determined Contribution					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 263,853	\$ 269,942	\$ 273,841	\$ 253,398	\$ 259,350	\$ 129,078
Interest on total pension liability	333,704	304,772	274,839	251,090	215,254	199,921
Difference between expected and actual experience	131,158	16,269	127,083	6,745	196,404	-
Changes in assumptions	208,200	-	(89,886)	-	-	-
Benefit payments, including refunds of employee contributions	(180,290)	(175,051)	(141,460)	(202,463)	(115,683)	(104,210)
Net change in total pension liability	756,625	415,932	444,417	308,770	555,325	224,789
Total pension liability – beginning	4,857,346	4,441,414	3,996,997	3,688,227	3,132,902	2,908,113
Total pension liability – ending	5,613,971	4,857,346	4,441,414	3,996,997	3,688,227	3,132,902
Plan Fiduciary Net Position						
Contributions – employer	193,711	206,624	194,197	192,962	182,137	178,165
Contributions – employee	146,766	136,688	130,927	123,748	113,206	111,120
Net investment income	321,040	313,758	445,970	62,939	145,164	398,747
Benefit payments, including refunds of employee contributions	(180,290)	(175,051)	(141,460)	(202,463)	(115,683)	(104,210)
Administrative expenses	(2,905)	(2,522)	(2,349)	(2,010)	(1,782)	(1,975)
Other	(204)	(520)	(406)	(26)	(30)	21
Net change in plan fiduciary net position	478,118	478,977	626,879	175,150	323,012	581,868
Plan fiduciary net position - beginning	4,633,942	4,154,965	3,528,086	3,352,936	3,029,924	2,448,056
Plan fiduciary net position - ending	5,112,060	4,633,942	4,154,965	3,528,086	3,352,936	3,029,924
Net pension liability - ending	\$ 501,911	\$ 223,404	\$ 286,449	\$ 468,911	\$ 335,291	\$ 102,978
Plan fiduciary net position as a percentage of total pension liability	91%	95%	94%	88%	91%	97%
Covered payroll	\$ 3,106,905	\$ 2,839,461	\$ 2,638,936	\$ 2,444,270	\$ 2,289,281	\$ 2,160,777
Net pension liability as a percentage of covered payroll	16%	8%	11%	19%	15%	5%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2019 information was presented in the entity's fiscal year 2020 financial report.

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

BEDFORD REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2020

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2020	\$ 215,026	\$ 215,026	\$ -	\$ 3,534,457	6.08%
2019	\$ 193,963	\$ 193,963	\$ -	\$ 3,106,905	6.24%
2018	\$ 214,380	\$ 214,380	\$ -	\$ 2,839,461	7.55%
2017	\$ 194,197	\$ 194,197	\$ -	\$ 2,638,936	7.36%
2016	\$ 192,962	\$ 192,962	\$ -	\$ 2,444,270	7.89%
2015	\$ 183,600	\$ 183,600	\$ -	\$ 2,289,281	8.02%

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only six years of data is available. However, additional years will be included as they become available.

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

BEDFORD REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS – LOCAL PLAN
June 30, 2020

	Fiscal Year	
	2020	2019
	Local Plan	Local Plan
Total OPEB Liability		
Service cost	\$ 17,876	\$ 15,831
Interest on total OPEB liability	6,631	6,702
Difference between expected and actual experience	(894)	-
Changes in assumptions	(21,278)	23,053
Benefit payments	(4,176)	(3,828)
Net change in total OPEB liability	(1,841)	41,758
Total OPEB liability - beginning	228,807	187,049
Total OPEB liability - ending	226,966	228,807
Plan Fiduciary Net Position		
Contributions - employer	4,176	3,828
Benefit payments	(4,176)	(3,828)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	-	-
Net OPEB liability - ending	\$ 226,966	\$ 228,807
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%
Covered employee payroll	N/A	N/A
Net OPEB liability as a percentage of covered employee payroll	N/A	N/A

N/A - Because this OPEB plan does not depend on salary, salary information is not available from the actuary.

