

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY LYNCHBURG, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2020



# CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY LYNCHBURG, VIRGINIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020



The Accounting Department

Comprehensive Annual Financial Report For the Year Ended June 30, 2020

### **Table of Contents**

			Page
INTRODUCT	ORY S	SECTION	
Authority	Memb	pers	1
Letter of	Trans	mittal	3-6
Organizat	ional	Chart	7
GFOA Cer	tificat	te	9
FINANCIAL	SECTI	ON	
Independe	nt Au	ditors' Report	11-12
Manageme	nt's D	riscussion and Analysis	13-19
Basic Fina	ncial	<u>Statements</u>	
Exhibit 1	Stat	ement of Net Position	23-24
Exhibit 2	Stat	ement of Revenues, Expenses, and Changes in Net Position	25
Exhibit 3	Stat	ement of Cash Flows	26
Notes to F	inanc	rial Statements	27-52
Required S	Suppl	ementary Information	
Exhibit 4	Sche	edule of Changes in Net Pension Liability and Related Ratios	55
Exhibit 5	Sche	edule of Employer Contributions - Pension Plan	56
Exhibit 6	Note	es to Required Supplementary Information - Pension Plan	57
Exhibit 7	Sche	edule of Authority's Share of Net OPEB Liability-Group Life Insurance Plan	58
Exhibit 8	Sche	edule of Employer Contributions-Group Life Insurance Plan	59
Exhibit 9	Note	es to Required Supplementary Information-Group Life Insurance Plan	60
Other Sup	pleme	entary Information	
Supportir	ng Sch	edules:	
Schedule	e 1	Schedule of Revenues and Expenses	62-64
Schedule	e 2	Schedule of Revenues - Central/Rustburg Division - Budget and Actual	65
Schedule	e 3	Schedule of Revenues - Naruna Division - Budget and Actual	66
Schedule	e 4	Schedule of Operating Expenses - Central/Rustburg Division - Budget and Actual	67-68

Comprehensive Annual Financial Report For the Year Ended June 30, 2020

### **Table of Contents (Continued)**

FINANCIAL	SECTION: (CONTINUED)	Page
	plementary Information: (Continued)	
	ng Schedules: (Continued)	
Schedul		69
		07
Schedul	e 6 Schedule of Other Nonoperating Expenses - Capital Improvement Division - Central/Rustburg Division	70
Schedul	e 7 Revenue Bond Compliance	71-72
STATISTICA	L SECTION	
Table 1	Net Position by Component	74-75
Table 2	Changes in Net Position	76-77
Table 3	Revenues by Source	78-79
Table 4	Schedule of Water and Sewer Rates	80-81
Table 5	Water and Wastewater Flows	82
Table 6	Principal Water and Wastewater System Customers	83
Table 7	Expenses by Type	84-85
Table 8	Outstanding Debt by Type	86-87
Table 9	Revenue Bond Debt Service Coverage	89
Table 10	Demographic Data for the Service Area	90
Table 11	Principal Employers in the Campbell Area	91
Table 12	Number of Employees by Identifiable Activity	92-93
Table 13	Operating and Capital Indicators	94-95
Table 14	Water and Wastewater System Connections	96
COMPLIANC	E SECTION	
Complia	ent Auditors' Report on Internal Control over Financial Reporting and on nce and Other Matters Based on an Audit of Financial Statements ed in Accordance with <i>Government Auditing Standards</i>	97-98

### **AUTHORITY MEMBERS**

Joseph Kirkland - Chairman

Carter S. Elliott, Jr. - Vice-Chairman

Donald Austin

Wilson L. Dickerson

Charles A. Droog

James R. Marstin

Daniel L. Richardson

Frank L. Davis, Jr. - Administrator

April Farmer - Treasurer

Wendy Meese - Secretary

### **CAMPBELL COUNTY**

**ADMINISTRATOR**FRANK L. DAVIS, JR.
fdavis@ccusa-water.com



TELEPHONE (434) 239-8654

FAX (434) 237-5820

### UTILITIES AND SERVICE AUTHORITY

20644 TIMBERLAKE ROAD, LYNCHBURG, VIRGINIA 24502

December 31, 2020

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Campbell County Utilities and Service Authority (Authority) for the fiscal year ended June 30, 2020. The CAFR was prepared by the Authority in conformity with U.S. Generally Accepted Accounting Principles (GAAP) with emphasis on disclosure of the financial activities of the Authority. Responsibility for both the completeness and reliability of the information, including all disclosures, rest with the Authority, and is based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. To the best our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The basic financial statements have been audited by our independent auditors, Robinson, Farmer, Cox Associates, who have issued an unmodified ("clean") opinion on 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 Standard*, issued by the Comptroller General of the United States; and Specifications for audits of Authorities, Boards and Commissions, issued by the Auditor of Public Accounts for the Commonwealth of Virginia. The annual audit is planned and performed to obtain reasonable, rather than absolute, assurance that the basic financial statements of Campbell County Utilities and Service Authority are free of any material misstatement. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read with it.

Profile

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

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

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

As of June 30, 2020, the Authority had 8,343 water connections and 2,604 sewer connections. A large portion of Campbell County remains rural so it is not economically feasible to extend water or sewer lines to all of the population of Campbell County. The Authority serves 10,235 equivalent residential units (ERU's); therefore, it is estimated that the Authority provides water to approximately 27,200 of the estimated 55,010 residents of Campbell County. Sewer main extensions are substantially more expensive and the Authority provided sewer treatment services to approximately 3,264 ERU's, or an estimated 8,500 Campbell County residents. These figures do not include connections to commercial, industrial or governmental facilities.

Services Provided The Authority provides service through 185 miles of water line and 49.1 miles of sewer mains. Prior to 1986, the Authority purchased all water from the City of Lynchburg to distribute to its customers; however, in the early 80's, due to rising costs of purchasing water being out of the Authority's control, the Authority Board and staff determined it was time to construct a water plant for the Authority to have some separation and independence from the City of Lynchburg. The Authority continues to purchase water from the City of Lynchburg to serve a small portion of its residential customers and along the Mount Athos corridor to serve a large business. The Authority still has access to the City of Lynchburg supply in case of emergency.

The Authority provides sewer treatment services to the Rustburg area within Campbell County, for 211 customers. This number includes residential, commercial and governmental. The treatment for the remaining customers in Campbell County is provided by purchasing these services from the City of Lynchburg. The Authority currently has access to 1 million gallons per day of capacity in the Lynchburg Sewer Treatment Plant and it is possible to purchase more capacity if it becomes

necessary in the future. The Authority pays for the treatment services as well as a portion of the sewer capital expenses for the City.

The Authority has a contract to serve the County and Town of Appomattox on a wholesale basis with a minimum daily requirement of 30,000 gallons per day but current usage exceeds the minimum requirement.

The Authority has a contract to serve the Town of Altavista on a wholesale basis with a minimum daily requirement of 75,000 gallons per day from April 1 to October 31 of each year. There is no minimum requirement November 1 to March 31 of each year.

Economic and

Outlook

Campbell County experienced an explosion of growth in 2008, but now experiences modest growth and Conditions and has much opportunity for future growth. The Authority has benefited from growth of a local college and some multi-family housing developments.

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

> In 2012, the Authority created a base fee for sewer customers to offset the cyclical nature of growth. Before the base fee was created, Authority water customers subsidized wastewater capital projects. The Authority also slightly increased the water base fee to fund water capital projects. The Authority has not increased water or sewer usage rates since July 1, 2012. The Authority's overall fees remain competitive with other Authorities surrounding Campbell County.

Internal Control Structure and Budgetary **Controls** 

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

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

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

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

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

**Awards** 

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

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

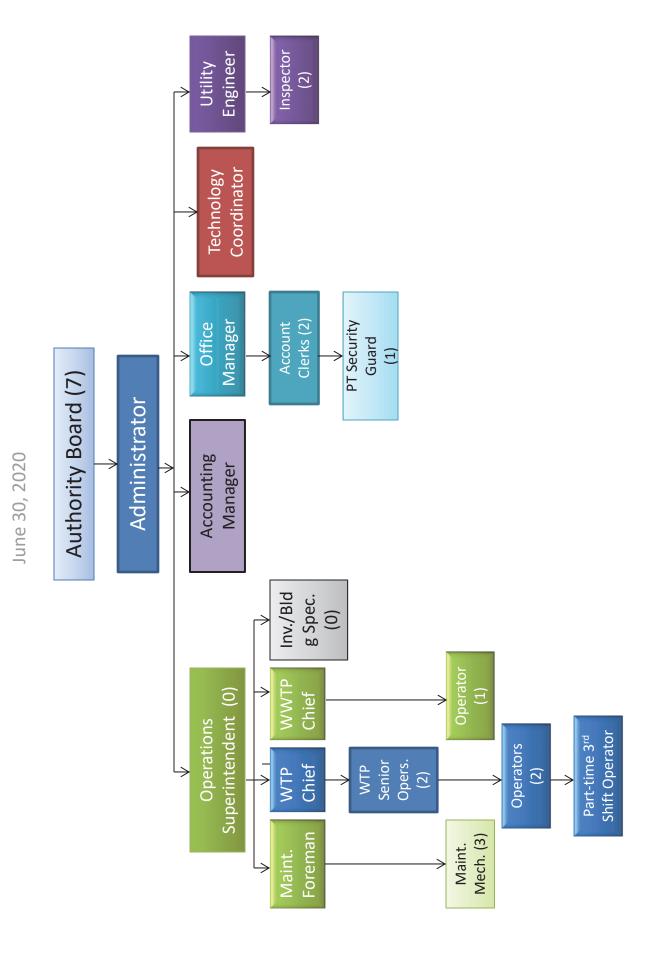
We would like to thank the Authority Board Members for their dedicated and conscientious management of the Authority's operations and being diligent stewards of funds on behalf of the customers of Campbell County Utilities and Service Authority. These efforts are reflected in the accompanying information.

Respectfully submitted,

Frank L. Davis, Jr.

Administrator

# **CCUSA ORGANIZATIONAL CHART**





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

# Campbell County Utilities and Service Authority Virginia

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO



### ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

### Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Campbell County Utilities and Service Authority, as of and for the year ended June 30, 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.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Campbell County Utilities and Service 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.

### Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 13-19 and 55-60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary and Other Information

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

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

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

### Other Reporting Required by Government Auditing Standards

holimon, Found, Eox associats

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020, on our consideration of Campbell County Utilities and Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Campbell County Utilities and Service 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 Campbell County Utilities and Service Authority's internal control over financial reporting and compliance.

Charlottesville, Virginia December 31, 2020

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of Campbell County Utilities and Service Authority, (the "Authority), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2020.

### Overview of the Financial Statements

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

### Financial statements

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

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused compensated absences).

The basic financial statements can be found on pages 23 through 26 of this report.

<u>Notes to financial statements</u> - The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 27 through 52 of this report.

<u>Other information</u> - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in Exhibits 4 through 9 of the Required Supplementary Information (pages 55 through 60).

### Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of fiscal year 2020 by \$67,171,100 (net position or total net position). Of this amount, \$6,153,280 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors compared to \$65,103,124 net position with \$6,721,833 unrestricted net position at the close of fiscal year 2019 and \$64,310,154 net position (as restated) with \$7,289,466 unrestricted net position at the close of fiscal year 2018.
- The Authority's total net position increased by \$2,067,976; however, 68.7% of this increase was attributable to capital contributions from developers. The percentage of increase in total net position due to capital contributions was 59.4% in FY19 and 79.2% in FY18. The Authority is currently investing in its own capital by upgrading aging lines; this capital outlay is not providing growth for the system but is ensuring continued quality distribution is provided to Authority customers.

### Financial Highlights: (Continued)

• The Authority's total liabilities decreased by \$164,819 this fiscal year from FY19 compared to a decrease of \$1,420,607 in FY19 from FY18 and a decrease of \$1,912,630 in FY18 from FY17. This reflects a total decrease of \$3,498,056 over the past four fiscal years.

### Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Table 1
Summary of Statement of Net Position
At June 30, 2020 and 2019

	_	June 30, 2020		June 30, 2019
Current assets	\$	7,149,390	\$	7,609,363
Capital assets		64,982,639		62,842,592
Restricted assets		806,325		747,354
Total assets	\$	72,938,354	\$	71,199,309
Deferred outflows	\$	485,917		374,136
Total assets and deferred outflows	\$	73,424,271	\$	71,573,445
Current liabilities	\$	1,040,214	\$	879,738
Long-term liabilities		5,068,840		5,394,135
Total liabilities	\$	6,109,054	\$	6,273,873
Deferred inflows	\$	144,117		196,448
Net investment in capital assets	\$	60,517,820	\$	57,881,291
Restricted		500,000		500,000
Unrestricted		6,153,280		6,721,833
Total net position	\$	67,171,100	\$	65,103,124
Total liabilities, deferred inflows,	_		_	
and net position	\$	73,424,271	\$	71,573,445

• The Authority's combined net position increased by \$2,067,976 during the year compared to an increase of \$792,970 in the previous fiscal year and \$2,308,501 in fiscal year 2018.

