



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

BVU Authority
A Political Subdivision of the Commonwealth of Virginia

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2020**

Prepared by the Accounting Department

BVU AUTHORITY

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020

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October 23, 2020

Board of Directors
BVU Authority
And Interested Parties

The Comprehensive Annual Financial Report (CAFR) of the BVU Authority (BVU) is submitted herewith for the fiscal year ending June 30, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of BVU.

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. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Organization and Function

BVU was created on July 1, 2010 under the BVU Authority Act, Codified as Chapter 15.2 Section 7200 of the *Code of Virginia* 1950 (as amended). This Act grants BVU the powers that are reasonably necessary and appropriate to provide electric, water, and sewer services. The revenues of BVU are based on consumption charges and fees from the system users. BVU does not have taxing authority.

BVU is governed by a five-member Board of Directors. One director is a citizen of the City of Bristol, Virginia, and is not a member of the Bristol City Council, appointed by the Speaker of the House of Delegates. One director is a member of the Bristol City Council, appointed by the Bristol City Council. One director who is a citizen of Washington County, and is not a member of the Washington County Board of Supervisors, appointed by the Senate Committee on Rules. One director who is a member of the Washington County Board of Supervisors, appointed by the Washington County Board of Supervisors. One director who is a citizen of the City of Bristol, Virginia, who is engaged in business, and is not a member of the Bristol City Council. This director is appointed by the BVU Board. All Board members serve four-year terms. The Board hires the President and CEO, who manages BVU's operations. The Board also annually appoints an outside general counsel and selects an audit firm. The general counsel can not concurrently serve as the general counsel of either the City of Bristol, VA or Washington County, VA.

BVU operates the electric distribution system inside the City of Bristol, Virginia, and portions of Washington and Scott Counties, Virginia, and Sullivan County, Tennessee. BVU purchases power from the Tennessee Valley Authority (TVA). Power is received from TVA through two delivery points at 161KV.

This power is distributed to approximately 16,331 customers through a combination of ten substations, 27 miles of transmission lines, and 577 miles of overhead circuit lines. The system has 13,054 poles owned by BVU, 2,709 poles leased from third parties, and 6,088 transformers.

BVU operates the water distribution system inside the City of Bristol, Virginia and a portion of Washington County, Virginia. Water is produced by BVU's Water Treatment Plant located outside of Abingdon, Virginia. The water is drawn from South Holston Lake under permission from TVA. This water is pumped to the treatment plant located approximately two miles from the water intake. After treatment, the water is distributed to approximately 7,874 customers through a distribution system that consists of five water tanks and 161 miles of distribution lines.

BVU also provides wastewater service inside the City of Bristol, Virginia and a portion of Washington County, Virginia. Wastewater is collected from approximately 7,667 customers through 141 miles of collection lines. This wastewater is then transported for treatment to the Joint Sewerage System (JSS) in Bluff City, Tennessee. The JSS is a jointly owned system between BVU and the City of Bristol, Tennessee.

Local Economy

BVU's service area is in the south-western part of Virginia. It is also a part of the Kingsport-Bristol-Bristol, TN-VA Metropolitan Statistical Area (MSA). The most recent population figure for the areas serviced by BVU (source: University of Virginia Weldon Cooper Center for Public Service) are as follows:

City of Bristol, VA	17,018
Washington County, VA	53,417
Scott County, VA	21,892

Community profile reports prepared by the Virginia Employment Commission reports unemployment rates for each of the localities served by BVU as follows:

City of Bristol, VA	9.8%
Washington County, VA	7.7%
Scott County, VA	6.4%
Kingsport-Bristol, MSA (VA Part)	8.0%
Statewide	8.1%

Long-Term Financial Planning

BVU prepares an annual repair and replacement budget for each division. Part of this process is to identify the long-term needs for each division and determine the best way to address these needs. Funding for these projects come from either the revenue received by BVU's customers for their utility services or long-term debt.

Relevant Financial Policies

A proposed budget for each fiscal year is prepared by the President and Finance Director and submitted to the Board for their approval. A separate budget is prepared for each operating division. Budgetary compliance is monitored and reported to the Board by the President and Finance Director.

Projections of both revenues and expenses are understood to reflect anticipated service levels and to incorporate a variety of economic, climatic, and demographic forecasts.

BVU's accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when incurred, without regard to receipt or payment of cash.

Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. Internal control is maintained by segregation of duties and data security systems in all areas of record keeping, disbursements, and purchasing authority. All these control systems are reviewed regularly by staff and are evaluated as part of the annual financial audit.

The Commonwealth of Virginia requires an annual audit of the financial records and transactions of BVU by independent certified public accountants selected by the Board. The annual audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The independent auditor's report is presented in the Financial Section of this report.

Major Initiatives and Accomplishments

In September 2019, BVU executed an amended wholesale power agreement with TVA. This is a twenty-year agreement for TVA to be the wholesale power supplier for BVU. This agreement allows BVU to receive a reduction in wholesale purchased power expenses of 3.10%. This reduction is referred to as the long-term partnership credit.

The reduction of wholesale purchased power rates allowed BVU to lower retail electric rates for all standard services by \$0.81 million in January 2020. An additional retail rate cut of \$0.50 million went into effect in March 2020 for all standard electric services.

BVU completed a multi-year, \$1.46 million project for upgrades to the electric system and pumps at the water treatment plant. This contract replaced pumps originally installed in the 1970's and electrical equipment dating to the 1950's.

In January 2020, BVU issued a 20-year revenue bond for \$7.86 million. The proceeds of this financing are being used for the Little Creek Interceptor Replacement and the Basin 1107 Sewer Replacement. These projects are the first phase of requirements under the consent decree with the Virginia Department of Environmental Quality (DEQ). Work on these projects began in March 2020. This work is anticipated to be substantially complete in FY2021.

In addition, several capital improvement projects were completed at the JSS. They were funded out of existing reserves. Because the JSS is reported as a separate entity they are excluded from the scope of this audit.

Future Capital Improvements to Sewer Collection System

On December 11, 2018, BVU executed a consent decree with the DEQ regarding upgrades to its sewer system. Under this decree BVU agreed to address inflow and infiltration issues regarding the sewer system by either repairing or replacing sewer lines. These projects are to be completed by August 2026. The estimated cost of the improvement is over \$32.00 million. Most of these projects will be funded by issuing bonds. The first and second phases are being funded by revenue bonds issued to the Virginia Resources Authority.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to BVU for its CAFR for the fiscal year ended June 30, 2019. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

The preparation of this report could not have been accomplished without the hard work and dedication of the entire Accounting Department. We would like to express our appreciation to all the departments who contributed information used to prepare this report. We would also like to thank the Board for their continued involvement and support in planning and conducting the financial operation of BVU in a responsible and professional manner.