This schedule is intended to show information for 10 years. Since fiscal year 2019 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

A restatement was recorded in 2019 to record the impacts of this local plan under GASB 75 for fiscal year 2018. As a result, actuarial information, including rollforward information of the total OPEB liability is unavailable for fiscal year 2018.

BEDFORD REGIONAL WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – LOCAL PLAN
June 30, 2020

Entity Fiscal Year Ended June 30	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Local Plan					
2020	N/A	\$ 4,176	\$ (4,176)	N/A	N/A
2019	N/A	\$ 3,828	\$ (3,828)	N/A	N/A

N/A - Because this OPEB plan does not depend on salary, salary information is not available from the actuary.

This schedule is intended to show information for 10 years. Since 2019 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available.

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

BEDFORD REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS GLI
June 30, 2020

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2020	0.0158%	\$ 257,271	\$ 3,096,872	8.31%	52.00%
2019	0.0149%	\$ 227,000	\$ 2,839,461	7.99%	51.22%
2018	0.0143%	\$ 215,000	\$ 2,641,731	8.14%	48.86%

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

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

BEDFORD REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS – VRS GLI
June 30, 2020

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2020	\$ 18,380	\$ 18,380	\$ -	\$ 3,534,457	0.52%
2019	\$ 16,120	\$ 16,120	\$ -	\$ 3,096,872	0.52%
2018	\$ 14,765	\$ 14,765	\$ -	\$ 2,839,461	0.52%

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

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

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

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SUPPORTING SCHEDULE

BEDFORD REGIONAL WATER AUTHORITY
SCHEDULE OF DEPARTMENTAL OPERATING INCOME
Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Water sales	\$ 8,576,478	\$ -	\$ 8,576,478
Capital recovery fees	756,450	575,500	1,331,950
Sewer service	-	4,409,739	4,409,739
Wastewater treatment plant operation fees	177,149	128,281	305,430
Review fees	45,804	41,568	87,372
Meter base installation fees	97,871	-	97,871
Account charges	54,240	27,425	81,665
Other	139,162	100,772	239,934
Penalties	32,844	15,779	48,623
	<u>9,879,998</u>	<u>5,299,064</u>	<u>15,179,062</u>
OPERATING EXPENSES			
Water systems	1,809,069	-	1,809,069
Sewer systems	-	1,548,189	1,548,189
Depreciation and amortization	2,668,557	1,740,755	4,409,312
Salaries and employee benefits	3,068,884	2,222,296	5,291,180
Management and general	159,987	125,704	285,691
Customer service and information services	145,979	105,709	251,688
Vehicles	132,133	95,683	227,816
Engineering, operations, and maintenance	51,823	37,526	89,349
	<u>8,036,432</u>	<u>5,875,862</u>	<u>13,912,294</u>
Total operating revenues	<u>9,879,998</u>	<u>5,299,064</u>	<u>15,179,062</u>
Total operating expenses	<u>8,036,432</u>	<u>5,875,862</u>	<u>13,912,294</u>
Operating income (loss)	<u>\$ 1,843,566</u>	<u>\$ (576,798)</u>	<u>\$ 1,266,768</u>

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STATISTICAL SECTION

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

Contents

Financial Trends

Tables 1-4

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

Revenue Capacity

Tables 5-13

These schedules contain information to help the reader assess the Authority's most significant revenue source, water, and sewer charges.

Debt Capacity

Table 14-16

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

Demographic and Economic Information

Tables 17-19

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

Operating Information

Tables 20-21

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Notes:

On July 1, 2013 the Bedford County Public Service Authority and City of Bedford Water and Sewer department consolidated to form the Bedford Regional Water Authority, therefore only six years of statistical data are being presented. The ultimate goal is to present ten years of data.

The Authority implemented GASB Statement 68 and restated beginning net position for 2015. The restatement is not included in the prior year data.