### Statement of Net Position: (Continued)

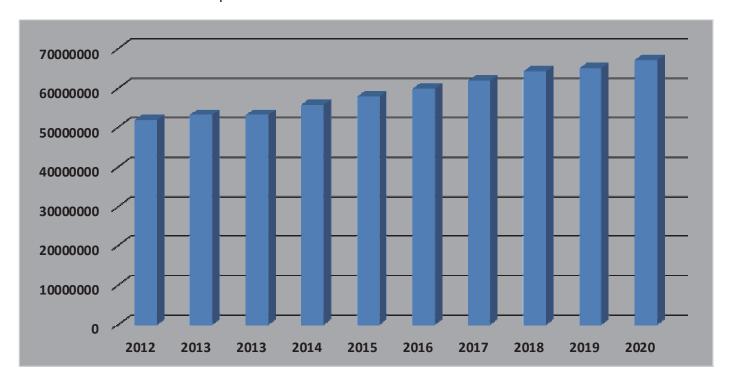
The following table shows the revenues and expenses of the Authority during the fiscal year:

Table 2
Changes in Net Position
At June 30, 2020 and 2019

	_	June 30, 2020		June 30, 2019
Operating revenues: Water sales, charges and sewer service charges	\$	6,602,220	\$	6,412,571
Total operating revenues	\$	6,602,220	, \$	6,412,571
Operating expenses:	_		-	
Source of supply	\$	1,111,218	\$	1,071,777
Wastewater treatment		461,679		484,258
Maintenance and inspection		594,878		676,987
Personnel		2,002,322		1,844,654
Administrative and general		365,031		409,377
Depreciation	_	2,254,833		1,696,921
Total operating expenses	\$_	6,789,961	\$	6,183,974
Net income from operations	\$_	(187,741)	\$	228,597
Nonoperating revenues (expenses):				
Interest income	\$	5,528	\$	10,538
Interest expense		(143,015)		(174,378)
Capital recovery fees		649,683		232,700
Connection fees		60,806		119,015
System development fee		-		-
Sewer capacity fee		241,850		56,000
Grant from Campbell County		98,819		98,115
Loss on disposal of capital assets		-		(138,925)
Other nonoperating expenses	_	(79,086)		(109,889)
Total nonoperating revenues (expenses)	\$_	834,585	\$	93,176
Net income before capital contributions	\$	646,844	\$	321,773
Capital contributions	_	1,421,132		471,197
Change in net position	\$	2,067,976	\$	792,970
Net position - beginning of year	_	65,103,124		64,310,154
Net position - end of year	\$_	67,171,100	\$	65,103,124

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. By far the largest portion of the Authority's net position (89.1%) reflects investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are *not* available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



At the end of FY20, the Authority was able to report positive balances in all three categories of net assets.

Operating revenues increased by \$189,649 and operating expenses including depreciation and amortization increased \$605,987 from FY 2019. Key elements of these changes are as follows:

- Capital Contributions from developers in the form of dedicated facilities were \$1,421,132. These included water transmission and distribution lines, sewer mains, service lines and laterals.
- There were no changes to water and sewer user rates in FY20. Retail water consumption and meter service charges fell short of budgeted projections by 3.4% or \$169,267 while sewer revenue fell short of forecasts by 2.5%, or \$33,676. A theory for reduced water usage is due to the amount of rainfall during FY20.
- Capital Recovery Fees (formerly "Availability Fees") for water and sewer both exceeded budget expectations in FY20. Water Capital Recovery Fees exceeded budget projections by 143.9%, or \$202,643. Capital Recovery Fees for sewer exceeded budget projections by 302.0%, or \$230,065. Authority staff and the Budget Committee (the Budget Committee consists of two Authority Board members) are conservative when preparing the budget for Capital Recovery Fees and do not budget for proposed projects until such projects are certain.

### Capital Asset and Debt Administration

<u>Capital Assets</u> - The Authority's investment in capital assets as of June 30, 2020 net of accumulated depreciation was \$64,982,639. Investment in Capital Assets grew approximately 3.41% during FY20. Investments in capital assets grew 0.05% during FY19 and 1.91% in FY18.

The Authority Board encumbered \$1,536,800 for capital projects throughout the year.

Additional information on the Authority's capital assets can be found in Note 3 to the financial statements.

<u>Long-Term Debt</u> - At the end of the fiscal year, the Authority had \$6,109,054 Long-Term Debt. Long-term debt consists of bonds and notes outstanding, compensated absences and net pension liability. The Authority had \$6,273,873 long-term debt at the end of FY19, a *decrease* of 2.6%. Campbell County pays a portion of the bond payments through a moral obligation agreement (\$98,819 in FY20). Accrued leave accounted for approximately 0.96% of long-term liabilities.

More detailed information on the Authority's long-term liabilities is presented in Note 5 of the Notes to the Financial Statements.

### **Review of Operations:**

<u>Operating Revenues</u> - Total Operating Revenue increased approximately 3.0% compared to a decrease of 0.5% in FY19 from FY18 and a decrease of 0.7% from FY18 from FY17. A comparison of the current fiscal year's actual and budgeted income is found on Schedule 2 under Supporting Schedules of the Financial Section. Operating Revenues fell short of budget projections by \$145,780, or 2.2%.

<u>Operating Expenses</u> - Operating Expenses before depreciation and amortization were under projections by 6.0% (or \$290,445). Operating Expenses before depreciation and amortization increased from FY19 Operating Expenses by approximately 1.1% (or \$48,075).

Expenses in the **Personnel division** increased by approximately 8.5%. The Authority was allowed a 3% cost of living adjustment and step increases were given to 7 employees according to longevity. A part-time Water Plant Operator was hired in FY20 to add an additional "shift" of operations to the Water Plant. The addition of this shift greatly reduced overtime for the existing Water Plant employees. While the overall result was a slight increase in salaries, it relieved the stress of existing employees by greatly reducing the number of overtime hours worked. Part-time employees do not have any benefits; therefore, the addition of a part-time employee did not affect any other personnel line items. Other than salaries, the Health Insurance line item is the largest increase in this division. Health insurance premiums did not increase in FY20, but changes were made to employee coverages which increased this line item. Another line item that increased was Retirement Expenses.

Expenses in the **Administrative and General division** decreased by 10.2% for fiscal year 2020. There was an increase in the Equipment Contract line item; however, expenses for several line items in this division decreased in FY20 which resulted in an overall decrease for the division.

Expenses for the Source of Supply division (Expenses at the Water Treatment Plant) increased by approximately 4.2% from fiscal year 2019. There were large increases in the Chemicals line item and the Maintenance line item; however, the overall expenses in this division would have been much greater if there had not be a decrease in the Electric Services and Equipment and Supplies line items.

Expenses for the RWWTP decreased 4.7% in FY20. Expenses were reduced in almost every line item for this division in FY20.

### Review of Operations: (Continued)

Expenses in the Maintenance and Inspection division decreased 12.1%, or \$82,109. Leak repairs and other required labor in the system are charged to the "Maintenance" line item within this division, resulting in fluctuations in this line item from year to year. Authority Administration has developed an aggressive schedule to address aging infrastructure which will result in decreases over time to the Maintenance line item. The decrease in the Maintenance line item in FY20 was \$66,646. Authority staff believes this decrease is a direct result of the infrastructure replacement program.

The Naruna division continues to be a small portion of overall Authority expenses with a budget of \$17,380. Expenses for the Naruna division increased by 122.4% from FY19, or \$9,703. The increase in expenses for this division was due to a pump replacement for the Naruna system.

A summary of the current fiscal year's actual and budgeted expenses is found on Schedules 4 and 5 under Supporting Schedules of the Financial Section. A comparative summary of Authority financial data for FY20 and the previous nine years can be found in Table 2 in the Statistical Section.

<u>Non-Operating Income and Expenses</u> - Non-Operating items are items not directly related to Operations; they reflect more how the business is financed. They include such items as interest income and interest expense, availability fees, grants, and contributions in aid to construction by various parties. Investments made by the Authority are tightly regulated as to the type of investments that can be made in the financial markets. Please see Note 2 in the Notes to Financial Statements for a discussion as to the statutes governing the investment of Authority funds.

Interest Expense decreased approximately 18.0% this fiscal year. Revenue from Capital Recovery Fees exceeded budget projections for water and sewer, as was previously explained in more detail under the heading "Financial Analysis". Capital Recovery fees are used to fund capital asset projects and to help pay interest expense on the long-term debt; however, in FY12, the Authority Board created a Base Fee for sewer customers so that Capital Recovery Fees would not be the sole source to fund capital asset projects. Both the Water Base Fee and the Sewer Base Fee were increased slightly in FY13, \$1 and \$2, respectively. These fees have not increased since FY13.

Contributions in Aid to Construction (CIAC) recognized in FY20 totaled \$1,421,132. Developers construct water and sewer infrastructure as they develop properties and then the infrastructure is "dedicated" to the Authority for future maintenance.

An agreement with Campbell County directs that the Authority is to forward any Aid to Construction Fees that are collected in the Leesville Road Billing zone to the County until the bond to fund the project is paid in full or for 20 years from the bond date (2004), whichever is shorter. Twenty percent of usage fees from all customers served in this billing zone are also forwarded to the County for the same extent of time. This is in accordance with the agreement with the County to assist in the funding of the project.

### **Trends in Operations**

<u>Connection Growth</u> -Table 14 containing new connections over the last 10 Fiscal Years is in the Statistical section of this report. The annual growth of water customers was in the 3 to 6% range prior to FY09 but fell to the 1 to 2% range since fiscal year 2009. Growth reflected in new water connections made in FY20 was 1.78%. The average annual growth of sewer customers was in the 2-5% range and the Authority had even experienced as much as 9% in FY06, but that percentage of growth dropped to less than 2% in FY09 and has dropped to less than 1% in FY11 at only 20 new connections. The Authority experienced above average growth in FY20 of 4.16%.

### <u>Trends in Operations</u>: (Continued)

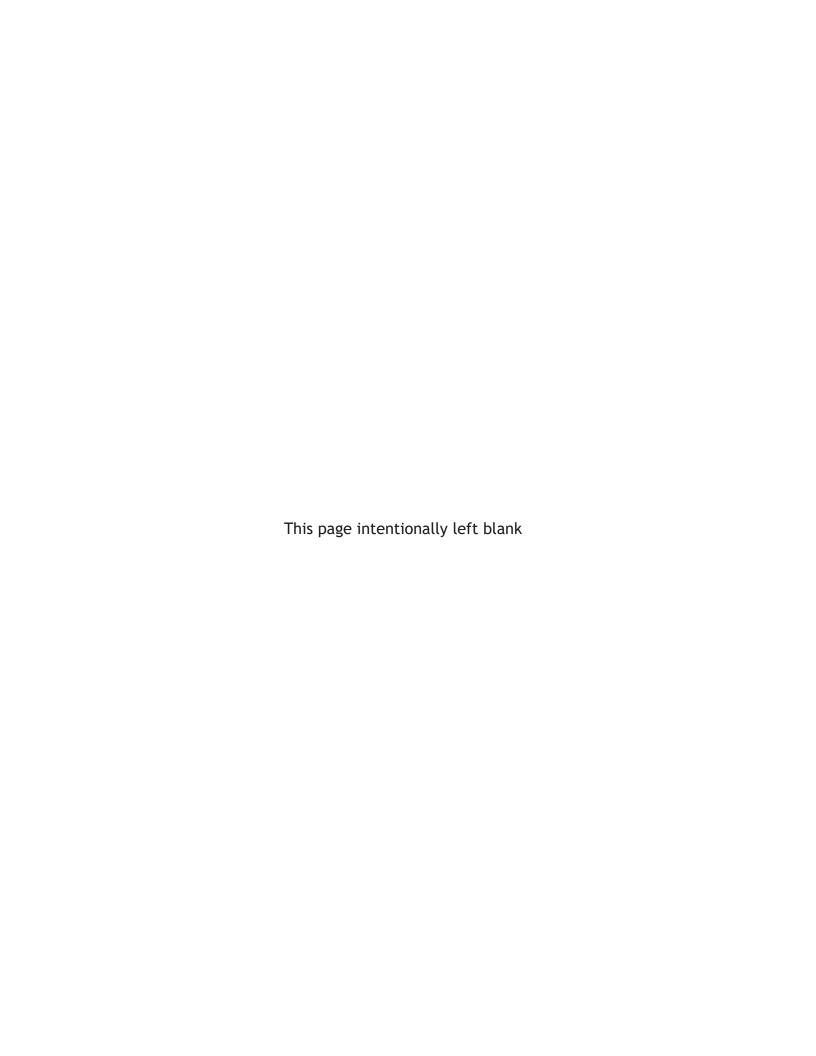
<u>User Rates</u> - The last increase in water or sewer usage rates was in FY12. Pages 80 and 81 in the Statistical Section lists the user rates for water and sewer as well as existing connection, Capital Recovery Fees and Construction Fees in place at fiscal year end.

Long Term Debt - The Authority issued a new Bond in December 2011 to fund construction of the new Tanglewood Water Tank. During the bonding process, it was found that the Authority could save \$321,422 by also refinancing most of its existing outstanding bonds. The Authority paid on two bonds during FY20: The 2011 Bond A ("new" financing); the 2011 Bond B (refinancing of existing bonds). The Revenue Bond Compliance report can be found on pages 71 and 72. Bond covenants require the Authority to maintain Debt Service Coverage Ratio of 1.15. The actual debt coverage achieved in FY20 was 1.73%. Approximately 9.0% of the Authority's operating revenue was used to fund bond payments in fiscal year 2020 as compared to 11.6% in fiscal year 2019 (including non-operating revenue but not including Contributions in aid of construction, this calculation would have been 7.8% in FY20 and 10.7 in FY19).