Respectfully submitted,



Donald L. Bowman
President and CEO



Matthew T. Boothe, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**BVU Authority
Virginia**

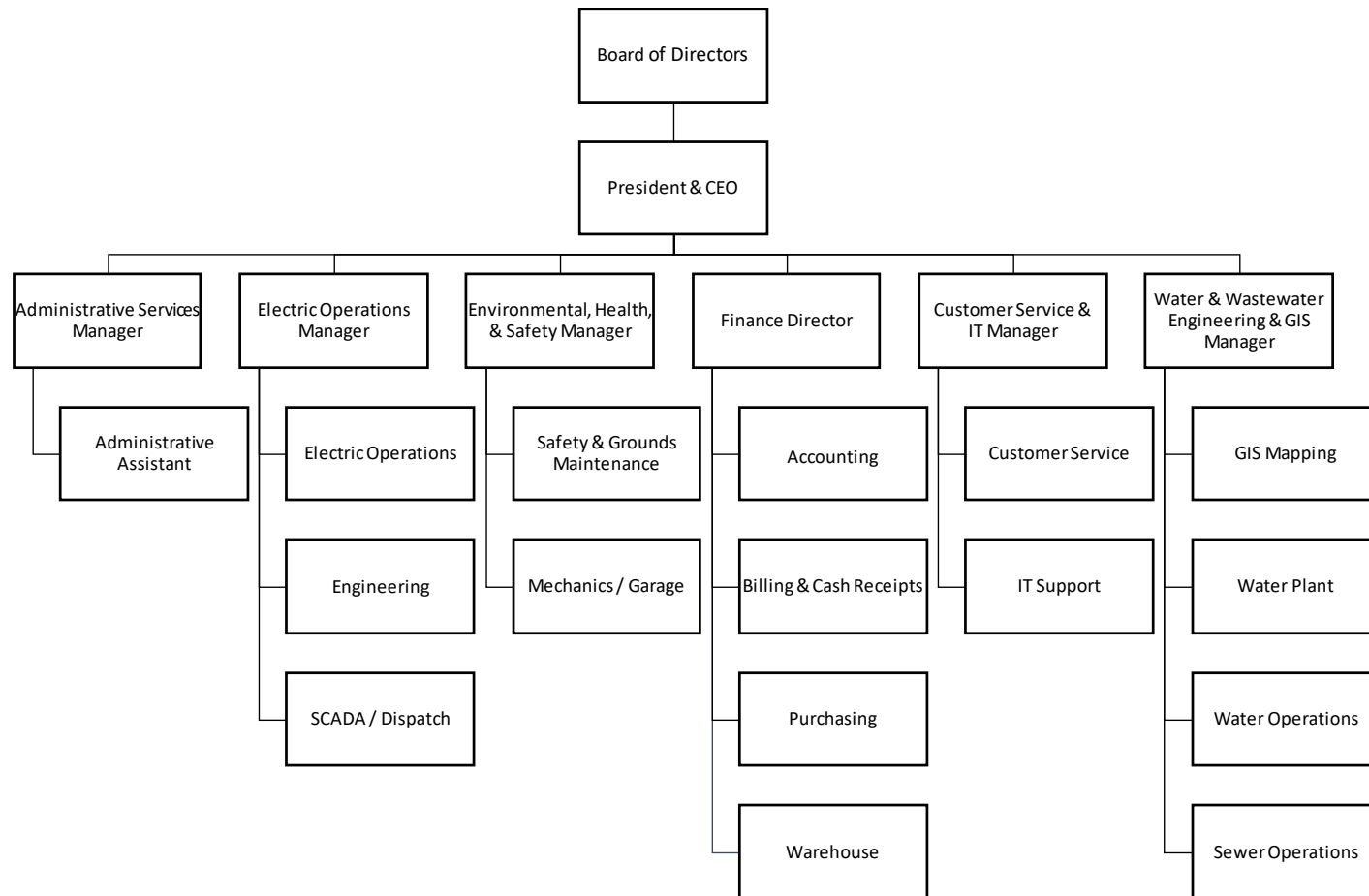
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell

Executive Director/CEO

BVU AUTHORITY
ORGANIZATIONAL CHART
June 30, 2020



**BVU AUTHORITY
LIST OF BOARD MEMBERS AND MANAGERS
June 30, 2020**

DIRECTORS

Scott D. Griffin, Chairman

Gary A. Bagnall, Vice Chairman

Saul A. Hernandez

Richard H. Kiser

Kevin N. Mumpower

PRESIDENT and CEO

Donald L. Bowman, P.E.

DEPARTMENT DIRECTORS AND MANAGERS

Richard Adkins, P.E.	Electric Department
Donna Biggs, SHRM	Human Resources/Administrative Services
Matthew Boothe, CPA	Accounting/Purchasing/Billing & Cash Receipts
Brad Griswold	Environmental, Health, & Safety/Fleet Management/Building & Grounds
Chris Hall	Key Accounts/Customer Service/Information Technology
Philip King, P.E.	Water/Wastewater/GIS

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
BVU Authority
Bristol, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of BVU Authority (the Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Joint Sewerage System, which represents 5.8% of the assets of the Authority. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Joint Sewerage System, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material aspects, the financial position of the business-type activities of the Authority, as of June 30, 2020, and the respective 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 the net pension asset and net OPEB liabilities, as listed in the table of contents, on pages 4-17 and 64-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining financial statements are the responsibility of management and were derived from and relate 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

October 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

1. Purpose

The Management's Discussion and Analysis report focuses on activities in BVU Authority's (BVU) fiscal year ending June 30, 2020, resulting changes, and current known facts. The discussion and analysis section is designed to assist the reader in focusing on BVU's (a) significant financial issues, (b) provide an overview of financial activity, (c) identify major changes in financial position, and (d) identify any financial concerns. It should be read in conjunction with the basic audited financial statements.

2. Background

In 2010, BVU was created by the Virginia General Assembly as a political subdivision. It is governed by a five-member Board of Directors. BVU is currently comprised of the following three operating divisions: Electric, Water, and Wastewater. In 2018, BVU sold its internet, cable, and television division ("OptiNet") to Sunset Fiber LLC. Through its three operating divisions, BVU provides services to nearly 31,900 accounts throughout the City of Bristol, Virginia, portions of Washington and Scott Counties, Virginia, and a portion of Sullivan County, Tennessee. Below is a summary of BVU's utility services.