The Authority implemented GASB Statement 75 and restated beginning net position for 2018. An additional restatement for a local OPEB plan was recorded in 2019. The restatements are not included in the prior year data.

Table 1

BEDFORD REGIONAL WATER AUTHORITY

NET POSITION BY COMPONENT
LAST SEVEN FISCAL YEARS

	Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Primary Government							
Net investment in							
capital assets	\$ 64,970,658	\$ 63,427,831	\$ 64,413,555	\$ 62,754,656	\$ 61,962,141	\$ 61,289,580	\$ 59,491,970
Restricted	2,603,137	2,386,880	2,294,317	2,270,755	1,998,401	238,334	533,542
Unrestricted	12,006,937	9,605,961	6,183,496	4,390,746	1,812,059	3,315,325	1,647,890
Total primary government net position	<u>\$ 79,580,732</u>	<u>\$ 75,420,672</u>	<u>\$ 72,891,368</u>	<u>\$ 69,416,157</u>	<u>\$ 65,772,601</u>	<u>\$ 64,843,239</u>	<u>\$ 61,673,402</u>

Note: The Authority implemented GASB Statement 75 and restated beginning net position for 2018. An additional restatement for a local OPEB plan was recorded in 2019. The restatements are not included in the prior year data.

Table 2

BEDFORD REGIONAL WATER AUTHORITY

CHANGES IN NET POSITION
LAST SEVEN FISCAL YEARS

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues (Expenses)	Income (Loss) before Capital Contributions	Capital Contributions	Transfer of Operations	Change in Net Position
2020	\$ 15,179,062	\$ 13,912,294	\$ 1,266,768	\$ (1,428,317)	\$ (161,549)	\$ 4,321,609	\$ -	\$ 4,160,060
2019	14,658,464	13,591,700	1,066,764	(1,479,597)	(412,833)	3,129,186	-	2,716,353
2018	13,183,498	11,516,468	1,667,030	(669,425)	997,605	2,701,869	-	3,699,474
2017	12,984,845	11,339,910	1,644,935	(1,042,911)	602,024	3,041,532	-	3,643,556
2016	11,781,125	11,771,099	10,026	(1,369,354)	(1,359,328)	2,288,690	-	929,362
2015	10,699,859	10,403,587	296,272	(793,906)	(497,634)	3,949,363	-	3,451,729
2014	9,437,450	10,157,922	(720,472)	(936,482)	(1,656,954)	2,679,469	60,652,044	61,674,559

Table 3

BEDFORD REGIONAL WATER AUTHORITY

**OPERATING EXPENSES
LAST SEVEN FISCAL YEARS**

Fiscal Year	Water Systems	Sewer Systems	Employment Costs	General Office and Departmental Expenses	Subtotal, Expenses before Depreciation and Amortization	Depreciation and Amortization	Total
2020	\$ 1,809,069	\$ 1,548,189	\$ 5,291,180	\$ 854,544	\$ 9,502,982	\$ 4,409,312	\$ 13,912,294
2019	1,789,809	1,624,180	4,732,359	1,092,500	9,238,848	4,352,852	13,591,700
2018	1,783,950	1,339,282	4,188,962	755,521	8,067,715	3,448,753	11,516,468
2017	1,960,333	1,456,985	4,023,075	674,327	8,114,720	3,225,190	11,339,910
2016	2,209,621	1,274,345	3,723,314	1,409,285	8,616,565	3,154,534	11,771,099
2015	2,193,011	1,227,407	3,210,176	643,715	7,274,309	3,129,278	10,403,587
2014	2,040,075	1,165,537	3,264,722	613,096	7,083,430	3,074,492	10,157,922

Table 4

BEDFORD REGIONAL WATER AUTHORITY

**NONOPERATING REVENUES AND EXPENSES
LAST SEVEN FISCAL YEARS**

Fiscal Year	Gain (Loss) on Disposal of Capital Assets	Interest Expense ^a	Investment Income	Total Nonoperating Revenues (Expenses)
2020	\$ (65,497)	\$ (1,556,017)	\$ 193,197	\$ (1,428,317)
2019	25,498	(1,673,218)	168,123	(1,479,597)
2018	35,463	(764,195)	59,307	(669,425)
2017	10,044	(1,125,038)	72,083	(1,042,911)
2016	(8,292)	(1,438,201)	77,139	(1,369,354)
2015	1,759	(795,665)	-	(793,906)
2014	-	(936,482)	-	(936,482)

^a Net of capitalized amounts in years 2015-2018. GASB 89 was implemented in 2019.