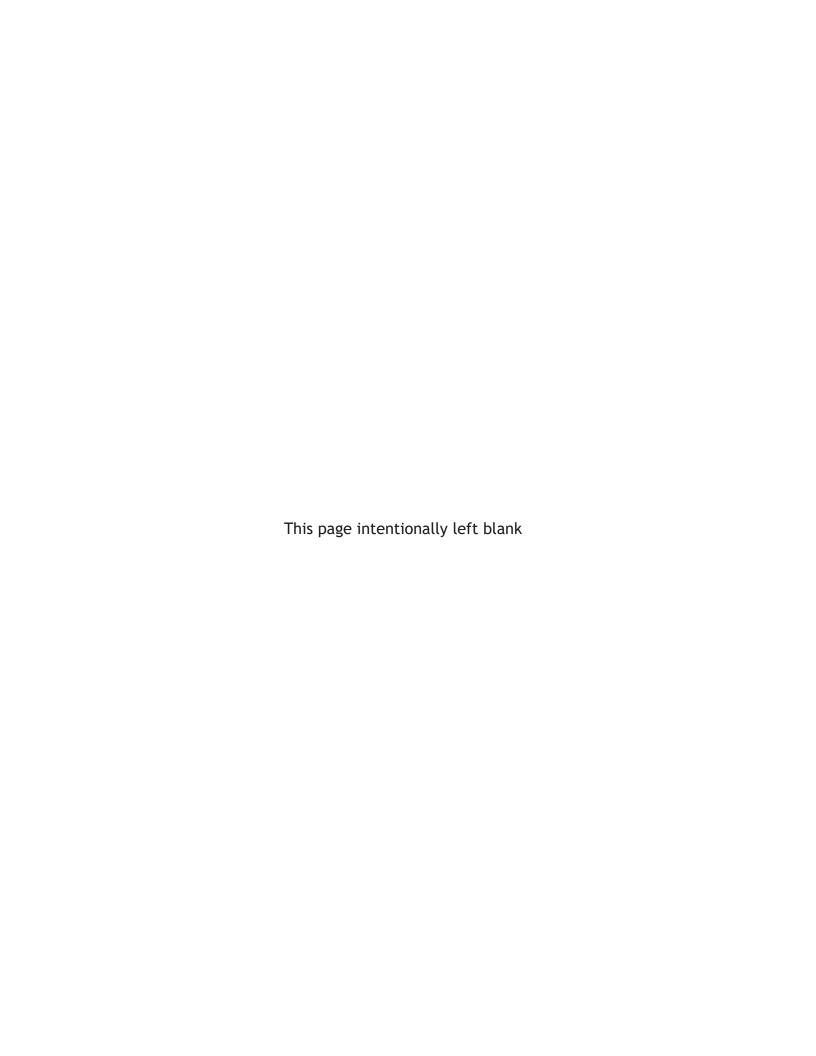
<u>Summary</u> - The Authority had a successful financial year in its operations. The Authority had adequate debt service coverage for the year. The Authority had a positive net income of \$646,844 before capital contributions this year.

### Requests for Information

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



- Basic Financial Statements -



Statement of Net Position At June 30, 2020

<u>ASSETS</u>		
Current assets: Cash and cash equivalents Accounts receivable Inventory	\$	5,564,639 1,200,077 384,674
Total current assets	\$_	7,149,390
Noncurrent assets: Restricted assets: Cash and cash equivalents - debt service Investments - debt service	\$	500,000 306,325
Total restricted assets	\$	806,325
Capital assets:  Land and land rights  Structures and improvements	\$	324,183 27,320,776
Water and sanitary sewer mains and improvements other than structures Machinery and equipment Other Lynchburg facilities capacity Construction in progress		59,539,281 3,970,376 1,160,244 3,528,549 1,195,132
Total capital assets	\$	97,038,541
Less accumulated depreciation	_	(32,055,902)
Net capital assets	\$_	64,982,639
Total noncurrent assets	\$_	65,788,964
Total assets	\$ _	72,938,354
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding Pension defferals OPEB defferals	\$	154,251 307,824 23,842
Total deferred outflows of resources	\$	485,917

Statement of Net Position At June 30, 2020 (Continued)

### **LIABILITIES**

Current liabilities:		
Accounts payable and accrued expenses	\$	413,596
Accrued interest payable		29,034
Advances for construction		27,561
Compensated absences, current portion		19,505
Notes payable, current portion		55,518
Revenue bonds payable, current portion	_	495,000
Total current liabilities	\$_	1,040,214
Noncurrent liabilities:		
Net pension liability	\$	831,536
Net OPEB liability		110,238
Compensated absences, noncurrent portion		58,514
Notes payable, noncurrent portion		547,552
Revenue bonds payable, noncurrent portion	_	3,521,000
Total noncurrent liabilities	\$_	5,068,840
Total liabilities	\$ <u>_</u>	6,109,054
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	\$	137,092
OPEB deferrals	_	7,025
Total deferred inflows of resources	\$ <u>_</u>	144,117
NET POSITION		
Net investment in capital assets	\$	60,517,820
Restricted:	-	
Debt service		500,000
Unrestricted	_	6,153,280
Total net position	\$	67,171,100

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

## Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2020

Operating revenues:		
Water sales, charges and sewer service charges	\$ _	6,602,220
Operating expenses:		
Source of supply	\$	1,111,218
Wastewater treatment	•	461,679
Maintenance and inspection		594,878
Personnel		2,002,322
Administrative and general	_	365,031
Total operating expenses before depreciation	\$_	4,535,128
Depreciation	\$_	2,254,833
Operating income (loss)	\$_	(187,741)
Nonoperating revenues (expenses):		
Interest income	\$	5,528
Interest expense	Y	(143,015)
Capital recovery fees		649,683
Connection fees		60,806
Sewer capacity fee		241,850
Grant from Campbell County		98,819
Other nonoperating expenses	_	(79,086)
Net nonoperating revenues (expenses)	\$_	834,585
Net income (loss) before capital contributions	\$_	646,844
Capital contributions	\$_	1,421,132
Change in net position	\$	2,067,976
Net position - beginning of year	_	65,103,124
Net position - end of year	\$_	67,171,100

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

Statement of Cash Flows

For the Year Ended June 30, 2020

Cash flows from operating activities:	
Receipts from customers and users	\$ 6,582,456
Payments to/for employees	(1,961,868)
Payments to suppliers/others	 (2,472,338)
Net cash provided by (used for) operating activities	\$ 2,148,250
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (4,394,882)
Contributions from developers and customers	1,418,424
Contributions from governmental units	98,819
Capital recovery fees Connection fees	649,683 60,806
Sewer capacity fee	241,850
Retirement of indebtedness	(518,518)
Interest on long-term debt	(124,260)
Net cash provided by (used for) capital and related financing activities	\$ (2,568,078)
Cash flows from investing activities:	 _
Interest income	\$ 5,528
Decrease in restricted assets	441,029
Net cash provided by (used for) investing activities	\$ 446,557
Net increase (decrease) in cash and cash equivalents	\$ 26,729
Cash and cash equivalents at beginning of year (includes restricted cash)	 6,037,910
Cash and cash equivalents at end of year (includes restricted cash)	\$ 6,064,639
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Net income from operations	\$ (187,741)
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation Other paragraphics are propertied.	2,254,833
Other nonoperating expenses	(79,086)
Changes in operating assets, deferred outflows, liabilities, and deferred inflows: (Increase) decrease in:	
Accounts receivable	(19,764)
Prepaid items	97
Inventory	6,369
Pension deferrals - deferred outflows of resources	(121,886)
OPEB deferrals - deferred outflows of resources	(11,931)
Increase (decrease) in:	
Accounts payable and accrued expenses	133,088
Net pension liability	210,849
Net OPEB liability Compensated absences	10,238 5,515
OPEB deferrals - deferred inflows of resources	(1,975)
Pension deferrals - deferred inflows of resources	(50,356)
Net cash provided by (used for) operating activities	\$ 2,148,250
Supplemental Disclosure:	
Noncash investing, capital, and financing activities:	
Capital assets contributed	\$ 1,421,132
The accompanying notes to financial statements are an integral part of this statement.	

Notes to Financial Statements At June 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Nature of Business and Reporting Entity:

### Organization and Purpose:

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

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

### Financial Reporting Entity:

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

### Financial Statement Presentation:

Basic Financial Statements - Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

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

Notes to Financial Statements At June 30, 2020 (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### Financial Statement Presentation: (Continued)

- Required Supplementary Information
  - Schedule of Changes in Net Pension Liability and Related Ratios
  - Schedule of Employer Contributions Pension Plan
  - Notes to Required Supplementary Information Pension Plan
  - Schedule of Authority's Share of Net OPEB Liability Group Life Insurance Plan
  - Schedule of Employer Contributions Group Life Insurance Plan
  - Notes to Required Supplementary Information Group Life Insurance Plan

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

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

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

<u>Cash and Cash Equivalents</u> - Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

<u>Investments</u> - Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

<u>Materials and Supplies Inventory</u> - Inventories are valued at cost, using the first-in, first-out method of valuation.

Notes to Financial Statements At June 30, 2020 (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in results of operations. Depreciation expense for the year ended June 30, 2020 was \$2,254,832. Included in depreciation expense was \$75,604 charged to Lynchburg Facilities Capacity.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

<u>Unbilled Revenue</u> - The Authority bills service charges to customers on a bi—monthly basis. Service charges earned but unbilled are accrued based on the last billing. These items are reported in the financial statements as a part of receivables and revenues. The amount of estimated unbilled revenue included in accounts receivable totaled \$386,870.

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

Notes to Financial Statements At June 30, 2020 (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

<u>Net Position</u> - For the Authority, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

<u>Deferred Outflows/Inflows of Resources</u> - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plan(s) made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

<u>Pensions</u> - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Other Postemployment Benefits (OPEB)

## Group Life Insurance

For purposes of measuring the net GLI Plan OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Plan OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **NOTE 2 - DEPOSITS AND INVESTMENTS:**

## Deposits:

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

#### Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

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

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

## Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2020 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The Authority's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial papers are required to be rated no lower than Standard and Poor's A-1 and Moody's Investors Service P-1.

	Authority's Rated Debt Investments								
	Investment	Val	ue						
	U.S. Government Securities Money Market Funds		AAAm	\$	306	5,325			
Interest Rate Risk:									
	Investment M	atu	rities (in year	s)					
	Investment Type		Fair Value		Less 1 Y				
	U.S. Government Securities Money Market Funds	\$_	306,325	\$_	30	06,325			
Funds held by US Bank	as trustee for revenue bonds:	:							
_*.	1 Revenue Bonds: evenue bond debt service				\$	306,325			
	ner funds: Ninimum balance required by 1	993	bond indentu	re		500,000			
	Total restricted assets				\$	806,325			

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

## Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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. The Authority maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Authority has the following recurring fair value measurements as of June 30, 2020:

		Fair Value Measurements Using						
			Quoted Prices in		Significant		Significant	
		Active Markets or Identical Assets		Other Observable Inputs		Unobservable Inputs		
Investment Type	6/30/2020	(Level 1)			(Level 2)		(Level 3)	
U.S. Government Securities Money Market Funds	\$ 306,325	\$	306,325	\$		\$		

Notes to Financial Statements At June 30, 2020 (Continued)

## **NOTE 3 - CAPITAL ASSETS:**

Details of changes in capital assets for the fiscal year ended June 30, 2020 are as follows:

	_	Balance July 1, 2019		Additions	•	Retirements and other reductions	_	Balance June 30, 2020
Capital assets not being depreciated: Land and land rights Construction in progress	\$_	324,183 521,964	\$	2,912,390	\$	- 2,239,221	\$ _	324,183 1,195,133
Total capital assets not being depreciated	\$_	846,147	\$_	2,912,390	\$	2,239,221	\$_	1,519,316
Capital assets being depreciated: Structures and improvements Water and sanitary sewer mains and	\$	26,776,473	\$	544,303	\$	-	\$	27,320,776
improvements other than structures		57,162,792		2,376,489		-		59,539,281
Machinery and equipment		3,772,914		197,462		-		3,970,376
Other		1,151,359		8,885		-		1,160,244
Lynchburg Facilities Capacity	_	2,933,976		594,573			_	3,528,549
Total capital assets being depreciated	\$_	91,797,514	\$_	3,721,712	\$		\$_	95,519,226
Less: Accumulated depreciation: Structures and improvements Water and sanitary sewer mains and	\$	(11,450,151)	\$	(549,906)	\$	-	\$	(12,000,057)
improvements other than structures		(13,273,786)		(800,462)		-		(14,074,248)
Machinery and equipment		(2,325,415)		(228, 347)		-		(2,553,762)
Other		(476,340)		(26,023)		-		(502,363)
Lynchburg Facilities Capacity	_	(2,275,378)		(650,094)				(2,925,472)
Total accumulated depreciation	\$_	(29,801,070)	\$_	(2,254,832)	\$		\$_	(32,055,902)
Capital assets being depreciated, net	\$_	61,996,444	\$_	1,466,880	\$		\$_	63,463,324
Net capital assets	\$_	62,842,591	\$	4,379,270	\$	2,239,221	\$=	64,982,640

<u>Lynchburg Facilities Capacity</u> - The Authority entered into an agreement with the City of Lynchburg, Virginia to purchase capacity in its regional sewage treatment plant. The cost of this purchase is recorded in capital assets and is amortized over a period of 20 years. The amortization is based on the amount of principal payments made on notes payable to the City, as detailed in Note 5. Amortization of this cost is included in depreciation expense and totaled \$650,094 for FY20. The unamortized balance of this cost was \$603,070 at June 30, 2020.