2.1. Electric

BVU provides electric services inside the City of Bristol, Virginia, portions of Washington and Scott Counties, Virginia, and a portion of Sullivan County, Tennessee. BVU purchases its electricity from the Tennessee Valley Authority (TVA) under the terms of a twenty-year wholesale power contract. This power contract requires a twenty-year termination notice. TVA provides competitive wholesale power rates in the southeast region of the United States. The electric system has two wholesale power delivery points that is distributed through 29 miles of 69KV transmission lines that connect to 10 substations that supply 577 overhead circuit miles.

2.2. Water

BVU provides water services inside the City of Bristol, Virginia and a portion of Washington County, Virginia. The water operations are permitted and regulated by the Virginia Department of Health. The water is drawn at the water intake from the South Holston Lake (a TVA reservoir) with two 750 horsepower (HP) motors capable of transporting ten million gallons per day (MGD) to BVU's water treatment plant located approximately 2 miles away in Washington County, Virginia. The water treatment plant, constructed in 1952, has distinct capacities to produce up to 10 MGD of safe drinking water based on its working components.

A brief description of the water filtration process and its working components are explained below. Water flows from the rapid mixing basin into two flocculation basins for a detention time of 25.60 minutes. After the water leaves the flocculators, it flows into two sedimentation basins where sediment is allowed to settle out of the water. Clarified water leaves the basins and is directed into four rapid sand filters. After filtration, the water proceeds through the fluoridation and chlorination system. After this process the water flows into a 1 million-gallon clearwell tank. The water is then pumped with three 450 HP motors to the 5 distribution storage tanks to be held for customer consumption. The total storage capacity of the 5 distribution storage tanks is 5,803,134 gallons. The total system has approximately 161 miles of water pipelines.

BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

2.3. Wastewater

BVU provides wastewater collection services inside the City of Bristol, Virginia and a portion of Washington County, Virginia. The wastewater operations located within Virginia is permitted and regulated by the Virginia Department of Environmental Quality (DEQ). The wastewater is then transported to Bluff City, Tennessee, where it is treated at the wastewater treatment plant. The wastewater treatment plant is jointly owned with the City of Bristol, Tennessee (Joint Sewer System). The plant, constructed in 1973, has a rated capacity of 15 MGD. The plant is licensed and permitted by the Tennessee Department of Environment and Conversation (TDEC). The plant is currently operated by InfraMark, LLC, a third-party contractor.

3. System Highlights

3.1. Total Accounts

At June 30, 2020, BVU served 31,872 accounts across all three operating divisions. Compared to June 30, 2019, this is a loss of 20 accounts. This represented a decline of 0.06% in total accounts.

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Change</u>	<u>%</u>
Total Accounts	<u>31,872</u>	<u>31,892</u>	<u>(20)</u>	<u>-0.06%</u>

3.2. Electric

The Electric system serviced 16,331 accounts as of June 30, 2020. This is an increase of 2 accounts or 0.01% from June 30, 2019. The Electric system sold 435,695,022 kilowatt hours (kWh) of electricity. This represents a reduction of 38,055,835 kWh or 8.03% from fiscal year 2019. Large industrial volumes decreased by 31,455,620 kWh or 13.48%. Residential consumption decreased by 5,610,812 kWh or 2.82%. Commercial and small industrial consumption decreased by 1,047,621 kWh or 2.94%. Street and outdoor lighting increased by 58,218 kWh or 1.01%.

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Change</u>	<u>%</u>
Residential	193,323,865	198,934,677	(5,610,812)	-2.82%
Commercial and Industrial	34,579,213	35,626,834	(1,047,621)	-2.94%
Large Industrial	201,978,170	233,433,790	(31,455,620)	-13.48%
Athletic and Street Lights	5,813,774	5,755,556	58,218	1.01%
Total kWh Sold	<u>435,695,022</u>	<u>473,750,857</u>	<u>(38,055,835)</u>	<u>-8.03%</u>
 Total Accounts	 <u>16,331</u>	 <u>16,329</u>	 <u>2</u>	 <u>0.01%</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

3.3. Water

The Water system serviced 7,874 accounts as of June 30, 2020. This is a decrease of 16 accounts or 0.20% from June 30, 2019. The Water system sold 580,555,800 gallons of water. This represents an increase of 9,920,500 gallons or 1.74% from the previous year. The commercial and industrial rate class experienced an increase of 7,210,600 gallons or 2.43%. Residential consumption also increased by 2,709,900 gallons or 0.99% from the prior year.

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Change</u>	<u>%</u>
Residential	276,993,100	274,283,200	2,709,900	0.99%
Commercial and Industrial	303,562,700	296,352,100	7,210,600	2.43%
Total Gallons Sold	<u>580,555,800</u>	<u>570,635,300</u>	<u>9,920,500</u>	<u>1.74%</u>
 Total Accounts	 <u>7,874</u>	 <u>7,890</u>	 <u>(16)</u>	 <u>-0.20%</u>

3.4. Wastewater

The Wastewater system serviced 7,667 accounts as of June 30, 2020. This is a decrease of 6 or 0.08% from June 30, 2019. Wastewater volumes billed were 739,875,700 gallons. This represents an increase of 23,491,200 gallons or 3.28% from the previous year. Residential volumes increased by 8,498,900 gallons or 2.94%. Volumes at the Industrial Park decreased 4,369,600 gallons or 11.96%. Commercial and industrial volumes grew by 19,361,900 gallons or 4.96% from the prior year.

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Change</u>	<u>%</u>
Residential	297,891,100	289,392,200	8,498,900	2.94%
Commercial and Industrial	409,805,300	390,443,400	19,361,900	4.96%
Industrial Park	32,179,300	36,548,900	(4,369,600)	-11.96%
Total Gallons Sold	<u>739,875,700</u>	<u>716,384,500</u>	<u>23,491,200</u>	<u>3.28%</u>
 Total Accounts	 <u>7,667</u>	 <u>7,673</u>	 <u>(6)</u>	 <u>-0.08%</u>

4. Overview of the Comprehensive Annual Financial Report (CAFR)

The CAFR is presented in four sections: introductory, financial, statistical, and internal control and compliance.

4.1. Introductory Section

The introductory section includes a letter of transmittal submitted by BVU's President and CEO and Finance Director, a listing of Board Members and management, and an organizational chart as of June 30, 2020.

BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

4.2. Financial Section

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

4.2.1. Statement of Net Position

The Statement of Net Position reports BVU's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. This provides information about the nature and amounts of investments in resources (assets), consumption of net position applicable to future periods (deferred outflows), obligations to creditors (liabilities), and acquisition of net position applicable to future periods (deferred inflows). These statements may be used to evaluate the capital structure, liquidity, and financial flexibility of BVU.

4.2.2. Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reflect revenue and expense activity of BVU for the fiscal year. This statement allows the user to measure BVU's profitability and credit worthiness by the financial performance of BVU's operations and to determine whether BVU has successfully recovered its operating costs through rates, fees, and other charges.

4.2.3. Statement of Cash Flows

The Statement of Cash Flows presents BVU's inflows and outflows of cash during the financial reporting period, by reporting cash receipts, cash payments, and the net changes in cash. Cash flows are categorized by operating, non-capital financing, capital and related financing, and investing activities.

4.2.4 Notes to the Financial Statements and the Required Supplementary Information

The notes to the financial statements and the required supplementary information provide necessary disclosures that are essential to a full understanding of the data provided in the basic financial statements.

4.3. Statistical Section

The statistical section includes selected financial trends, revenue, debt, demographic, and economic information presented on a multi-year basis.

4.4. Internal Control and Compliance Section

The internal control and compliance section contains the Independent Auditor's Report on Internal Control on Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and the Schedule of Findings and Responses.

BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

5. Condensed Financial Statements

The following financial statements are presented in a condensed form. Full statements are provided in the audit report.

5.1. Statement of Net Position

The following table reflects the condensed Statement of Net Position for BVU compared to the prior fiscal year.

Statement of Net Position June 30, 2020 and 2019 (in thousands of dollars)		
	2020	2019
Assets		
Current Assets	\$ 44,451	\$ 42,164
Non-Current Assets	26,647	26,585
Capital Assets, Net	58,246	56,518
Total Assests	<u>129,344</u>	<u>125,267</u>
Deferred Outflows of Resources	<u>874</u>	<u>504</u>
Liabilities		
Current Liabilities	8,488	7,653
Non-Current Liabilities	6,167	5,450
Total Liabilities	<u>14,655</u>	<u>13,103</u>
Deferred Inflows of Resources	<u>2,342</u>	<u>2,207</u>
Net Position		
Net Investment in Capital Assets	55,157	55,064
Restricted - Net Pension Asset	1,629	2,237
Unrestricted	56,435	53,160
	<u>\$ 113,221</u>	<u>\$ 110,461</u>

5.1.1. Assets

Total assets increased by \$4.08 million or 3.25%. There are two main reasons for this is increase. First is an increase in Cash and Cash Equivalents of \$2.21 million or 12.06%. Second is an increase in Capital Assets of \$1.73 million or 3.06%.

BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

5.1.2. Current Assets

Current assets increased \$2.29 million or 5.42%. Cash and cash equivalents increased \$2.21 million or 12.06%. Part of this increase is due to earnings from operations in all divisions. It is also important to note that most of the capital projects paid for by the Sewer division were funded by debt and not earnings from operations.

5.1.3. Non-Current Assets

Non-current assets increased by \$0.62 million or 0.23%. Investments – Reserves is a new line item for FY2020. It has a balance of \$6.54 million. In FY2020 BVU amended its bonds with the VRA and terminated the related Master Trust Indenture. The Master Trust Indenture required BVU to restrict certain amounts of cash. These amounts are now being classified as reserved by a policy passed by the BVU Board. Restricted investments decreased \$5.93 million or 91.27%. This is due to reclassification mentioned above. The amount remaining is the amount required by the VRA bonds issued by the Water and Sewer departments.

5.1.4. Capital Assets, Net

Capital Assets, Net increased by \$1.73 million or 3.06%. This increase is due to the work in process on two sewer improvement construction projects. Additional information related to capital assets can be found in Note 5.

5.1.5. Deferred Outflows of Resources

Deferred outflows of resources increased by \$0.37 million or 73.41%. This change is due to current year activity related to other post-employment benefits.

5.1.6. Liabilities

Total liabilities increase by \$1.55 million or 11.84%. This increase is due to debt related to work in process on two sewer improvement construction projects.

5.1.7. Current Liabilities

Current and other liabilities increased by \$0.83 million or 10.91% in the current fiscal year. This increase is due to two factors. There is an increase in accounts payable and accrued liabilities due to invoices for the two sewer improvement construction projects. There is an increase \$0.56 million or 12.26% in this line item. There is also an increase in the current portion of notes payable of \$0.20 million or 159.76%. The first payment on the note related to the two sewer improvement construction projects is payable in the second half of FY2021.

BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

5.1.8. Non-current Liabilities

Non-current liabilities increased by \$0.72 million or 13.15%. Notes payable increased by \$1.44 million or 108.07%. This is due to the debt incurred for the work in process on the two sewer improvement construction projects. Additional details related to long-term debt can be found in Note 6.

The net OPEB liability decreased by \$0.90 million or 24.69%. This is a result of a decrease in the post-employment liabilities for retiree health insurance.

5.1.9. Deferred Inflows of Resources

Deferred inflows of resources increased by \$0.14 million or 6.12%. This change is due to current year activity related to other post-employment benefits.

5.1.10. Change in Net Position

Net position increased by \$2.76 million for the fiscal year with an ending net position of \$113.22 million compared to the fiscal year 2019 net position of \$110.46 million. This increase is due to current year earnings from operations.

5.2. Statement of Revenues, Expenses, and Changes in Net Position

The following table reflects the condensed statement of Revenues, Expenses, and Changes in Net Position for BVU compared to the prior year.

BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2020 and 2019
(in thousands)

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Charges for Services	\$ 50,672	\$ 57,239
Rent From Property	1,160	879
Forfeited Discounts and Penalties	288	440
Connections and Transfers	283	284
Other	302	(77)
OptiNet Backhaul Fees	-	15
Total Operating Revenues	<u>52,705</u>	<u>58,780</u>
Operating Expenses		
Wholesale Purchased Power	33,497	36,927
Administrative and General	4,594	5,230
Depreciation	3,921	4,523
Transmission and Distribution	3,744	3,412
Billing and Collection	2,120	2,443
Power and Pumping at Water Plant	1,659	1,790
Purification and Collection System	677	702
Telecommunications COGS	-	1,106
Distribution of CPC Operations	-	43
Total Operating Expenses	<u>50,212</u>	<u>56,176</u>
Operating Income	2,493	2,604
Non-Operating Revenues (Expenses)		
Other Income (Deductions)	313	269
Interest Expense	(46)	(2,095)
Loss on Disposition of OptiNet	-	(39,989)
Amortization	-	(2,789)
Total Non-Operating Revenues (Expenses)	<u>267</u>	<u>(44,604)</u>
Change in Net Position	2,760	(42,000)
Net Position at July 1	<u>110,461</u>	<u>152,461</u>
Net Position at June 30	<u>\$ 113,221</u>	<u>\$ 110,461</u>

BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

5.2.1. Operating Revenue

BVU's total operating revenue was \$52.71 million, a decrease of \$6.08 million or 10.34%. The main reason for this is a combination of retail rate cuts in the Electric department and a decrease in electricity consumption by customers. In addition, TVA's fuel cost was lower than in prior years. The first electric rate cut went into effect on January 1, 2020. The second electric rate cut went into effect on March 1, 2020. See below for additional details. As mentioned previously, overall electricity consumption was down 8.03% year over year. The drivers for this decline are variations in annual weather patterns, business disruption from COVID-19, and the continuing trend for lower consumption due to energy efficiency. FY2019 also included one month of revenues from the OptiNet division of \$1.65 million. This division was sold in August 2018.

5.2.2. Operating Expenses

BVU's total operating expenses were \$50.21 million, a decrease of \$5.96 million or 10.62%. Purchased power decreased by \$3.43 million or 9.29%. Part of this decrease is due to lower wholesale rates combined with lower fuel costs rates being charged by TVA. The other part of the decrease is a decrease in electric consumption. In September 2019, BVU executed a revised wholesale power supply contract with TVA that provides BVU a savings on wholesale purchased power of approximately 3.10%. FY2019 included one month of expenses from the OptiNet division of \$1.97 million. This division was sold in August 2018.

5.2.3. Operating Income

BVU's operating income was \$2.49 million, a decrease of \$0.11 million or 4.26%. This was driven by a decline in sales in the Electric division.

5.2.4. Non-Operating Revenues (Expenses)

Total non-operating revenues (expenses) was \$0.27 million, an increase of \$44.87 million or 100.60%. A loss on the sale of the OptiNet division was recognized in the amount of \$39.99 million in FY19. Due to the defeasance of the Series 2010 Revenue and Refunding Bonds, \$2.52 million in amortization expenses were recognized in FY19 for premiums and deferred losses related to these bonds. The defeasance of these bonds resulted in lower interest expense for FY20.

5.2.5. Change in Net Position

BVU's net position increased by \$2.76 million for the year ended June 30, 2020. This increase is due to the results of current year operations.

BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

5.3. Statement of Cash Flows

The following table reflects the condensed Statement of Cash Flows for BVU compared to the prior year.

Statements of Cash Flows June 30, 2020 and 2019 (thousands of dollars)		
	2020	2019
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 53,094	\$ 59,849
Receipt of Customer Deposits	92	92
Payments to Suppliers	(41,237)	(45,585)
Payments to Employees	(5,086)	(6,900)
Net Cash Provided By (Used For)		
Operating Activities	6,863	7,456
Cash Flows from Capital & Related Financing Activities		
Proceeds from Sale of Equipment	72	591
Proceeds from Sale of OptiNet	-	37,923
Proceeds from Issuance of Debt	1,761	-
Acquisition and Construction of Capital Assets	(5,795)	(5,107)
Bond Defeasance Costs	-	(250)
Principal Paid on Capital Debt	(126)	(35,397)
Interest Paid on Capital Debt	(47)	(2,460)
Net Cash Provided By (Used For)		
Capital & Related Financing Activities	(4,135)	(4,700)
Cash Flows from Investing Activities		
Capital Contribution to Joint Sewer System	(275)	(358)
Purchase of Investments	(813)	(22,817)
Interest Received	567	277
Net Cash Provided By (Used For)		
Investing Activities	(521)	(22,898)
Net Increase in Cash and Cash Equivalents	2,207	(20,142)
Cash and Cash Equivalents, Beginning of the Year	28,850	48,992
Cash and Cash Equivalents, End of the Year	\$ 31,057	\$ 28,850

**BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

5.3.1. Cash Flows from Operating Activities

BVU's annual cash flow from operating activities was \$6.86 million in fiscal year 2020 compared to \$7.46 million in fiscal year 2019. A decrease in receipts from customers and users were offset by decreases in payments to both suppliers and employees. The decrease in receipts from customers is due to both a reduction in rates and sales in the Electric division and no revenue from OptiNet being recorded in FY20 where one month of this revenue was recorded in FY19. The decrease in payments to suppliers and employees is due to both lower purchased power costs from TVA and the sale of the OptiNet division in FY19. The OptiNet sale reduced the number of employees by 71. BVU made a one-time bonus, vacation, and sick leave pay out to former OptiNet employees in FY19.

5.3.2. Cash Flows from Capital and Related Financing Activities

There was a decrease in cash flows from capital and financing activities of \$4.14 million in fiscal year 2020 compared to a decrease of \$4.70 million in fiscal year 2019. Payments for both the construction of capital assets and principal on capital debt amounted to a decrease in cash of \$5.92 million. There was increase in cash due to proceeds from debt of \$1.76 million. In FY19, the cash receipts from the sale of the OptiNet division assets were offset by the defeasance of the Series 2010 Revenue and Refunding Bonds and the associated interest payments.

5.3.3. Cash Flows from Investing Activities

There was a decrease in cash flows from investing activities of \$0.52 million in fiscal year 2020 compared to a decrease of \$22.90 million in fiscal year 2019. In FY20 \$0.81 million was invested into the Virginia Investment Pool. The BVU Board passed an Investment Policy in FY19. As a result of this, cash was transferred to the Virginia Investment Pool. The amount transferred was \$22.82 million in FY19. These investments contributed to interest receipts of \$0.57 million in FY20 and \$0.28 million in FY19.

6. Other Matters of Significance

6.1. Auditor of Public Accounts Report

In October 2016, the APA issued an audit report on BVU. This audit was performed as a result of changes to the BVU Authority Act. This audit examined all areas of BVU and contained 56 recommendations. Both BVU management and the Board take these recommendations seriously and are working to implement these recommendations. A copy of this report can be found at <http://www.apa.virginia.gov/reports/BVUA2016-web.pdf>. The current status is as follows:

- 46 are fully implemented,
- 5 are waiting on action by third parties and are outside of BVU's control,
- 4 are nearing completion or partially implemented, and
- 1 is a continuing or on-going generic recommendation.