Table 5

BEDFORD REGIONAL WATER AUTHORITY

OPERATING REVENUES BY SOURCE
LAST SEVEN FISCAL YEARS

Fiscal Year	Water Revenue	Sewer Revenue	Water Facility Revenue	Sewer Facility Revenue	Penalties and Fees ^a	Miscellaneous ^b	Total
2020	\$ 8,753,627	\$ 4,538,020	\$ 756,450	\$ 575,500	\$ 315,531	\$ 239,934	\$ 15,179,062
2019	8,249,328	4,407,638	804,425	650,000	301,177	245,896	14,658,464
2018	7,662,156	3,849,032	664,000	436,900	328,835	242,575	13,183,498
2017	7,519,344	3,790,135	638,200	470,600	343,783	222,783	12,984,845
2016	6,756,704	3,699,411	529,700	277,400	310,556	207,354	11,781,125
2015	6,070,708	3,335,288	546,157	243,343	330,539	173,824	10,699,859
2014	5,413,660	3,050,474	408,500	159,400	231,009	174,407	9,437,450

^a Penalties and Fees include review fees, account charges, penalties and meter installation fees.

^b Miscellaneous includes reconnect fees, cellular antennae rental on water tanks, and other miscellaneous revenue.

Table 6

BEDFORD REGIONAL WATER AUTHORITY

WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED
LAST SEVEN FISCAL YEARS

Fiscal Year	Water				Sewer			
	Gallons Produced (000's)	Gallons Billed (000's)	Other Unbilled Uses (000's)	Water Accountability	Gallons Treated (000's)	Gallons Billed (000's)	Other Unbilled Uses	Sewer Accountability
2020	1,226,182	929,666	59,825	80.70%	586,371	356,658	-	60.82%
2019	1,132,893	894,789	96,640	87.51	708,788	369,144	-	52.08
2018	1,207,069	917,950	31,194	78.63	538,400	330,082	558	61.41
2017	1,086,440	858,199	10,015	79.91	470,931	324,911	-	68.99
2016	1,080,997	836,616	27,808	79.97	500,777	334,434	-	65.04
2015	1,086,774	832,842	17,761	78.27	453,312	331,637	7,989	74.92
2014	1,053,128	788,118	43,444	78.96	485,695	293,591	8,668	62.23

Note: Other unbilled uses include water that is used for flushing and new construction.

Table 7

BEDFORD REGIONAL WATER AUTHORITY

**ANNUAL CONNECTIONS
LAST SEVEN FISCAL YEARS**

Fiscal Year	Water Connections	Sewer Connections	Total New Connections
2020	191	113	304
2019	342	177	519
2018	456	232	688
2017	206	107	313
2016	399	147	546
2015	153	45	198
2014	159	41	200

Note: Connections are the total connections sold within a fiscal year. Customers may pay connection charges and wait to connect to the system. Connections sold do not necessarily represent new customers that are active and paying monthly rates.

Table 8

BEDFORD REGIONAL WATER AUTHORITY

**NUMBER OF WATER CUSTOMERS BY TYPE
LAST SEVEN FISCAL YEARS**

Fiscal Year	Residential	Commercial	Industrial	Institutional	Irrigation	Total
2020	14,712	736	26	96	13	15,583
2019	13,817	801	25	98	12	14,753
2018	12,894	807	25	73	13	13,812
2017	12,800	787	24	68	57	13,736
2016	11,956	764	23	68	50	12,861
2015	11,737	768	23	67	15	12,610
2014	11,381	756	23	70	43	12,273

Note: Institutional includes governmental and educational user types.