# NOTE 4 - CONSTRUCTION WORK IN PROGRESS:

			Adjustments/	
	Balance		Transfers to	Balance
	Beginning	Cost of	<b>Utility Plant</b>	End of
	of Year	Construction	& Equipment	Year
Beacon Mobile Meter Reader \$	-	\$ 16,898 \$	- \$	16,898
Brookneal Water Line/Naruna	12,649	-	-	12,649
COVID Expenses	-	9,689	-	9,689
Daly Seven 1002 Unit Hotel	10,522	-	-	10,522
Deerwood Drive	-	11,447	-	11,447
Deerwood Waterline Replacement	23,700	639,842	-	663,542
Emberly Way Subdivision	-	4,475	-	4,475
Emberly Way Villas	-	319	-	319
Greenwell Ct. Waterline Relocation - VDOT	60,822	-	-	60,822
Happy Valley Waterline Replacement	60,461	621,033	681,494	-
Home 2 Suites - Tru Hotel	-	1,300	-	1,300
Kaiser Corner at Wards Crossing West	-	12	-	12
Leesville Estates	97,666	714,000	811,666	-
Leesville Estates - Phase 2	10,367	75,402	85,769	-
Leesville Estates - Phase 2 (2010)	10,132	214,495	224,627	-
Liberty University Parking Garage Force Main Relocation Liberty View Lane Force Main Relocation		154,235	154,412	-
Living Waters Waterline Extension	17	156,310	156,327	2 404
Oakdale Cr & Oakland Cir	3,496 -	- 25,272	-	3,496 25,272
Other	- 734	23,272	-	734
Poplar-Irma-Shelby	73 <del>4</del> -	1,385	-	1,385
Poplar-Irma-Shelor-Sunny Bank	-	46,115	_	46,115
Relocation of Liberty Sewer Main	8,339	40,113		8,339
Relocation of Liberty Sewer Main	800	_	_	800
Retainage - F.L. Showalter	22,182	_	_	22,182
Route 29 Sewer System Model	9,000	_	9,000	-
Route 460 West Sewer Study	12,173	_	12,173	_
Rt 29 to Greendale WL Replacement	15,227	_	.2,.,3	15,227
Rust Middle W & S Improvements	-	870	_	870
SCADA - Radio Replacement - WW	_	119,550	_	119,550
SCADA Wastewater Phase 3	_	8,600	_	8,600
Sewer Flow Study	19,653	-	-	19,653
Sheetz Water Service Upgrade	7,139	-	-	7,139
Simon's Run Water Line	1,342	-	-	1,342
Starbucks Waterline	9,950	-	-	9,950
Steele's Collision Sewer Extension	´-	900	-	900
Sunburst Villas	-	3,150	-	3,150
Tanglewood Elevated Tank Emergency Repair	-	1,560	-	1,560
Trent's Landing Subdivision	22,243	5,499	-	27,742
Trent's Landing Subdivision - Section 2	15, <del>44</del> 1	-	-	15,441
Wards Road & English Tavern Road Replacement	13,721	6,532	20,253	-
Waterlick Road Low Pressure Sewer	17,857	-	-	17,857
Waterline Extension 1122 Wards Road	5,790	-	-	5,790
William Campbell HS Waterline	6,269	-	-	6,269
Winston Lane Water Line	19,182	-	-	19,182
Woodhaven Service Replacement Project	11,583	-	-	11,583
WTP Clean Process Solids	10,000	73,500	83,500	-
WTP SCADA - priority 4	3,330			3,330
Total \$	521,964	\$ <u>2,912,390</u> \$	2,239,221 \$	1,195,133

Notes to Financial Statements At June 30, 2020 (Continued)

# NOTE 5 - LONG-TERM OBLIGATIONS:

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

		Balance				Balance	-	Due Within
		July 1, 2019		Increases	 Decreases	 June 30, 2020	_	One Year
Other long-term obligations:								
Net pension liability	\$	620,687	\$	668,700	\$ 457,851	\$ 831,536	\$	-
Net OPEB liability		100,000		29,026	18,698	110,328		-
Compensated absences		72,504		23,641	18,126	78,019		19,505
Direct borrowings and placement	s:							
Notes payable		658,588		-	55,518	603,070		55,518
Revenue bonds payable		4,479,000		-	 463,000	 4,016,000		495,000
Total	\$	5,930,779	\$_	721,367	\$ 1,013,193	\$ 5,638,953	\$_	570,023

Amounts required to amortize long-term debt:

Fiscal Year	Direct Borrowings and Direct Placements								
Ending		Notes Payable Revenue Bonds							
June 30,	 Principal	_	Interest		Principal	_	Interest		
2021	\$ 55,518	\$	12	\$	495,000	\$	110,967		
2022	55,518		11		403,000		97,402		
2023	55,518		11		413,000		85,776		
2024	43,817		10		425,000		73,864		
2025	43,817		10		436,000		61,594		
2026	43,817		9		350,000		50,382		
2027	43,817		9		367,000		40,147		
2028	35,208		8		277,000		29,555		
2029	29,830		7		203,000		22,455		
2030	29,830		7		209,000		16,275		
2031	29,829		6		216,000		9,900		
2032	29,829		6		222,000		3,330		
2033	29,829		5		-		-		
2034	8,556		5		-		-		
2035	8,556		4		-		-		
2036	8,556		3		-		-		
2037	8,556				-		-		
2038	8,556		2		-		-		
2039	8,556		2		-		-		
2040	8,555		1		-		-		
2041	8,555		1		-		-		
2042	2,816		-		-		-		
2043	2,816		-		-		-		
2044	2,815		-			_			
Total	\$ 603,070	\$	132	\$	4,016,000	\$ _	601,647		

Notes to Financial Statements At June 30, 2020 (Continued)

# NOTE 5 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations are as follows:

				Amount Due Within
	_	Total	_	One Year
Net pension liability	\$_	831,536	\$_	
Net OPEB liability	\$_	110,328	\$_	
Compensated absences	\$_	78,019	\$_	19,505
Direct Borrowings and Placements:				
Notes payable:				
\$131,234 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$5,171 on June 1 through June 2015, thereafter \$1,284 through June 1, 2028, interest at 0%	\$	10,272	\$	1,284
\$468,039 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$11,701 on June 1 through 2023, interest at 0%		35,099		11,701
\$295,122 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$8,608 on June 1 through 2027, interest at 0%		60,250		8,608
\$136,530 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$4,096 on June 1 through 2028, interest at 0%		32,766		4,096
\$172,189 note payable to the City of Lynchburg, Virginia, due in annual principal installments of $$5,740$ on June 1, through 2041, interest at $0.59%$		120,528		5,740
\$425,467 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$21,273 on June 1, through 2033, interest at 0%		276,556		21,273
\$84,495 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$2,816 on June 1, through 2044, interest at 0% Total notes payable	\$_	67,599 603,070	\$_	2,816 55,518
Revenue Bonds: \$3,377,000 Water and Sewer System Revenue Bond, Series 2011A dated December 20, 2011 principal payable in various installments beginning October 1, 2012 through October 1, 2031, interest payable semi-annually at 3.00%	\$	2,277,000	\$	161,000
\$4,268,000 Water and Sewer System Refunding Revenue Bond, Series 2011B dated December 20, 2011, principal payable semi-annually in various incremental amounts beginning April 1, 2012 through October 1, 2027, interest payable semi-annually at 2.75%		1,739,000		334,000
	_		_	
Total revenue bonds	۶_	4,016,000	\$ <u>_</u>	495,000
Total long-term obligations	\$_	5,638,953	\$ =	570,023

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 5 - LONG-TERM OBLIGATIONS: (CONTINUED)

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

County of Campbell, Virginia has entered into a Support Agreement with the Authority whereby the County has undertaken a nonbinding obligation to appropriate to the Authority funds as necessary to pay the debt service required by certain water and sewer system revenue bonds. The Authority received \$98,819 from the County in FY20.

## **NOTE 6 - PENSION PLAN:**

## **Plan Description**

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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 <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

## **Benefit Structures**

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 6 - PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

## Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

## Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

## 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:

	Number
Inactive members or their beneficiaries currently receiving benefits	15
Inactive members: Vested inactive members	1
Non-vested inactive members	0
Inactive members active elsewhere in VRS	0
Total inactive members	1
Active members	20
Total covered employees	36

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 6 - PENSION PLAN: (CONTINUED)

#### **Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, 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 Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 7.53% 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 Authority were \$94,167 and \$95,681 for the years ended June 30, 2020 and June 30, 2019, respectively.

## **Net Pension Liability**

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, 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, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

## Actuarial Assumptions - General Employees

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

Salary increases, including inflation 3.50% - 5.35%

Investment rate of return 6.75%, net of pension plan investment

expenses, including inflation\*

<sup>\*</sup> Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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.

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 6 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

## Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

#### Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

#### Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 6 - PENSION PLAN: (CONTINUED)

## Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
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%
*Ex	pected arithme	tic nominal return	7.63%

<sup>\*</sup> The above allocation provides 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 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.

#### 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; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was 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.

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 6 - PENSION PLAN: (CONTINUED)

## 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	\$ 5,002,666	\$_	4,381,979	\$	620,687			
Changes for the year:								
Service cost	\$ 105,618	\$	-	\$	105,618			
Interest	345,701		-		345,701			
Changes of assumptions	176,347		-		176,347			
Differences between expected								
and actual experience	38,030		-		38,030			
Contributions - employer	-		95,682		(95,682)			
Contributions - employee	-		64,954		(64,954)			
Net investment income	-		297,215		(297,215)			
Benefit payments, including refunds								
of employee contributions	(128,157)		(128,157)		-			
Administrative expenses	-		(2,816)		2,816			
Other changes	-		(188)		188			
Net changes	\$ 537,539	\$	326,690	\$	210,849			
Balances at June 30, 2019	\$ 5,540,205	\$	4,708,669	\$	831,536			

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

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

		Rate			
	1% Decrease	Current Discount	1% Increase		
	(5.75%)	(6.75%)	(7.75%)		
Net Pension Liability	\$ 1,630,715 \$	831,536 \$	197,965		

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 6 - PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$132,755. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,480	\$ 25,109
Change in assumptions	138,177	70,830
Net difference between projected and actual earnings on pension plan investments	-	41,153
Employer contributions subsequent to the measurement date	94,167	 
Total	\$ 307,824	\$ 137,092

\$94,167 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	_	
2021	\$	25,572
2022		(26,182)
2023		46,294
2024		30,881
2025		-

#### Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan 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 <a href="http://www.varetire.org/pdf/publications/2019-annual-report.pdf">http://www.varetire.org/pdf/publications/2019-annual-report.pdf</a>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

## **Plan Description**

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the <u>Code of Virginia</u>, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

## Plan Description: (Continued)

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

## Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

## **Benefit Amounts**

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

## **Contributions**

The contribution requirements for the GLI Plan are governed by \$51.1-506 and \$51.1-508 of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ( $1.31\% \times 60\%$ ) and the employer component was 0.52% ( $1.31\% \times 40\%$ ). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$6,870 and \$6,911 for the years ended June 30, 2020 and June 30, 2019, respectively.

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

At June 30, 2020, the entity reported a liability of \$110,238 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.00678% as compared to 0.00658% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$3,054. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	_	Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$	7,338	\$ 1,432
Net difference between projected and actual earnings on GLI OPEB plan investments		-	2,266
Change in assumptions		6,966	3,327
Changes in proportionate share		2,668	-
Employer contributions subsequent to the measurement date	_	6,870	 
Total	\$	23,842	\$ 7,025

\$6,870 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	\$ 895
2022	895
2023	1,855
2024	2,731
2025	2,770
Thereafter	801

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

## **Actuarial Assumptions**

The total GLI OPEB liability 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. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation 2.50%

Salary increases, including inflation:

Locality - General employees 3.50%-5.35% Locality - Hazardous Duty employees 3.50%-4.75%

Investment rate of return 6.75%, net of investment expenses,

including inflation\*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

#### Mortality Rates - Non-Largest Ten Locality Employers - General Employees

## Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

#### Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

## Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

## Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

## **NET GLI OPEB Liability**

The net OPEB liability (NOL) for the Group Life Insurance Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the Group Life Insurance Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability Plan Fiduciary Net Position	\$	3,390,238 1,762,972
Employers' Net GLI OPEB Liability (Asset)	\$_	1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

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

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

## Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	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%
*Exp	ected arithme	tic nominal return	7.63%

\*The above allocation provides 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 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.

## Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 entity for the GLI OPEB 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, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Notes to Financial Statements At June 30, 2020 (Continued)

#### NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

		Rate						
		1% Decrease		Current Discount	1% Increase			
		(5.75%)	(5.75%) (6.75%)		(7.75%)			
Authority's proportionate share of the Group Life Insurance Plan	_							
Net OPEB Liability	\$	144,941	\$	110,238 \$	82,258			

## Group Life Insurance Plan Fiduciary Net Position

Detailed information about the Group Life Insurance Plan's 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 <a href="http://www.varetire.org/pdf/publications/2019-annual-report.pdf">http://www.varetire.org/pdf/publications/2019-annual-report.pdf</a>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### **NOTE 8 - LITIGATION:**

At June 30, 2020 there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

## **NOTE 9 - COMPENSATED ABSENCES:**

The Authority has accrued the liability arising from outstanding compensated absences.

Authority employees earn vacation and sick leave at a variable rate based on length of service. No benefits or pay is received for unused sick leave upon termination. Vacation accumulates on a calendar year basis and terminates annually if not taken. The Authority has outstanding accrued vacation pay and related benefits totaling \$78,019 at June 30, 2020.