Management anticipates that all of the findings that don't require third-party action will be fully addressed by June 30, 2021.

**BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

6.2. Inter-department debt

There are three different inter-department notes between BVU divisions. Each of these notes is consolidated on the basic financial statements.

6.2.1. Inter-department debt between the Electric and OptiNet systems

One of the findings from the APA was an inter-department loan from the Electric system to the OptiNet system was improperly removed from financial statements in FY07. This was removed by prior management without formal action by the Board. The audit by the APA determined that Virginia law on July 1, 2006 permitted BVU to cross-subsidize internet services, but not cable and telephone. As a result, the portion of the debt related to cable and telephone services was reinstated by the BVU Board in FY2016. The loan has a principal balance of \$13.74 million and outstanding interest of \$1.57 million for a combined total of \$15.31 million. Payments are scheduled to begin in January 2021.

6.2.2. Inter-department debt between the Electric and OptiNet systems – Pole Attachments

One of the findings from the APA was the Electric department had not properly charged the OptiNet department for pole attachments fees. The BVU Board approved an inter-department note for these fees on June 23, 2017. The note had a principal balance of \$1.16 million and outstanding interest of \$0.30 million for a combined total of \$1.46 million. This amount was paid in full in June 2020.

6.2.3. Inter-department debt between the Sewer and Water systems

In FY 2019, BVU defeased its 2010 VRA Refunding Bond Debt. In order to accomplish this, the Board approved a loan between the Wastewater and the Water divisions in the amount of \$1.70 million. The note has a principal balance of \$1.58 million as of June 30, 2020. The Water department is repaying the loan based on the terms of the note.

6.3. Long Term Wholesale Power Contract

BVU executed a twenty-year, wholesale power contract with TVA effective January 1, 2008. In FY2020, BVU executed an amendment to this contract that was effective September 1, 2019. Under the terms of this amendment, BVU anticipates saving approximately 3.10% on its wholesale power cost over the term of the contract. This contract contains a twenty-year termination notice.

6.4. Long Term Debt

In January 2020, BVU issued a \$7.86 million revenue bond to the Virginia Resources Authority (VRA). These funds are to be used for two sewer improvement construction projects. These projects are anticipated to be completed in FY2021. As of June 30, 2020, BVU has drawn down \$1.76 million on this revenue bond. The first payment on this bond is due on April 1, 2021.

BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

6.5. Electric Division Rate Cuts

Effective January 1, 2020, TVA approved a local rate adjustment to reduce all standard service electric retail rate classes by approximately \$0.81 million per year, based on normal weather and customer usage.

Effective March 1, 2020, TVA approved a local rate adjustment to reduce all standard service electric retail rate classes by approximately \$0.50 million per year, based on normal weather and customer usage.

As part of the TVA Electric Power Contract, BVU must evaluate rates to determine if there are sufficient funds to maintain system reliability and cover anticipated operating expenses and adequate reserves. TVA's review validates that BVU has sufficient financial strength to adjust standard service retail rates lower. BVU anticipates further rate reviews in FY2021.

6.6. Consent Order on the Sewer Division

In December 2018, BVU executed a corrective action plan, also known as a Consent Order, with the Virginia Department of Environmental Quality (DEQ) to correct overflow events along a portion of two sewer zones. Preliminary estimates are that the actions will take approximately 8 years to complete at an estimated cost of \$32.00 million to \$40.00 million dollars. BVU intends to use its existing cash reserves, annual free cash flow, and loans to complete the projects within time frames established by DEQ.

6.7. COVID-19

On March 13, 2020, the United States declared a national emergency due to the spread of a coronavirus, COVID-19. This was in response to the World Health Organization characterizing the virus as a pandemic on March 11, 2020. Due to the unknown duration and extent of the outbreak, the full effect on BVU's financial performance cannot be quantified at this time.

In March 2020, BVU voluntarily suspended service disconnects due to COVID-19. BVU also suspended late fees at this time. This voluntary suspension remained in effect for the remainder of the fiscal year. In FY19, BVU disconnected 2,391 customers. In FY20, BVU only disconnected 1,789. This is a decrease of 602 customers. BVU also saw a drop in forfeited discounts and penalties of \$0.15 million from FY19 to FY20.

7. Subsequent Events

7.1. Bond Rating Upgrade

In September 2020, Moody's Investors Service issued a bond rating upgrade for BVU. This upgrade raised BVU's rating from "A1" to "Aa3".

**BVU AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

7.2. Long Term Debt

In July 2020, BVU received a commitment letter from the VRA for \$7.29 million. This amount includes \$1.83 million in principal forgiveness, resulting in a net payable amount of \$5.46 million. These funds will be used for the second phase of sewer projects related to the DEQ Consent Order. BVU anticipates the second phase will begin in late FY2021.

7.3. City Lawsuit

In July 2020, BVU was sued by the City of Bristol, VA (City) for \$6.50 million in Bristol Circuit Court. The City is claiming this amount is owed to them as a result of the sale of OptiNet in August 2018. BVU had the case removed to the Federal District Court located in Abingdon, Virginia. A mediation date has been set for November 2020. A trial date has also been set for November 2021.

7.4. BVU Counterclaim

In August 2020, BVU filed a Federal lawsuit against the City for the return of properties in and around 300 Lee Street. These properties were purchased by BVU and were formerly used as their downtown office campus. A mediation date has been set for November 2020. A trial date has also been set for November 2021.

7.5. Temporary Electric Rate Cut

In September 2020, the BVU Board approved a temporary electric retail rate cut across all standard rate classes in the amount of \$0.63 million. This cut is possible because TVA passed a temporary wholesale rate cut in response to COVID-19. Once approved by TVA, this retail rate cut will go into effect in January 2021. When TVA removes its temporary wholesale power rate cut, BVU will also remove its temporary retail rate cut.

7.6. OptiNet Sales Funds

In August 2020, the escrow agent released \$1.00 million of OptiNet sales proceeds. Under the terms of the Asset Purchase Agreement, this money was to be held in escrow for two years for any covered claims. The buyer did not file any claims against BVU. These funds remain classified as sales proceeds in the OptiNet division.