Table 9

BEDFORD REGIONAL WATER AUTHORITY

**NUMBER OF SEWER CUSTOMERS BY TYPE
LAST SEVEN FISCAL YEARS**

Fiscal Year	Residential	Commercial	Industrial	Institutional¹	nm²	Total
2020	4,564	532	9	64	0	5,169
2019	4,199	535	9	66	0	4,809
2018	4,123	564	9	46	0	4,742
2017	4,071	575	9	43	0	4,698
2016	3,969	556	8	43	0	4,576
2015	3,918	562	8	43	0	4,531
2014	3,784	547	8	45	1	4,385

¹ Institutional includes governmental and educational user types.

² nm denotes no meter and sanitary sewer service only.

Table 10

BEDFORD REGIONAL WATER AUTHORITY

TEN LARGEST WATER CUSTOMERS
CURRENT YEAR

Customer	2020	
	Revenue	Percentage
TEVA (Barr Laboratories)	\$ 211,408	2.46%
Western Virginia Water Authority	145,354	1.69
Cintas Corporation	64,332	0.75
Winoa	45,086	0.53
English Meadows	38,944	0.45
Gables of Jefferson Commons	35,272	0.41
Gables of Spring Creek	35,166	0.41
Lyndondellbassell Advanced Polymers, Inc.	27,750	0.32
Jefferson Forest High School	24,010	0.28
Raintree Village	22,509	0.26
Subtotal (10 largest)	649,831	7.56
Balance from other customers	7,926,647	92.44
Grand totals	<u>\$ 8,576,478</u>	<u>100.00%</u>

Note: Information for the period nine years prior to the current period will begin in 2023.

Table 11

BEDFORD REGIONAL WATER AUTHORITY

TEN LARGEST SEWER CUSTOMERS
CURRENT YEAR

Customer	2020	
	Revenue	Percentage
TEVA (Barr Laboratories)	\$ 273,971	6.21%
Cintas Corporation	70,681	1.60
English Meadows	66,906	1.52
Gables of Jefferson Commons	45,663	1.04
Gables of Spring Creek	45,623	1.03
Lyndondellbassell Advanced Polymers, Inc.	39,153	0.89
Raintree Village	34,210	0.78
Jefferson Forest High School	33,919	0.77
Bedford County Memorial Hospital	25,825	0.59
Winoa	9,804	0.22
Subtotal (10 largest)	645,755	14.65
Balance from other customers	3,763,984	85.35
Grand totals	\$ 4,409,739	100.00%

Note: Information for the period nine years prior to the current period will begin in 2023.

Table 12

BEDFORD REGIONAL WATER AUTHORITY

SCHEDULE OF WATER AND SEWER RATES

CURRENT YEAR

Base and Minimum Charges (billed on a bi-monthly basis)