Notes to Financial Statements At June 30, 2020 (Continued)

#### **NOTE 10 - RISK MANAGEMENT:**

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

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

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

## NOTE 11 - CONSTRUCTION COMMITMENTS:

At June 30, 2020, the Authority had the following major projects under construction:

Project	Contract Amounts	 Expenditures as of June 30, 2020	_	Contract Balance
Deerwood Drive Water Line Replacement \$ Poplar-Irma-Shelor-Sunny Bank Waterline Replacement	692,633 345,763	\$ 638,941 26,315	\$ _	53,692 319,448
Total \$	1,038,396	\$ 665,256	\$_	373,140

#### NOTE 12 - UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 91, Conduit Debt Obligations, 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, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Notes to Financial Statements At June 30, 2020 (Continued)

## NOTE 12 - UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 94, Public-Private and Public-Public Partnerships and Availability of Payment Arrangements, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

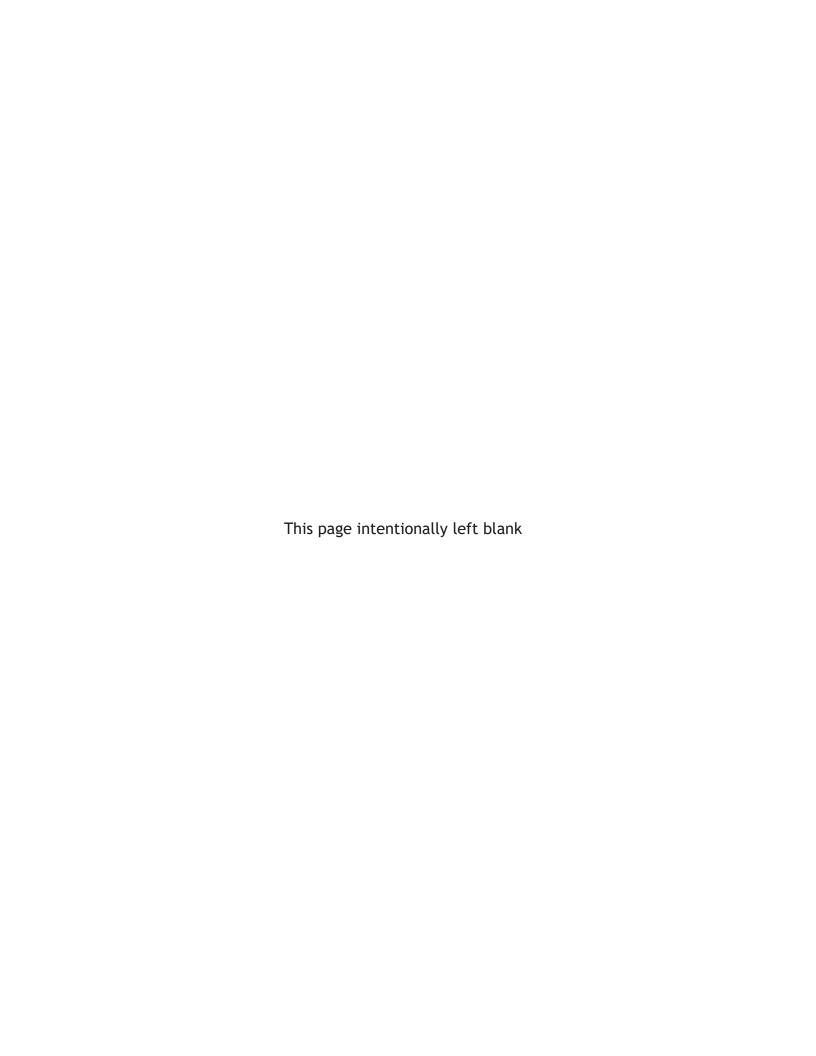
Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

#### NOTE 13 - COVID-19 PANDEMIC SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Authority is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

- Required Supplementary Information -



Schedule of Changes in Net Pension Liability and Related Ratios For the Measurement Dates of June 30, 2014 through June 30, 2019

		2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$	105,618 \$	100,225 \$	102,855 \$	106,130 \$	101,893 \$	94,235
Interest		345,701	324,122	320,344	293,053	265,416	248,500
Changes of assumptions		176,347	-	(186,312)	-	-	-
Differences between expected and actual experience		38,030	7,424	(66,044)	102,991	134,547	-
Benefit payments		(128,157)	(118,852)	(114,884)	(109,724)	(104,354)	(97,794)
Net change in total pension liability	\$	537,539 \$	312,919 \$	55,959 \$	392,450 \$	397,502 \$	244,941
Total pension liability - beginning	_	5,002,666	4,689,747	4,633,788	4,241,338	3,843,836	3,598,895
Total pension liability - ending (a)	\$	5,540,205 \$	5,002,666 \$	4,689,747 \$	4,633,788 \$	4,241,338 \$	3,843,836
	_						
Plan fiduciary net position							
Contributions - employer	\$	95,682 \$	115,315 \$	111,589 \$	103,559 \$	101,737 \$	98,188
Contributions - employee		64,954	61,392	59,339	57,108	56,022	53,477
Net investment income		297,215	300,656	437,315	62,808	149,981	436,173
Benefit payments		(128,157)	(118,852)	(114,884)	(109,724)	(104,354)	(97,794)
Administrative expense		(2,816)	(2,498)	(2,424)	(2,083)	(1,966)	(2,287)
Other		(188)	(272)	(393)	(26)	(30)	23
Net change in plan fiduciary net position	\$	326,690 \$	355,741 \$	490,542 \$	111,642 \$	201,390 \$	487,780
Plan fiduciary net position - beginning		4,381,979	4,026,238	3,535,696	3,424,054	3,222,664	2,734,884
Plan fiduciary net position - ending (b)	\$	4,708,669 \$	4,381,979 \$	4,026,238 \$	3,535,696 \$	3,424,054 \$	3,222,664
Authority's net pension liability - ending (a) - (b)	\$	831,536 \$	620,687 \$	663,509 \$	1,098,092 \$	817,284 \$	621,172
Plan fiduciary net position as a percentage of							
the total pension liability		84.99%	87.59%	85.85%	76.30%	80.73%	83.84%
Covered payroll	\$	1,328,943 \$	1,225,417 \$	1,099,288 \$	1,158,231 \$	1,120,448 \$	1,069,535
Authority's net pension liability as a percentage of covered payroll		62.57%	50.65%	60.36%	94.81%	72.94%	58.08%

This schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - Pension Plan For the Years Ended June 30, 2011 through June 30, 2020

			Contributions in Relation to				Contributions
Date		Contractually Required Contribution	Contractually Required Contribution		Contribution Deficiency (Excess)	Employer's Covered Payroll	as a % of Covered Payroll
	-			-	(2/(3/3)	 	
2020	\$	94,167	\$ 94,167	\$	-	\$ 1,321,085	7.13%
2019		95,681	95,681		-	1,328,943	7.20%
2018		116,047	116,047		-	1,225,417	9.47%
2017		114,460	114,460		-	1,099,288	10.41%
2016		105,167	105,167		-	1,158,231	9.08%
2015		101,737	101,737		-	1,120,448	9.08%
2014		95,509	95,509		-	1,069,535	8.93%
2013		99,403	99,403		-	1,113,137	8.93%
2012		51,121	51,121		-	1,071,725	4.77%
2011		49,893	49,893		-	1,045,984	4.77%

Notes to Required Supplementary Information - Pension Plan For the Year Ended June 30, 2020

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Authority's Share of Net OPEB Liability Group Life Insurance Plan For the Measurement Dates of June 30, 2017 through June 30, 2019

				Employer's Proportionate Share	
Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.0068% \$			8.30% 8.00%	52.00% 51.22%
2017	0.0066%	99,000	1,208,661	8.19%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions Group Life Insurance Plan For the Years Ended June 30, 2011 through June 30, 2020

			Contributions in Relation to				Contributions
	Contractually Required Contribution		Contractually Required Contribution	Contribution Deficiency (Excess)		Employer's Covered Payroll	as a % of Covered Payroll
Date	 (1)	_	(2)	(3)	_	(4)	(5)
2020	\$ 6,870	\$	6,870	\$ -	\$	1,321,085	0.52%
2019	6,911		6,911	-		1,328,943	0.52%
2018	6,502		6,502	-		1,250,317	0.52%
2017	6,285		6,285	-		1,208,661	0.52%
2016	5,560		5,560	-		1,158,231	0.48%
2015	5,378		5,378	-		1,120,448	0.48%
2014	5,134		5,134	-		1,069,535	0.48%
2013	5,343		5,343	-		1,113,137	0.48%
2012	3,001		3,001	-		1,071,725	0.28%
2011	2,929		2,929	-		1,045,984	0.28%

Notes to Required Supplementary Information Group Life Insurance Plan For the Year Ended June 30, 2020

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 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:

## Non-Largest Ten Locality Employers - General Employees

• •
Updated to a more current mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Adjusted termination rates to better fit experience at each age and service year
Lowered disability rates
No change
Increased rate from 14.00% to 15.00%

- Other Supplementary Information - Supporting Schedules

Schedule of Revenues and Expenses For the Year Ended June 30, 2020

	_	Total	 Central/ Rustburg		Naruna
Operating revenues: Water fees Sewer fees Account establishment fees	\$	4,911,117 1,301,324 28,950	\$ 4,826,733 1,301,324 28,950	\$	84,384
Reconnection fees Meter tamper fee Miscellaneous	_	24,680 300 335,849	 24,680 300 335,849		- - -
Total operating revenues	\$_	6,602,220	\$ 6,517,836	\$_	84,384
Operating expenses: Source of supply:					
Purchase of water Water charges (460 East) Chemicals Electrical services	\$	37,724 545,202 183,509 192,678	\$ 37,724 545,202 183,037 188,192	\$	472 4,486
Electrical repairs  Maintenance  Equipment and supplies  Safety		3,178 80,654 38,242 2,069	3,178 71,705 37,347 2,069		8,949 895
Uniforms Fuel Landfill fees		2,744 1,691 876	2,744 1,691 876		-
Vehicle expense Telephone Fees and charges Office supplies	_	2,959 3,750 15,467 475	 2,811 3,750 15,467 475		148 - - -
Total source of supply	\$_	1,111,218	\$ 1,096,268	\$_	14,950
Wastewater treatment: Purchase of services - Lynchburg Chemicals	\$	397,463 2,520	\$ 397,463 2,520	\$	-
Electrical services Maintenance Equipment and supplies		20,121 8,019 15,323	20,121 8,019 15,323		
Safety Uniforms Fuel		795 1,095 708	795 1,095 708		-
Vehicle expense Landfill disposal Fees and charges		1,068 5,039 3,816	1,068 5,039 3,816		
Office supplies Telephone	_	430 5,282	 430 5,282		-
Total wastewater treatment	\$_	461,679	\$ 461,679	\$_	-

Schedule of Revenues and Expenses For the Year Ended June 30, 2020 (Continued)

		Takal		Central/		Managa
	_	Total		Rustburg	_	Naruna
Operating expenses: (Continued)						
Maintenance and inspection:						
Electrical services	\$	159,739	Ś	159,739	Ś	-
Maintenance		339,188	•	339,188	'	-
Rustburg Elementary School pump station		1,236		1,236		-
Miss Utility fees		4,010		4,010		-
Equipment and supplies		59,805		59,805		-
Safety		996		996		-
Uniforms		3,823		3,823		-
Fuel		2,500		2,500		-
Vehicle expense		18,254		18,254		-
Fees and charges		2,651		2,651		-
Telephone		2,676		2,676		-
	_					
Total maintenance and inspection	\$_	594,878	- <sup>\$</sup> _	594,878	-\$_	-
Personnel:						
Salaries	\$	1,466,034	ς	1,466,034	\$	_
Unemployment insurance	7	192	~	192	7	-
Health insurance		252,118		252,118		-
Disability insurance		6,263		6,263		-
Retirement benefits		151,677		151,677		_
FICA		106,349		106,349		-
Workmen's compensation		19,689		19,689		-
·	_	·	. –	·		
Total personnel	\$_	2,002,322	. \$ <u>_</u>	2,002,322	_\$_	-
Administrative and general:						
Legal fees	\$	1,060	\$	1,060	\$	-
Engineering fees		17,140		17,140	·	-
Auditing fees		22,960		22,960		-
Recording fees		5		5		-
Insurance general		43,716		41,126		2,590
Postage		35,164		35,164		· -
Office and billing supplies		42,492		42,492		-
Service charge (over and short)		(141)		(141)		-
Bank fees		282		282		-
Office equipment contracts		137,831		137,831		-
Safety		180		180		-
Telephone		24,723		24,723		-
Electrical services		7,574		7,574		-

Schedule of Revenues and Expenses For the Year Ended June 30, 2020 (Continued)

	_	Total	Central/ Rustburg	Naruna
Operating expenses: (Continued)				
Administrative and general: (Continued)				
Travel, mileage, and education	\$	14,751 \$	14,751 \$	-
Dues, subscriptions, and donations		4,862	4,862	-
Janitorial supplies		701	701	-
Landfill fees		1,350	1,350	-
Maintenance office		11,257	11,257	-
Trustee fees		3,630	3,630	-
Miscellaneous		(28,819)	(28,819)	-
Fees and charges		24,313	24,223	90
Total administrative and general	\$_	365,031 \$	362,351 \$	2,680
Operating expenses before depreciation	\$_	4,535,128 \$	4,517,498 \$	17,630
Depreciation	\$_	2,254,833 \$	2,231,720 \$	23,113
Total operating expenses	\$_	6,789,961 \$	6,749,218 \$	40,743
Net income from operations	\$_	(187,741) \$	(231,382) \$	43,641
Nonoperating revenues (expenses):				
Capital recovery fees water	\$	343,443 \$	343,443 \$	_
Capital recover fees wastewater	*	306,240	306,240	_
Connection fees water		54,210	54,210	_
Connection fees wastewater		6,596	6,596	-
Sewer capacity fee		241,850	241,850	-
Interest income		5,528	5,528	-
Grant from Campbell County		98,819	98,819	-
Capital contributions		1,421,132	1,421,132	-
Interest expense		(143,015)	(143,015)	-
Other nonoperating expenses		(79,086)	(79,086)	-
Total nonoperating revenues (expenses)	\$_	2,255,717 \$	2,255,717 \$	
Change in Net Position	\$_	2,067,976 \$	2,024,335 \$	43,641