BASIC FINANCIAL STATEMENTS

BVU AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 20,489,956
Investments	16,525,234
Accounts Receivable, Net of Allowance	5,223,162
Notes Receivable	67,703
Other Receivables	566,121
Due from Other Governmental Entities	253,498
Prepays	392,609
Inventories	925,887
Other Current Assets	6,303
Total Current Assets	<u>44,450,473</u>

Noncurrent Assets

Restricted Cash - Customer Deposits	1,707,753
Cash - Reserves	8,858,806
Investments - Reserves	6,538,117
Restricted Investments	566,861
Notes Receivable	36,590
Investment in Joint Sewerage System	7,309,820
Net Pension Asset	1,629,402
Capital Assets, Net	58,245,684
Total Noncurrent Assets	<u>84,893,033</u>

TOTAL ASSETS

129,343,506

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to OPEB	276,336
Deferred Outflows Related to Pension	598,018

TOTAL DEFERRED OUTFLOWS OF RESOURCES

874,354

(Continued)

BVU AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities	5,118,144
Accrued Interest Payable	10,623
Accrued Payroll and Related Liabilities	36,410
Customer Security Deposits	1,707,753
Due to Other Governmental Entities	871,506
Unearned Revenue	26,428
Notes Payable	325,902
Compensated Absences	390,742
Total Current Liabilities	<u>8,487,508</u>

Noncurrent Liabilities

Notes Payable	2,762,884
Compensated Absences	648,765
Net OPEB Liabilities	2,755,201
Total Noncurrent Liabilities	<u>6,166,850</u>

TOTAL LIABILITIES	<u>14,654,358</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to OPEB	2,019,874
Deferred Inflows Related to Pension	<u>322,424</u>

TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,342,298</u>
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NET POSITION

Net Investment in Capital Assets	55,156,898
Restricted - Net Pension Asset	1,629,402
Unrestricted	<u>56,434,904</u>

TOTAL NET POSITION	<u><u>\$ 113,221,204</u></u>
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See accompanying notes to the financial statements.

BVU AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020

OPERATING REVENUES	
Charges for Services	\$ 50,672,016
Rent from Property	1,160,266
Forfeited Discounts and Penalties	288,101
Connections and Transfers	281,836
Other	302,398
	<hr/>
TOTAL OPERATING REVENUES	52,704,617
	<hr/>
OPERATING EXPENSES	
Power and Pumping	1,658,581
Purification and Collection System	676,980
Transmission and Distribution	3,743,868
Billing and Collection	2,120,431
Purchase of Electricity	33,496,989
Administrative and General	4,593,911
Depreciation	3,921,049
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TOTAL OPERATING EXPENSES	50,211,809
	<hr/>
OPERATING INCOME	2,492,808
	<hr/>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	567,009
Interest Expense	(46,404)
Loss on Investment in Joint Sewerage System	(179,931)
Loss on Disposal of Assets	(73,747)
	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	266,927
	<hr/>
Change in Net Position	2,759,735
	<hr/>
NET POSITION, JULY 1, 2019	110,461,469
	<hr/>
NET POSITION, JUNE 30, 2020	\$ 113,221,204
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See accompanying notes to the financial statements.

BVU AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	\$ 53,093,629
Receipts of Customer Deposits	91,859
Payments to Suppliers	(41,236,554)
Payments to Employees	<u>(5,085,792)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,863,142</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Sale of Equipment	71,938
Acquisition and Construction of Capital Assets	(5,794,590)
Proceeds from Debt	1,760,903
Principal Paid on Capital Debt	(125,465)
Interest Paid on Capital Debt	<u>(47,409)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,134,623)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital Contribution to Joint Sewerage System	(275,000)
Purchase of Investments	(813,259)
Interest Received	<u>567,009</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(521,250)</u>
Net increase in Cash and Cash Equivalents	2,207,269
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>28,849,246</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 31,056,515</u></u>
RECONCILIATION TO THE STATEMENT OF NET POSITION	
Cash and Cash Equivalents	\$ 20,489,956
Restricted Cash - Customer Deposits	1,707,753
Cash - Reserves	<u>8,858,806</u>
	<u><u>\$ 31,056,515</u></u>

(Continued)

BVU AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

RECONCILIATION OF OPERATING INCOME TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 2,492,808
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities:	
Depreciation Expense	3,921,049
(Increase) Decrease in Assets	
Net Accounts Receivable	515,064
Notes Receivable	77,650
Other Receivables	(318,154)
Due from Other Governmental Units	79,077
Prepays	(193,347)
Inventories	(1,321)
Other Current Assets	(17,849)
Net Pension Asset	608,050
(Increase) Decrease in Deferred Outflows of Resources	(370,499)
Increase (Decrease) in Liabilities	
Accounts Payable and Accrued Liabilities	576,736
Accrued Payroll and Related Liabilities	19,785
Customer Security Deposits	91,859
Due to Other Governmental Units	73,017
Unearned Revenue	644
Net OPEB Liabilities	(903,368)
Compensated Absences	76,520
Increase (Decrease) in Deferred Inflows of Resources	135,421
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 6,863,142</u></u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As of July 1, 2010, BVU Authority (the Authority) was created from the separately managed and financed division of the City of Bristol, Virginia (the City), formerly known as Bristol Virginia Utilities, by an act of the General Assembly of the Commonwealth of Virginia. The Authority was governed by a Board of Directors consisting of seven members. Once the sale of the OptiNet division assets occurred on August 2, 2018, the Board of Directors was reduced from seven to five members. The Board of Directors consists of a chairman, vice chairman, and three other Board members.

The Authority has three operating divisions consisting of Electric, Water, and Wastewater. The Authority has two discontinued divisions, OptiNet and CPC OptiNet, as a result of the sale in August 2018. The Authority had an agreement with Cumberland Plateau Company, Inc. (CPC) and Cumberland Plateau Planning District Commission (CPPDC) that formed CPC OptiNet to construct, maintain and operate the fiber optic system in the CPC/CPPDC four-county area. The activity, including the capital assets and related accumulated depreciation, is included in the Authority's financial statements. The Virginia Auditor of Public Accounts (APA), as required by legislation of the Virginia General Assembly, conducted an audit of the Authority and issued their report in October 2016. In accordance with the APA's audit recommendation, the CPC OptiNet activity is included as another division of the Authority.

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Joint Venture

The Authority, along with the City of Bristol, Tennessee, established a jointly-owned wastewater facility located in Bluff City, Tennessee. The two are joint equitable owners of the facility. A six-member Sewer Oversight Committee has advisory authority with respect to the facility. Each equitable owner appoints three members to the Oversight Committee. The Authority has an ongoing financial interest in this joint venture and has recorded this as an investment. Separate financial statements of the Joint Sewerage System are available and may be obtained by writing to BVU Authority at P.O. Box 8100, Bristol, Virginia 24203.