Meter Size	Forest, Lakes, Stewartsville, and Montvale Service Areas			Center Service Area					
				Inside Town of Bedford			Adjacent to Town		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
Monthly Fixed Charges - Residential									
5/8"	\$23.00	\$23.00	\$46.00	\$23.00	\$29.00	\$52.00	\$25.00	\$30.00	\$55.00
3/4"	33.00	29.00	62.00	33.00	35.00	68.00	38.00	37.00	75.00
1"	50.00	42.00	92.00	50.00	53.00	103.00	54.00	56.00	110.00
1-1/2"	84.00	72.00	156.00	84.00	83.00	167.00	95.00	84.00	179.00
Mariners 5/8"	23.00	33.00	56.00	N/A	N/A	N/A	N/A	N/A	N/A
Cedar Rock 5/8"	23.00	70.00	93.00	N/A	N/A	N/A	N/A	N/A	N/A
Paradise Point 5/8"	37.00	-	37.00	N/A	N/A	N/A	N/A	N/A	N/A
Monthly Fixed Charges – Commercial and Industrial									
5/8"	23.00	23.00	46.00	23.00	28.00	51.00	29.00	27.00	56.00
3/4"	33.00	29.00	62.00	33.00	38.00	71.00	42.00	39.00	81.00
1"	50.00	42.00	92.00	50.00	53.00	103.00	54.00	58.00	112.00
1-1/2"	84.00	72.00	156.00	84.00	83.00	167.00	104.00	88.00	192.00
2"	112.00	108.00	220.00	131.00	142.00	273.00	162.00	130.00	292.00
3"	204.00	194.00	398.00	291.00	220.00	511.00	352.00	228.00	580.00
4"	334.00	320.00	654.00	488.00	368.00	856.00	579.00	372.00	951.00
6"	656.00	628.00	1,284.00	1,104.00	714.00	1,818.00	1,128.00	720.00	1,848.00
8"	1,041.00	989.00	2,030.00	N/A	N/A	N/A	N/A	N/A	N/A
10"	1,728.00	1,638.00	3,366.00	N/A	N/A	N/A	N/A	N/A	N/A

Table 12
(Continued)

BEDFORD REGIONAL WATER AUTHORITY
SCHEDULE OF WATER AND SEWER RATES
CURRENT YEAR

Commodity Charges Per 1,000 Gallons

Monthly Usage	Forest, Lakes, Stewartsville, and Montvale Service Areas			Center Service Area					
				Inside Town of Bedford			Adjacent to Town		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
Commodity Charges per 1000 gallons - Residential									
First 3,000	\$5.60	\$7.50	\$13.10	\$4.20	\$5.00	\$9.20	\$4.20	\$5.40	\$9.60
Over 3,000	5.60	7.50	13.10	4.20	6.50	10.70	4.20	7.50	11.70
Commodity Charges per 1000 gallons – Commercial									
First 3,000	5.60	7.50	13.10	4.20	5.30	9.50	4.80	7.80	12.60
Over 3,000	5.60	7.50	13.10	4.20	7.40	11.60	4.80	8.20	13.00
Commodity Charges per 1000 gallons – Industrial (400,000 gallon per month minimum)									
First 600,000	5.20	6.90	12.10	4.30	6.20	10.50	5.20	6.90	12.10
Over 600,000	5.20	6.90	12.10	4.30	5.90	10.20	5.20	6.90	12.10

Table 13

BEDFORD REGIONAL WATER AUTHORITY
SCHEDULE OF WATER AND SEWER FACILITY FEES

Capital Recovery Fees (based on meter size)	2019-2020¹	
	Water	Sewer
Residential 5/8"	\$ 4,000	\$ 5,000
3/4"	6,000	7,000
1"	10,000	12,000
1-1/2"	16,000	20,000
2"	26,000	32,000

¹ The minimum capital recovery fee is \$4,000 for water and \$5,000 for sewer.

Table 14

BEDFORD REGIONAL WATER AUTHORITY

**SCHEDULE OF DEBT COVERAGE
LAST SEVEN FISCAL YEARS**

Fiscal Year Ended June 30	Debt Coverage Reserve¹	Operating Revenues	Direct Operating Expenses²	Bedford County Support	Net Available for Debt Service	Principal	Interest	Total	Debt Coverage
2020	\$ 2,265,187	\$ 15,179,062	\$ 9,502,982	\$ 2,000,000	\$ 9,941,267	\$ 2,855,386	\$ 1,473,066	\$ 4,328,452	230%
2019	2,249,660	14,658,464	9,238,848	2,000,000	9,669,276	2,784,268	1,587,202	4,371,470	221
2018	2,205,250	13,183,498	8,067,715	2,000,000	9,321,033	2,668,592	1,698,931	4,367,523	213
2017	2,251,667	12,984,845	8,114,720	2,000,000	9,121,792	2,502,565	1,792,102	4,294,667	212
2016	2,246,623	11,781,125	8,616,565	2,000,000	7,411,183	2,428,098	1,876,094	4,304,192	172
2015	411,071	10,699,859	7,274,309	2,000,000	5,836,621	2,129,114	860,779	2,989,893	195
2014	410,612	9,437,450	7,083,430	2,000,000	4,764,632	2,504,102	921,679	3,425,781	139