Central/Rustburg Division

Schedule of Revenues - Budget and Actual For the Year Ended June 30, 2020

		Budget		Actual		Variance Favorable (Unfavorable)
Operating revenues:	-			7100000		(01110110100)
Water fees	\$	4,996,000	Ś	4,826,733	Ś	(169,267)
Sewer fees	•	1,335,000	•	1,301,324	•	(33,676)
Account establishment fees		25,000		28,950		3,950
Reconnection fees		25,000		24,680		(320)
Meter tamper fee		300		300		
Miscellaneous	_	286,700	_	335,849		49,149
Total operating revenues	\$_	6,668,000	\$_	6,517,836	\$	(150,164)
Nonoperating revenues:						
Capital recovery fees water	\$	140,800	\$	343,443	\$	202,643
Capital recovery fees wastewater		76,175		306,240		230,065
Connection fees water		-		54,210		54,210
Connection fees wastewater		-		6,596		6,596
Sewer capacity fee		-		241,850		241,850
Interest income		4,000		5,528		1,528
Grant from Campbell County		98,819		98,819		-
Capital contributions	_	-		1,421,132		1,421,132
Total nonoperating revenues	\$_	319,794	\$_	2,477,818	\$	2,158,024
Total revenues	\$_	6,987,794	\$_	8,995,654	\$	2,007,860

Naruna Division

Schedule of Revenues - Budget and Actual For the Year Ended June 30, 2020

		Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues: Water fees	\$_	80,000 \$	84,384 \$	4,384
Total operating revenues	\$	80,000 \$	84,384	4,384

Central/Rustburg Division

Schedule of Operating Expenses - Budget and Actual For the Year Ended June 30, 2020

		Budget		Actual		Variance Favorable (Unfavorable)
Operating expenses:	_	buuget	•	Actual	. ,	(Olliavolable)
Source of supply:						
Purchase of water	\$	53,600	\$	37,724	Ś	15,876
Water charges (460 East)	*	585,320	•	545,202	•	40,118
Chemicals		156,300		183,037		(26,737)
Electrical services		210,000		188,192		21,808
Electrical repairs		-		3,178		(3,178)
Maintenance		32,800		71,705		(38,905)
Equipment and supplies		28,000		37,347		(9,347)
Safety		3,300		2,069		1,231
Uniforms		3,800		2,744		1,056
Fuel		2,500		1,691		809
Landfill fees		1,100		876		224
Vehicle expense		4,000		2,811		1,189
Telephone		3,600		3,750		(150)
Fees and charges		18,800		15,467		3,333
Office supplies		1,300		475		825
Total source of supply	\$	1,104,420	\$	1,096,268	\$	8,152
Wastewater treatment:						
Purchase of services - Lynchburg	\$	453,500	\$	397,463	\$	56,037
Chemicals		4,200		2,520		1,680
Electrical services		23,500		20,121		3,379
Maintenance		13,400		8,019		5,381
Equipment and supplies		13,900		15,323		(1,423)
Safety		1,000		795		205
Uniforms		850		1,095		(245)
Fuel		1,200		708		492
Vehicle expense		3,400		1,068		2,332
Landfill disposal		6,100		5,039		1,061
Fees and charges		7,500		3,816		3,684
Telephone		4,500		5,282		(782)
Office Supplies		400		430		(30)
Concord WWTP		1,700				1,700
Total wastewater treatment	\$	535,150	. \$	461,679	\$	73,471
Maintenance and inspection:						
Electrical services	\$	175,600	\$	159,739	\$	15,861
Electrical repairs		8,500		-		8,500
Maintenance		344,500		339,188		5,312
Rustburg Elementary School pump station		3,800		1,236		2,564
Miss Utility fees		4,450		4,010		440
Equipment and supplies		65,200		59,805		5,395
Fire hydrants		3,500		-		3,500
Safety		2,300		996		1,304
Uniforms		3,725		3,823		(98)
Fuel		4,300		2,500		1,800
Vehicle Expense		20,500		18,254		2,246
Fees and charges		3,625		2,651		974
Telephone	_	2,400	-	2,676		(276)
Total maintenance and inspection	\$	642,400	\$	594,878	\$	47,522

Central/Rustburg Division

Schedule of Operating Expenses - Budget and Actual For the Year Ended June 30, 2020 (Continued)

	Budget		Actual		Variance Favorable (Unfavorable)
Operating expenses: (Continued)				•	
Personnel:					
Salaries	\$ 1,558,317	\$	1,466,034	\$	92,283
Unemployment insurance	250		192		58
Health insurance	284,860		252,118		32,742
Disability insurance	7,600		6,263		1,337
Retirement benefits	128,400		151,677		(23,277)
FICA	119,211		106,349		12,862
Workmen's compensation	 20,200	_	19,689	-	511
Total personnel	\$ 2,118,838	\$ <u></u>	2,002,322	\$	116,516
Administrative and general:					
Legal fees	\$ 16,000	\$	1,060	\$	14,940
Engineering fees	20,000		17,140		2,860
Auditing fees	24,185		22,960		1,225
Recording fees	200		5		195
Insurance general	43,550		41,126		2,424
Postage	42,400		35,164		7,236
Office and billing supplies	50,825		42,492		8,333
Service charge (over and short)	-		(141)		141
Bank fees	500		282		218
Office equipment contracts	90,500		137,831		(47,331)
Safety	25.000		180		(180)
Telephone	25,000		24,723		277
Electrical services	10,000		7,574		2,426
Advertising	2,250		4.4.754		2,250
Travel, mileage, and education	18,700		14,751		3,949
Dues, subscriptions, and donations	12,000 1,900		4,862 701		7,138
Janitorial supplies Landfill fees	1,425		1,350		1,199 75
Maintenance office	17,500		11,257		6,243
Trustee fees	3,850		3,630		220
Fees and charges	26,600		24,223		2,377
Miscellaneous	 -	. <u> </u>	(28,819)		28,819
Total administrative and general	\$ 407,385	\$_	362,351	\$	45,034
Total operating expenses before					
depreciation	\$ 4,808,193	\$ <u>_</u>	4,517,498	\$_	290,695
Depreciation	\$ -	\$_	2,231,720	\$	(2,231,720)
Total operating expenses	\$ 4,808,193	\$	6,749,218	\$	(1,941,025)

Naruna Division

Schedule of Operating Expenses - Budget and Actual For the Year Ended June 30, 2020

						Variance Favorable
	_	Budget		Actual		(Unfavorable)
Operating expenses:						
Source of supply:						
Chemicals	\$	1,810	\$	472	\$	1,338
Electrical services		4,300		4,486		(186)
Maintenance		5,400		8,949		(3,549)
Equipment and supplies		1,800		895		905
Vehicle expense	_	300		148		152
Total source of supply	\$	12 610	ċ	14.050	ċ	(1.240)
Total source of supply	<sup>2</sup> –	13,610	. <sup>)</sup> .	14,950	<b>-</b>	(1,340)
Administrative and general:						
Insurance general	\$	3,120	\$	2,590	\$	530
Fees and charges	_	650		90		560
Total administrative and general	\$	3,770	¢	2,680	¢	1,090
Total administrative and general	۷ –	3,770	٠,	2,000	٠,	1,070
Total operating expenses before depreciation	\$_	17,380	\$	17,630	\$	(250)
Depreciation	\$_	-	\$	23,113	\$	(23,113)
Total operating expenses	\$_	17,380	\$	40,743	\$	(23,363)

Schedule 6

Capital Improvement Division Central/Rustburg Division

Schedule of Other Nonoperating Expenses For the Year Ended June 30, 2020

Other nonoperating expenses:	
New water services	\$ 76,804
Replacement radio read	2,282
Total other nonoperating expenses	\$ 79,086

Page 1 of 2

Revenue Bond Compliance Section 602 of Agreement of Trust At June 30, 2020

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

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

Central and Rustburg Operating Income (Schedule 2) Captial Recovery Fees - Water Captial Recovery Fees - Sewage Interest'	\$	6,517,836 343,443 306,240
Water and Wastewater Loans (Central & Rustburg) Revenue Fund		- 2,631
Principal Account (Bonds) Interest Account (Bonds)		-
Debt Service Reserve Account	<sub>s</sub> –	7,170,150
LESS Revenues (Net) transferred to Improvement Fund	Ş	(2,563,636)
SUB-TOTAL	\$ <sup>-</sup>	4,606,514
ADD FOR COVENANT CALCULATION PER SECTION 602		
Equity Account Interest'	\$	_
Operating Account Interest'	*	2,897
Improvement Fund @ June 30 in excess of \$500,000		3,742,772
SUB-TOTAL	\$ <del>_</del>	3,745,669
TOTAL SOURCES AVAILABLE	\$	8,352,183
REVENUE COVENANT REQUIREMENT:		
Operating expenses (Schedule 4)	\$	6,749,218
Amount required to be paid in Improvement Fund		-
115% of amount required to be paid into Bond Fund <sup>2</sup>		675,604
115% of amount of all other debt service scheduled for FY		-
Amount to be paid into the Debt Service Reserve Fund		-
TOTAL REVENUE COVENANT REQUIREMENTS	\$	7,424,822
EXCESS OF SOURCES AVAILABLE OVER REVENUE COVENANT REQUIREMENT	\$	927,361

Revenue Bond Compliance Section 602 of Agreement of Trust At June 30, 2020 (Continued)

1 - Reconcile Interest to Audit			
Interest shown on worksheet		\$	5,528
Improvement Fund Interest (In Fund B	alance)		-
General Construction Fund Interest			-
Restricted Interest (5400-70)			-
Unrealized gain/(loss) on investments	reported as interest	. —	-
		\$	5,528
2 July through Contember 2010		\$	168,314
2 - July through September, 2019 October, 2019		Ş	40,409
November, 2019 through March, 2020			247,183
April through June, 2020			131,575
April tillough Julie, 2020		<u>s</u> –	587,481
15% Coverage Factor		*	1.15
		ş <b>–</b>	675,603
		·	,
Percent Debt Coverage Achieved			
Revenue by Covenant		\$	8,352,183
Expenses		*	(6,749,218)
Payment to Debt Service Reserve			-
Actual Debt Payments Made			(587,481)
EXCESS		\$ <del>-</del>	1,015,484
15% Required Debt Coverage (Excess)		\$	587,481
ion rioquiros post correspo (Encoso)		*	15%
		\$	88,122
Actual Debt Coverage Achieved - Excess/Act	ual Dobt Paymont		
Actual Debt Coverage Acilieved - Excess/Acti	EXCESS	¢	1,015,484
	ACTUAL DEBT PAYMENT	\$ \$	587,481
	COVERAGE	Ş	173%
	COTLINACE		1/3%

# - Statistical Section -

Contents	<u>Tables</u>
Financial Trends	
These tables contain trend information to help the reader understand how the Authority's financial performance has changed over time.	1-2
Revenue, Rates and Usage Information	
These tables contain information to help the reader assess the factors affecting the Authority's change in revenues and its ability to generate revenues.	3-6
Expenses	
This table contains comparative information about the Authority's expenses.	7
Debt Capacity	
These tables present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue debt in the future.	8-9
Demographic and Economic Information	
These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time.	10-11
Operating Information	
These tables contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the activities it performs.	12-14
Sources	

### Sources

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

Net Position by Component Last Ten Fiscal Years

		Fiscal Years Ended June 30,							
	_	2020	2019	2018	2017				
Net investment in capital assets Restricted	\$	60,517,820 500,000	57,881,291 500,000	56,520,688 \$ 500,000	53,966,111 500,000				
Unrestricted	_	6,153,280	6,721,833	7,289,466	7,535,542				
Total net position	\$_	67,171,100	65,103,124	64,310,154 \$	62,001,653				

_	2016	2015	2014	2013	2012	2011
\$	51,032,599 \$	49,559,813 \$	47,822,657 \$	45,751,532 \$	45,190,445 \$	43,134,844
	500,000	500,000	500,000	500,000	500,000	500,000
	8,378,671	7,900,282	7,543,198	6,953,688	6,155,652	5,070,599
\$	59,911,270 \$	57,960,095 \$	55,865,855 \$	53,205,220 \$	51,846,097 \$	48,705,443

Changes in Net Position Last Ten Fiscal Years

		F	ided June 30,		
	-	2020	2019	2018	2017
Operating revenues: Water sales, charges and sewer charges	\$_	6,602,220	6,412,571	6,444,763 \$	6,493,231
Operating expenses: Source of supply Wastewater treatment Maintenance and inspection Personnel	\$	1,111,218 461,679 594,878 2,002,322	1,071,777 484,258 676,987 1,844,654	1,017,163 \$ 410,573 742,976 1,823,995	963,997 479,189 520,287 1,772,105
Administrative and general Depreciation and amortization	_	365,031 2,254,833	409,377 1,696,921	350,045 1,633,583	330,036 1,639,133
Total operating expenses	\$	6,789,961	6,183,974	5,978,335 \$	5,704,747
Operating income	\$_	(187,741)	228,597	466,428 \$	788,484
Nonoperating revenues (expenses):					
Interest income	\$	5,528	10,538	7,926 \$	3,902
Interest expense	•	(143,015)	(174,378)	(242,707)	(283,783)
Capital recovery fees		649,683	232,700	183,096	289,378
Connection fees		60,806	119,015	65,778	42,834
Sewer capacity fee		241,850	56,000	47,250	99,197
System development fee		-	-	-7,250	700
Grant from Campbell County		98,819	98,115	98,343	65,144
Reimbursement of prior year availability fee Loss on disposal of capital assets Other nonoperating expenses	9	- (79,086)	(138,925) (109,889)	(39,028)	(83,415)
Total nonoperating revenues (expenses)	\$	834,585	93,176	120,658 \$	133,957
Income before capital grants and contributions	\$	646,844	321,773	587,086 \$	922,441
Capital contributions	_	1,421,132	471,197	1,828,415	1,167,942
Change in net position	\$	2,067,976	792,970	2,415,501 \$	2,090,383

							_			
_	2016	2015		2014		2013	_	2012	_	2011
\$_	6,216,155 \$	6,106,067	<u> </u>	5,923,311	\$_	5,708,387	\$_	5,537,066	\$_	5,053,381
\$	971,798 \$ 373,047 689,437 1,604,052 306,142 1,568,618	945,314 \$ 297,071 506,247 1,541,147 268,306 1,908,543	-	927,580 291,115 400,525 1,495,566 317,424 1,491,463	\$	942,914 267,650 426,625 1,595,327 316,351 1,505,456	\$	928,754 299,838 394,358 1,498,082 284,210 1,240,752	\$	967,096 229,077 335,035 1,469,652 273,194 1,324,268
\$_	5,513,094 \$	5,466,628	<u> </u>	4,923,673	\$_	5,054,323	\$_	4,645,994	\$_	4,598,322
\$_	703,061 \$	639,439	<u> </u>	999,638	\$_	654,064	\$_	891,072	\$_	455,059
\$	4,289 \$ (323,607) 239,100 63,225 66,500 - 121,269 - (37,682)	5,066 (362,239) 878,725 60,270 332,500 46,900 98,668	5	14,354 (421,280) 305,150 54,650 99,750 14,700 212,417	\$	17,979 (469,778) 419,075 87,030 129,450 30,100 260,070 -		19,939 (489,059) 779,200 93,150 310,237 700 283,052	\$	21,982 (510,503) 141,125 34,070 26,250 (52,859) 282,503
\$	133,094 \$	1,004,264	5	156,052	\$	292,730	\$	849,792	<b>S</b>	(171,724)
\$ -	836,155 \$ 1,115,020	1,643,703 \$		1,155,690	_	946,794	_	1,740,864	_	283,335
\$_	1,951,175 \$	2,860,063	>_	2,660,635	\$	1,359,123	\$	3,140,654	\$_	2,687,819

Revenues by Source Last Ten Fiscal Years

	Operating Revenues			Nonoper	atir	ng Revenues	
Fiscal Years Ended June 30,	 Water Sales Charges and Sewer Charges	· -	Interest Income	 Capital Recovery Fees		Connection Fees	Sewer Capacity Fee
2011	\$ 5,053,381	\$	21,982	\$ 141,125	\$	34,070	\$ 26,250
2012	5,537,066		19,939	779,200		93,150	310,237
2013	5,708,387		17,979	419,075		87,030	129,450
2014	5,923,311		14,354	305,150		54,650	99,750
2015	6,106,067		5,066	878,725		60,270	332,500
2016	6,216,155		4,289	239,100		63,225	66,500
2017	6,493,231		3,902	289,378		42,834	99,197
2018	6,444,763		7,926	183,096		65,778	47,250
2019	6,412,571		10,538	232,700		119,015	56,000
2020	6,602,220		5,528	649,683		60,806	241,850

					 Other		
,	System Development Fee		Grant from Campbell County	Total Nonoperating Revenues	 Capital Grants and Contributions	_	Total Revenues
\$	(52,859)	\$	282,503	\$ 453,071	\$ 2,404,484	\$	7,910,936
	700		283,052	1,486,278	1,399,790		8,423,134
	30,100		260,070	943,704	412,329		7,064,420
	14,700		212,417	701,021	1,504,945		8,129,277
	46,900		98,668	1,422,129	1,216,360		8,744,556
	-		121,269	494,383	1,115,020		7,825,558
	700		65,144	501,155	1,167,942		8,162,328
	-		98,343	402,393	1,828,415		8,675,571
	-		98,115	516,368	471,197		7,400,136
	-		98,819	1,056,686	1,421,132		9,080,038

Schedule of Water and Sewer Rates Last Ten Fiscal Years

				F	iscal Years E	inded Ju	ıne 30,				
			2020		2019		2018		2017		2016
Rates											
Base Fee											
	Meter Size	<b>–</b> ,	44.00		47.00		44.00		44.00		47.00
	3/4 x 5/8"	\$	16.00	\$	16.00	\$	16.00	\$	16.00	\$	16.00
	1"	\$	22.00	\$	22.00	\$	22.00	\$	22.00	\$	22.00
	1 1/2" 2"	\$ \$ \$	35.00 53.00	\$	35.00 53.00	\$	35.00 53.00	\$ \$	35.00 53.00	\$ \$	35.00 53.00
	3"	ç	104.00	\$ \$	104.00	\$ \$	104.00	\$	104.00	\$ \$	104.00
	4"	\$	154.00	\$	154.00	\$	154.00	\$	154.00	\$	154.00
	6"	\$	254.00	\$	254.00	\$	254.00	\$	254.00	\$	254.00
	8"	\$	379.00	\$	379.00	\$	379.00	\$	379.00	\$	379.00
	Sewer Service	*	377.00	7	3,7,00	7	377.00	*	377.00	7	377.00
-	4"	<del>-</del> \$	12.00	\$	12.00	\$	12.00	\$	12.00	\$	12.00
	6"		28.00	\$	28.00	\$	28.00	\$	28.00	\$	28.00
	8"	\$ \$ \$	47.00	\$	47.00	\$	47.00	\$	47.00	\$	47.00
	10"	Ś	54.00	Ś	54.00	\$	54.00	\$	54.00	\$	54.00
	12"	\$	77.00	\$	77.00	\$	77.00	\$	77.00	\$	77.00
	and Disposal Charges										
	100 cubic feet)	\$	4.65	\$	4.65	\$	4.65	\$	4.65	\$	4.65
Sewer (per	100 cubic feet)	\$	4.90	\$	4.90	\$	4.90	\$	4.90	\$	4.90
Service Con	nection Charges										
Water											
	Meter Size										
	3/4 x 5/8"	\$	1,500	\$	1,500	\$	1,500	\$	1,500	\$	1,500
	1"	\$	2,100	\$	2,100	\$	2,100	\$	2,100	\$	2,100
	Over 1"		cost plus minimum )		ıl cost plus minimum 0		cost plus minimum )		l cost plus minimum 0		l cost plus minimum 0
Sewage											
	Meter Size										
	4" service lateral	\$	1,900	\$	1,900	\$	1,900	\$	1,900	\$	1,900
	Others		cost plus minimum )		ıl cost plus minimum 0		cost plus minimum )		l cost plus minimum 0		l cost plus minimum 0
Sewer Cap	acity Fee	\$	1,750	\$	1,750	\$	1,750	\$	1,750	\$	1,750
Capital Reco			,		,	·	,	·	,		,
	Single Family Dwelling	\$	1,900	\$	1,900	\$	1,900	\$	1,900	\$	1,900
	Multi-Family, per unit	\$	1,425	\$	1,425	\$	1,425	\$	1,425	\$	1,425
	Motels, per unit	\$	475	\$	475	\$	475	\$	475	\$	475
Sewage											
-	Single Family Dwelling	\$	2,200	\$	2,200	\$	2,200	\$	2,200	\$	2,200
	Multi-Family, per unit	\$	1,650	\$	1,650	\$	1,650	\$	1,650	\$	1,650
	Motels, per unit	\$	550	\$	550	\$	550	\$	550	\$	550
	n Fee (per acre)	ċ	1 500	¢	1 500	\$	1 500	¢	1 500	¢	1 500
	ill billing district ad Aid-to-Construction	\$	1,500	\$	1,500	Ş	1,500	\$	1,500	\$	1,500
Fee (per ap		\$	3,125	\$	3,050	\$	2,975	\$	2,900	\$	2,825

Table 4

	2015		2014		2013		2012		2011
\$	16.00	\$	16.00	\$	16.00	\$	15.00	\$	13.00
\$	22.00	\$	22.00	\$	22.00	\$	21.00	\$	18.00
\$	35.00	\$	35.00	\$	35.00	\$	33.00	\$	28.00
\$	53.00	\$	53.00	\$	53.00	\$	50.00	\$	43.00
\$	104.00	\$	104.00	\$ \$	104.00	\$ \$ \$ \$	97.00	\$ \$	83.00
\$	154.00	\$ \$ \$ \$ \$	154.00	\$	154.00	\$	144.00	\$	123.00
\$ \$ \$ \$ \$ \$ \$	254.00		254.00	\$	254.00	\$	237.00	\$	203.00
\$	379.00	\$	379.00	\$	379.00	\$	354.00	\$	303.00
\$	12.00	\$	12.00	\$	12.00	\$	10.00		n/a
\$	28.00	\$	28.00	\$	28.00	\$	23.00		n/a
\$ \$ \$ \$	47.00	\$	47.00	\$	47.00	\$ \$	39.00		n/a
\$	54.00	\$ \$	54.00	\$	54.00	\$	45.00		n/a
\$	77.00	\$	77.00	\$	77.00	\$	64.00		n/a
Ś	4.65	\$	4.65	\$	4.65	\$	4.50	\$	4.20
\$ \$	4.90	\$	4.90	\$	4.90	\$	4.75	\$	4.75
\$	1,500	\$	1,500	\$	1,500	\$	1,500	\$	1,500
\$ \$	2,100	\$	2,100	\$	2,100	\$	2,100	\$	2,100
	cost plus minimum )		l cost plus minimum 0		al cost plus minimum 00		l cost plus minimum 0		l cost plus minimum 0
\$	1,900	\$	1,900	\$	1,900	\$	1,900	\$	1,900
	cost plus minimum )		l cost plus minimum 0		al cost plus minimum 00		l cost plus minimum 0		l cost plus minimum 0
\$	1,750	\$	1,750	\$	1,750	\$	1,750	\$	1,750
\$	1,900	\$	1,900	\$	1,900	\$	1,900	\$	1,900
\$ \$ \$	1,425	\$ \$	1,425	\$	1,425	\$	1,425	\$	1,425
\$	475	\$	475	\$	475	\$	475	\$	475
\$	2,200	\$	2,200	\$	2,200	\$	2,200	\$	2,200
\$	1,650	\$ \$	1,650	\$	1,650	\$ \$	1,650	\$	1,650
\$ \$ \$	550	\$	550	\$	550	\$	550	\$	550
\$	1,500	\$	1,500	\$	1,500	\$	1,500	\$	1,500
\$	2,750	\$	2,675	\$	2,600	\$	2,525	\$	2,450

Water and Wastewater Flows Gallons In Thousands Last Ten Fiscal Years

Fiscal		
Year	Water	Wastewater
2011	664,578	132,294
2012	679,010	133,881
2013	769,007	136,104
2014	781,705	146,265
2015	773,239	179,367
2016	761,614	182,708
2017	772,950	202,446
2018	840,933	194,037
2019	881,908	194,029
2020	980,386	194,256

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

			Wate	er				
2020			2011					
Customer Name	Amount Units Billed		Percent Billed	Customer Name	Units	Amount Billed	Percent Billed	
Willow Brook Apartments	16,635 \$	82,441	1.89%	Clayton Estate (Mobile Home Park)	18,577 \$	79,277 \$	2.87%	
Clayton Estate MHP	15,018	71,400	1.70%	Willow Brook Apartments	17,284	76,721	2.67%	
37 West	6,522	31,422	0.74%	Timken	8,155	34,749	1.26%	
Runk & Pratt	5,381	26,327	0.61%	Whitestone Village	6,663	29,173	1.03%	
Whitestone Village	5,112	25,223	0.58%	Locust Gardens (Mobile Home Park)	5,922	25,130	0.92%	
Locust Gardens (Mobile Home Park)	5,204	24,517	0.59%	Woodside Associates	5,019	21,338	0.78%	
BGF Industries	4,582	22,638	0.52%	Buffalo Creek (Mobile Home Park)	4,870	20,622	0.75%	
Deal Properties (Apartments)	4,647	21,927	0.53%	Spring Hill Suites	3,742	16,082	0.58%	
Blue Ridge Regional Jail	4,072	20,189	0.46%	Briarwood Village (Mobile Home Park)	3,684	15,641	0.57%	
Spring Hill Suites	3,656	18,080	0.41%	Blue Ridge Regional Jail	3,995	16,309	0.62%	

Volume and billing data are for period from July 1, 2019 through June 30, 2030. The ten largest customers together account for approximately 7.13% of total consumption and billings for retail water service.

	Wastewater													
2020				2011										
Customer Name	Units	Amount Billed	Percent Billed	Customer Name	Units	Amount Billed	Percent Billed							
Willow Brook Apartments	16,635 \$	82,664	8.57%	Willow Brook Apartments	17,284 \$	82,099 \$	13.01%							
37 West	6,522	32,030	3.36%	Whitestone Village	6,663	31,649	5.01%							
Runk & Pratt	5,381	26,439	2.77%	Spring Hill Suites	3,742	17,775	2.82%							
Whitestone Village	5,112	25,841	2.63%	F&C Properties	3,419	16,240	2.57%							
Blue Ridge Regional Jail	4,072	20,025	2.10%	Wards Crossing West	3,250	15,348	2.45%							
Spring Hill Suites	3,639	17,903	1.88%	Blue Ridge Regional Jail	3,210	15,248	2.42%							
Hampton Inn & Suites	3,296	16,222	1.70%	Lynchburg Partners (Shopping Center)	2,553	12,127	1.92%							
Wards Crossing West	2,151	10,756	1.11%	Rustburg High School	2,380	11,305	1.79%							
LCS Trust (Apartments)	2,077	10,465	1.07%	Runk & Pratt	2,286	10,859	1.72%							
Comfort Inn & Suites (Shopping Center)	2,083	10,351	1.07%	LCS Trust (Apartments)	2,120	10,070	1.60%							

Volume and billing data are for period from July 1, 2019 through June 30, 2020. The ten largest customers together account for approximately 19.42% of total consumption and billings for sewage service.