¹ Balance includes a cash reserve fund that can be included in debt coverage reserve but does not have to be restricted cash or net position unless the Authority unless it is need to meet a debt coverage ratio of 115%

² Excluding depreciation, interest, and amortization

Table 15

BEDFORD REGIONAL WATER AUTHORITY

**OUTSTANDING DEBT BY CATEGORY
LAST SEVEN FISCAL YEARS**

Fiscal Year Ended June 30	Lynchburg Sewer System Bonds	Pooled Loan Bonds	Due to Town of Bedford	Revenue Bond Anticipation Note	Unamortized Premium	Total
2020	\$ 616,513	\$ 37,145,000	\$ 3,246,381	\$ -	\$ 957,431	\$ 41,965,325
2019	725,170	39,480,000	3,716,993	-	1,186,763	45,108,926
2018	857,748	41,365,000	4,368,007	-	1,415,964	48,006,719
2017	1,042,670	43,040,000	5,010,650	-	1,645,167	50,738,487
2016	1,241,288	44,635,000	5,645,130	-	1,874,368	53,395,786
2015	1,438,882	14,715,000	6,271,650	3,200,000	1,774,133	27,399,665
2014	1,443,884	16,535,000	6,890,409	1,200,000	1,725,738	27,795,031

Table 16

BEDFORD REGIONAL WATER AUTHORITY

RATIOS OF OUTSTANDING DEBT
LAST SEVEN FISCAL YEARS

Fiscal Year Ended June 30	Outstanding Debt	Number of ¹ connections	Debt per connection (3)= (1) / (2)	Estimated ² Population Served (4)= (2) * 2.5	Debt per Capita (5)=(1) / (4)	Income ³ per Capita	Debt per Capita as a % Income per Capita (7)=(5) / (6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2020	\$ 41,965,325	20,752	\$ 2,022	51,880	\$ 809	46,707	1.73%
2019	45,108,926	19,562	2,306	48,905	922	*	*
2018	48,006,719	18,554	2,587	46,385	1,035	42,082	2.46%
2017	50,738,486	18,434	2,752	46,085	1,101	41,307	2.67%
2016	53,395,785	17,437	3,062	43,593	1,225	41,066	2.98%
2015	27,399,665	17,141	1,598	42,853	639	41,066	1.56%
2014	27,795,031	16,658	1,669	41,645	667	41,066	1.63%

¹ Connections from Tables 8 and 9.

² The Virginia Department of Health estimates 2.5 residents per connection; this number is used in lieu of the population data in Table 18 which is representative of the entire county and town.

³ Per capita income from Table 18 (Source: Virginia Workforce Connection and Bureau of Economic Analysis). 2015 and 2016 information not available, therefore 2014 information was used.

* Unavailable

Table 17

BEDFORD REGIONAL WATER AUTHORITY
TEN LARGEST EMPLOYERS (BEDFORD TOWN AND COUNTY)
CURRENT YEAR

Employer	2020	
	Employees	Rank
Bedford County School Board	1,000+	1
County of Bedford	500-999	2
Centra Health	500-999	3
Wal-Mart	250-499	4
Elmwood Staffing Services, Inc.	250-499	5
Mail America Communications	250-499	6
GP Big Island LLC	250-499	7
Food Lion	250-499	8
TEVA (Barr Laboratories)	100-249	9
Sentry Equipment Erectors	100-249	10

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW).

Note: Information for the period nine years prior to the current period will begin in 2023.