Expenses by Type Last Ten Fiscal Years

Fiscal Years Ended June 30,	_	Source of Supply	Wastewater Treatment	Maintenance and Inspection	Personnel	Administrative and General
2011	ċ	047.004 ¢	220 077 (	225 025 ¢	1 440 4E2 ¢	272 404
2011	\$	967,096 \$	229,077 \$		1,469,652 \$	273,194
2012		928,754	299,838	394,358	1,498,082	284,210
2013		942,914	267,650	426,625	1,595,327	316,351
2014		927,580	291,115	400,525	1,495,566	317,424
2015		945,314	297,071	506,247	1,541,147	268,306
2016		971,798	373,047	689,437	1,604,052	306,142
2017		963,997	479,189	520,287	1,772,105	330,036
2018		1,017,163	410,573	742,976	1,823,995	350,045
2019		1,071,777	484,258	676,987	1,844,654	409,377
2020		1,111,218	461,679	594,878	2,002,322	365,031

Table 7

_	Depreciation and Amortization	Interest Expense	Other Nonoperating Expenses	Total
\$	1,324,268 \$ 1,240,752 1,505,456 1,491,463 1,908,543 1,568,618 1,639,133	510,503 \$ 489,059 469,778 421,280 362,239 323,607 283,783	114,292 \$ 147,427 181,196 123,689 55,626 37,682 83,415	5,223,117 5,282,480 5,705,297 5,468,642 5,884,493 5,874,383 6,071,945
	1,633,583 1,696,921 2,254,833	242,707 174,378 143,015	39,028 109,889 79,086	6,260,070 6,468,241 7,012,062

Outstanding Debt by Type Last Ten Fiscal Years

	Fiscal Years Ended June 30,								
		2020	2019	2018	2017				
Revenue bonds payable Notes payable	\$	4,016,000 \$ 603,070	4,479,000 \$ 658,588	5,786,400 \$ 714,106	7,171,600 769,624				
Total outstanding debt	\$	4,619,070 \$	5,137,588 \$	6,500,506 \$	7,941,224				
Debt per capita	\$	84.16 \$	92.69 \$	117.12 \$	142.93				
Debt as a percentage of personal income		0.09%	0.10%	0.13%	0.16%				

#### Notes:

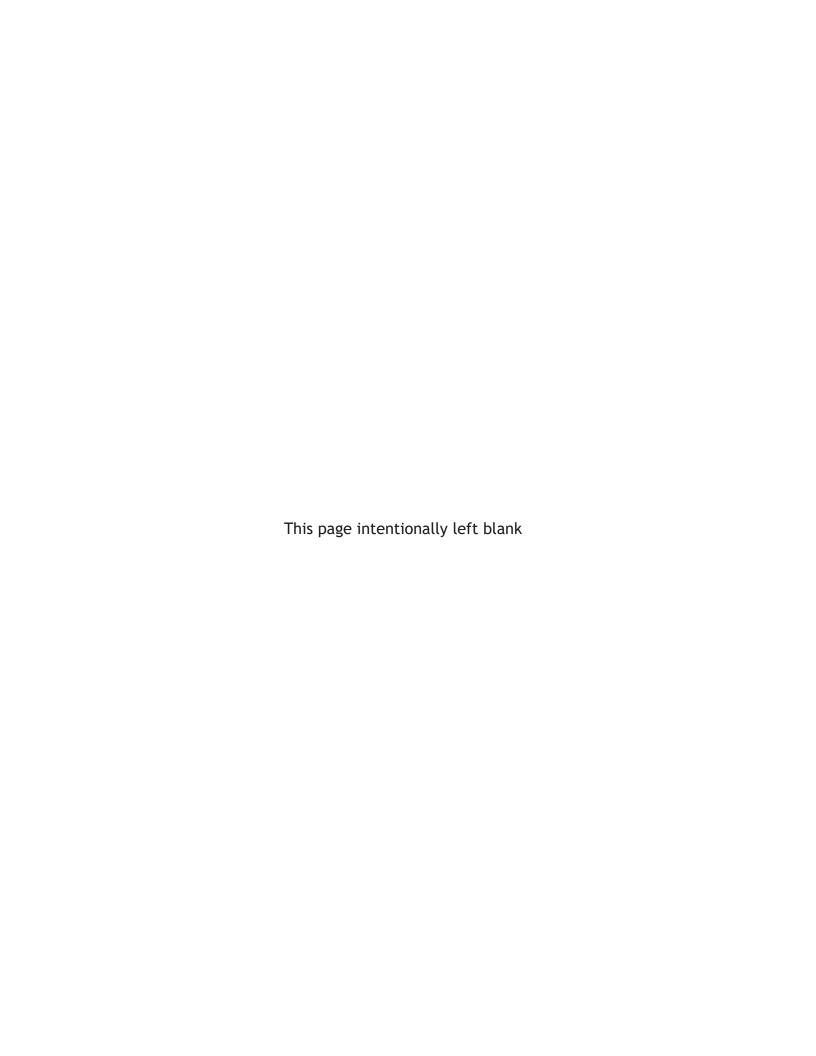
Debt per capita was calculated based on population figures for the calendar year (CY) ending within the fiscal year (FY) obtained from U.S. Department of Commerce - Bureau of Economic Analysis for the County of Campbell. See Table 10.

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

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

Table 8

2016	2015	2014	2013	2012	2011
\$ 8,513,300 \$ 825,142	9,814,200 \$ 880,661	11,198,400 \$ 1,304,456	12,492,500 \$ 989,080	13,216,261 \$ 1,077,443	11,319,406 993,182
\$ 9,338,442 \$	10,694,861 \$	12,502,856 \$	13,481,580 \$	14,293,704 \$	12,312,588
\$ 166.26 \$	190.19 \$	226.36 \$	244.99 \$	261.03 \$	224.51
0.19%	0.23%	0.28%	0.31%	0.34%	0.30%



Revenue Bond Debt Service Coverage Last Ten Fiscal Years

Fiscal Years Ended June 30,	_	Gross Revenue (1)	_	Direct Operating Expense (1)	_	Net Available	 Required Debt Service Payments (2)	Coverage
2011	\$	7,007,511	\$	4,709,479	\$	2,298,032	\$ 1,443,668	1.59
2012		11,247,408		6,209,457		5,037,951	1,582,990	3.18
2013		8,865,387		6,378,807		2,486,580	1,344,059	1.85
2014		9,306,738		6,509,351		2,797,387	1,622,923	1.72
2015		10,622,437		7,039,327		3,583,110	1,591,616	2.25
2016		11,859,549		7,065,088		4,794,461	1,588,732	3.02
2017		10,468,015		7,258,930		3,209,085	1,590,444	2.02
2018		10,157,613		7,466,035		2,691,578	1,518,283	1.77
2019		9,503,152		6,998,269		2,504,883	735,074	3.41
2020		8,352,183		7,424,822		927,361	587,481	1.58

- (1) Amounts per Schedule 7 Revenue Bond Compliance
- (2) Including payments on revenue bonds and contracts payable
  Fiscal year 2012 Required Debt Service Payments amount excludes refunding
  and early payoff since the payments were not required to be made in that year

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

Calendar Year	Population (1)	Personal Income (thousands of \$) (3)	Per Capita Personal Income (\$) (3)	Unemployment Rate (2)
2019	54,885	5,285,450	\$ 38,565	2.70%
2018	55,425	5,171,184	37,719	3.30%
2017	55,503	4,944,611	36,356	4.20%
2016	55,562	4,841,243	35,818	4.40%
2015	56,167	4,796,786	35,559	4.80%
2014	56,232	4,613,912	34,450	5.30%
2013	55,235	4,468,968	33,538	5.47%
2012	55,030	4,371,387	33,053	6.00%
2011	54,759	4,227,599	32,161	6.70%
2010	54,842	4,063,813	33,046	6.20%

<sup>(1)</sup> Weldon Cooper Center, University of Virginia

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

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

Principal Employers in the Campbell Area Current Year and Nine Years Ago

			2020	
				% of Total
Employer	Industry	Employees	Rank	Employment
BWX	Nuclear	1,000 +	1	4% +
Campbell County Schools	Public Education	1,000 +	2	4% +
Abbott Industries	Pharmaceuticals	500-999	3	2%-4%
BGF Industries	Fiberglass fabric	500-999	4	2%-4%
Campbell County	Government	250-499	5	1%-2%
Moore's Electrical and Mech.	Electric/Mechanical Services	250-499	6	1%-2%
Wal Mart	General Merchandise Stores	250-499	7	1%-2%
Food Lion	Grocery	250-499	8	1%-2%
Schrader TPMS Solutions	Electrical Manufacturing	100-249	9	0.3%-1%
The Babcock & Wilcox Co.	Nuclear	100-249	10	0.3%-1%
Totals		4,250 +		17% +

Total employed 25,349

			2011	
Employer	Industry	Employees	Rank	% of Total Employment
BWX	Nuclear	1,000 +	1	4% +
Campbell County Schools	Public Education	1,000 +	2	4% +
Abbott Industries (Ross)	Pharmaceuticals	1,653	3	2%-4%
BGF Industries	Fiberglass fabric	300-599	4	2%-4%
Campbell County Govt	Local government	300-599	5	1%-2%
BAT Masonry Co, Inc.	Contractor	544	6	1%-2%
Georgia Pacific	Wood products	100-299	7	1%-2%
Moore's Electric & Mech.	Contractor/Electrical	100-299	8	1%-2%
Progress Printing	Commercial printing	100-299	9	1%-2%
Schrader-Bridgeport International	Auto/Industrial parts	100-299	10	1%-2%
Totals		4,500 +		19% +

Total employed 27,811

Source: Employer data; Virginia Employment Commission - as of 4th Quarter, 2020 and 2011

Number of Employees by Identifiable Activity Last Ten Fiscal Years

	Fiscal Years Ended June 30,				
•	2020	2019	2018	2017	2016
Number of budgeted full-time equivalent positions:					
Administration (1)	5.0	4.0	4.0	4.0	4.0
Water Treatment FT(2)	5.0	6.0	5.0	5.0	5.0
Water Treatment PT(2)	1.0	0.0	0.0	0.0	0.0
Wastewater Treatment	2.0	2.0	3.0	2.0	2.0
Maintenance/Inspection/Inventory (4)	6.0	7.0	7.0	7.0	7.0
Customer Service FT	2.0	2.0	2.0	2.0	2.0
Customer Service PT (5)	1.0	1.0	1.0	1.0	1.0
Part Time or Temp	0.0	0.0	0.0	0.0	0.0
Total	22.0	22.0	22.0	21.0	21.0

- (1) Administration staff includes the Administrator and Operations Superintendent (currently these positions are combined), Utilities Engineer, Office Manager, Accounting Manager and Technology Coordinator. These positions have water and wastewater functions that vary per year and per position.
- (2) Water Treatment employees work approximately 93% for the Central System and 7% for Naruna.
- (4) Maintenance/Inspection/Inventory employees have water and wastewater functions.
- (5) One of the Authority's Board members serves as security staff for cut-off days.

Table 12

	2015	2014	2013	2012	2011
•					
	4.0	4.0	4.0	5.0	5.0
	5.0	5.0	5.0	5.0	5.0
	0.0	0.0	0.0	0.0	0.0
	2.0	2.0	2.0	2.0	2.0
	7.0	7.0	7.0	8.0	7.0
	2.0	2.0	2.0	2.0	2.0
	1.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0
•					
	21.0	20.0	20.0	22.0	22.0

Operating and Capital Indicators Last Ten Fiscal Years

	Fiscal Years Ended June 30,				
	2020	2019	2018	2017	2016
Water					
Size of watershed (square miles)	315	315	315	315	315
Raw water safe yield (mgd)					
Urban system	13.82	13.82	13.82	13.82	13.82
Miles of pipelines	190.00	185.00	184.00	184.00	184.00
Number of treatment plants	1	1	1	1	1
Number of pumping stations	3	3	3	3	3
Number of reservoirs	1	1	1	1	1
Number of finished water storage tanks	10	10	10	10	10
Maximum treatment capacity (mgd)	4.100	4.100	4.100	4.100	4.100
Water treated (mgd)	2.679	2.400	2.200	2.200	2.200
Unused capacity (mgd)	1.421	1.900	1.900	1.900	1.900
Percentage of capacity utilized	65.34%	53.00%	53.00%	53.00%	53.00%
Wastewater					
Miles of pipelines	50.70	49.10	48.20	48.20	48.20
Number of treatment plants	1	1	1	1	1
Number of pumping stations	17	17	15	15	15
Maximum treatment capacity (mgd)	0.200	0.200	0.200	0.200	0.200
Wastewater treated (mgd)	0.078	0.073	0.073	0.073	0.073
Unused capacity (mgd)	0.122	0.127	0.127	0.127	0.127
Percentage of capacity utilized	39.00%	36.50%	36.50%	36.50%	36.50%

Notes: mgd = millions of gallons per day

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

Table 13

	2015	2014	2013	2012	2011
•	_				
	315	315	315	315	315
	13.82	13.82	13.82	13.82	13.82
	184.00	180.00	179.00	179.00	179.00
	1	1	1	1	1
	3	3	3	3	3
	1	1	1	1	1
	10	10	9	9	9
	4.100	4.000	4.000	4.120	4.120
	2.200	2.100	2.100	1.862	1.823
	1.900	1.900	1.900	2.258	2.297
	53.00%	52.50%	52.50%	45.19%	44.25%
	33.00/0	32.30%	32.30%	13.17/0	11.23/0
	48.20	48.20	48.20	48.20	48.20
	40.20	40.20	40.20		
	•	•	•	1	1
	15	15	15	15	14
	0.200	0.200	0.200	0.200	0.200
	0.073	0.073	0.073	0.073	0.074
	0.127	0.127	0.127	0.127	0.126
	36.50%	36.50%	36.50%	36.50%	37.00%

Water and Wastewater System Connections Last Ten Fiscal Years

Fiscal Year	Water	Wastewater	
	<u> </u>		
2011	7,464	2,086	
2012	7,558	2,155	
2013	7,669	2,216	
2014	7,780	2,285	
2015	7,866	2,327	
2016	7,958	2,379	
2017	8,036	2,421	
2018	8,111	2,464	
2019	8,197	2,500	
2020	8,343	2,604	



# ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities*, *Boards*, *and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Campbell County Utilities and Service Authority as of and for the year ended June 30, 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 December 31, 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

Charlottesville, Virginia December 31, 2020

binson, Found, lox associats