Table 18

BEDFORD REGIONAL WATER AUTHORITY
OTHER DEMOGRAPHIC DATA (BEDFORD TOWN AND COUNTY)
LAST SEVEN FISCAL YEARS

Year	Population ¹	Personal Income ² (thousands of dollars)	Per Capita Personal Income	Unemployment Rate ¹
2020	78,997	\$ *	\$ 46,707	7.6%
2019	78,747	*	*	2.9
2018	77,724	3,280,745	42,082	3.9
2017	74,898	*	41,307	4.1
2016	74,898	*	*	4.4
2015	75,554	*	*	*
2014	74,898	3,075,785	41,066	5.81

¹ Virginia Workforce Connection, includes Bedford Town and County.

² Bureau of Economic Analysis, includes Bedford Town and County.

* Unavailable.

Table 19

BEDFORD REGIONAL WATER AUTHORITY

NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
LAST SEVEN FISCAL YEARS

	Full-time Equivalent Employees as of June 30,						
	2020	2019	2018	2017	2016	2015	2014
Administration	5.5	5.5	5.5	5.0	5.0	5.0	4.0
Customer services	9.0	9.0	9.0	8.0	6.0	4.0	6.0
IT	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	2.0	2.0	1.5	1.5	1.5	1.5	1.5
Engineering	13.0	12.0	8.0	8.0	9.5	7.0	7.0
Plant operations	28.0	27.0	23.0	23.0	24.0	22.0	23.0
Maintenance	19.0	21.0	19.0	19.0	16.0	13.0	12.0
	78.5	78.5	68.0	66.5	64.0	54.5	55.5

Table 20

BEDFORD REGIONAL WATER AUTHORITY

OPERATING INDICATORS
LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Water meters read ¹	170,017	164,492	122,864	84,139	82,263	80,043	79,117
Meter installations and change outs	1,358	1,187	795	1,510	3,125	2,470	263
Payments transacted	149,222	214,524	106,787	77,530	75,193	73,617	77,676

¹ Number of meters read for billing purposes.

Table 21

BEDFORD REGIONAL WATER AUTHORITY

CAPITAL ASSET STATISTICS
LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Miles of water line	399	388	385	362	352	352	352
Miles of sewer line	156	144	145	141	141	141	144
Water pump stations	2	2	2	2	2	2	2
Sewer pump stations	32	22	22	22	22	22	22
Water storage tanks	14	12	12	12	12	12	12
Wastewater treatment plants	5	3	3	3	3	3	3
Water treatment plants	4	4	7	7	6	6	6

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COMPLIANCE SECTION

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

To the Honorable Members of the Board of Directors
Bedford Regional Water Authority
Bedford, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *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 Bedford Regional Water Authority (the “Authority”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 9, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **However as described in the accompanying schedule of finding and response, we identified a certain deficiency in internal control, described as item 2020-001 that we consider to be a material weakness.**

Compliance and Other Matters

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

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 9, 2020

BEDFORD REGIONAL WATER AUTHORITY

SCHEDULE OF FINDING AND RESPONSE

Year Ended June 30, 2020

A. FINDING – FINANCIAL STATEMENT AUDIT

2020-001: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. A proper segregation of duties has not been established in functions related to cash receipts, accounts receivable, cash disbursements, and accounts payable.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls. Segregating incompatible functions reduces the risk of exposure to errors and fraud.

Management's Response:

Management understands this concern; however, the current staff size limits the separation of duties in regards to these functions.

BEDFORD REGIONAL WATER AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDING
Year Ended June 30, 2019

A. FINDING – FINANCIAL STATEMENT AUDIT

2019-001: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. A proper segregation of duties has not been established in functions related to cash receipts, accounts receivable, cash disbursements, and accounts payable.

Current Status: Condition still present.

BEDFORD REGIONAL WATER AUTHORITY
SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

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

STATE COMPLIANCE MATTERS

Code of Virginia:

Cash and Investment Laws
Conflict of Interests Act
Local Retirement Systems
Procurement Laws
Uniform Disposition of Unclaimed Property Act