The Authority has a receivable of \$253,498 from the Joint Sewerage System as of June 30, 2020.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Venture (Continued)

Revenues	\$ 3,676,678
Expenses	(3,486,540)
Net Income	<u>190,138</u>
Net Position - Beginning	15,301,502
Net Position - Ending	<u><u>\$ 15,491,640</u></u>
Assets	\$ 16,088,233
Liabilities	(596,593)
Net Position	<u><u>\$ 15,491,640</u></u>

B. Measurement Focus and Basis of Accounting

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

The Authority distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of available charges intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

C. Joint Administration

The Authority utilizes a joint administrative department for the Electric, Water, and Wastewater operations, which includes accounting, administration, billings, and collections. The shared administration, customer service, and other general expenses are allocated monthly based on the number of customers serviced by each division, operating revenues of each division, and plant in service of each division. For the year ended June 30, 2020, the expenses of this department were allocated 64.41% to the electric system, 19.06% to the water system, and 16.53% to the wastewater system.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

E. Investments

Investments in the Virginia Investment Pool are carried at amortized cost, which approximates fair value. The Authority's investment practices are governed by its formal investment policy.

F. Accounts Receivable

Billings for services rendered by the electric, water, and wastewater systems are handled by Central Service Association (CSA). CSA provides separate revenue billings for each system, but is unable to render separate detailing of accounts receivable. As a result, the electric division "purchases" the accounts receivable from the water and wastewater divisions monthly. Accounts deemed uncollectible attributable to the water or wastewater systems are charged back against those systems as bad debt expense.

G. Allowance for Uncollectible Accounts

The Authority provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The estimate is based on historical collection data and specific account analysis. It is reasonably possible that the estimate of the allowance for doubtful accounts will change. Accounts receivable are presented net of an allowance for doubtful accounts of \$359,424 at June 30, 2020.

H. Inventories

Inventories, consisting of materials and supplies, are valued at the average unit acquisition price.

I. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years except for certain Electric division assets where capitalization is determined by TVA. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method either by individual asset or the composite method for assets such as electric poles over the following estimated useful lives:

Utility Systems	10 – 50 years
Buildings	8 – 50 years
Equipment, Machinery and Vehicles	3 – 20 years

J. Compensated Absences

The Authority has policies which allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has items that qualify for reporting in this category. The items include pension and other post-employment benefits (OPEB) changes in experience, as well as contributions to the pension and OPEB plans subsequent to the respective measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net 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 items which are required to be reported as deferred inflows for the year ended June 30, 2020 which include the pension and OPEB changes in experience, assumptions, proportion, and investment earnings.

L. Pension

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, 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 VRS.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Pension (Continued)

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.

M. OPEB - Group Life Insurance

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

N. Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

All cash and certificates of deposit of the Authority are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by federal depository insurance.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy for custodial credit rate risk on deposits is to follow state statutes.

At year-end, the Authority had \$3,000 of cash on hand, which has been included in cash and cash equivalents. The Authority's carrying amount of deposits, including restricted cash, was \$31,056,515. The entire bank balance was collateralized in accordance with the Virginia Security for Public Deposits Act or covered by the Federal Deposit Insurance Corporation (FDIC).

Investments

In December 2018, the Board adopted an investment policy. This policy sets forth the guidelines for the Authority's investment of funds. These guidelines are in accordance in Virginia statutes governing public funds. The statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the Virginia Investment Pool (VIP).

The Authority invested funds in the VIP Stable NAV Liquidity Pool which is rated AAAM by Standard's & Poor (S&P) during the year ended June 30, 2020. VML/VACo Finance is the administrator of VIP and Public Trust Advisors, LLC (PTA) serves as the Investment Manager. The investments are measured at the net asset value (NAV). The investments are reported on the statement of net position as follows:

Investments	\$ 16,525,234
Investments - Reserves	6,538,117
Restricted Investments	<u>566,861</u>
Total Investments	<u><u>\$ 23,630,212</u></u>

Restricted Assets

Restricted assets consist primarily of customer deposits and reserve accounts related to the Virginia Resource Authority note payable (see note 6).

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - NOTES RECEIVABLE

The Authority had a program whereby qualifying homeowners could obtain interest-bearing loans to pay for energy conservation measures in their homes. The customer repays the loan over a period of up to ten years at a stated interest rate of up to 9.25%. Payments are made with the customers' regular monthly bills. Loans are secured by the related real property. The balance of the energy conservation loans as of June 30, 2020 was \$104,293. Beginning in September 2015, TVA began administering all new loans. The Authority continues to administer the loans that were in place as of this date.

NOTE 4 - DUE TO OTHER GOVERNMENTAL ENTITIES

The Authority is required to collect taxes for other entities on electric and water utility sales. These tax rates are verified annually by the Authority and included on a customer's bill when processed. In the course of payment, the Authority may receive the funds before or after when due. The Authority is entitled to an administrative fee for processing these fees. BVU deducts its fees from its remittance to the Treasurer of each jurisdiction. Payments are remitted monthly. Any funds not collected after 90 days are deducted from future payments.

Electric Utility Taxes

Electric sales include the regulatory tax for the Virginia States Corporation Commission's (SCC), electric consumption taxes for the Commonwealth of Virginia, Washington and Scott Counties, Virginia, and the City of Bristol, Virginia.

Water Utility Taxes

The Authority is required to collect the City of Bristol, Virginia's water consumption tax.

In Lieu of Tax Payments (Electric Division)

The Authority is required to make in lieu of tax payments for its electric division under the terms of the TVA Power Contract. The Authority is not required to make in lieu of tax payments for either its water or wastewater divisions. The amount accrued at year end is based on a TVA formula and is paid from BVU's general electric revenue. Under the terms of the TVA Power Contract, the in lieu of tax payment is reduced by the amount of the consumption tax each jurisdiction taxed during the year.

Third Party Trash Collection Billing Agent

BVU currently acts as the billing agent for the City of Bristol's residential trash collection fee. There is currently no written agreement for this service. The Bristol City Council establishes a residential trash fee for non-exempt residences designated by the City. The customers are billed in the same manner as other Authority services. BVU is entitled to an administrative fee for processing this fee. BVU deducts its fees from its remittance to the City Treasurer. Payments are remitted monthly. Any funds not collected after 90 days are deducted from future payments.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - DUE TO OTHER GOVERNMENTAL ENTITIES (CONTINUED)

The following are the total taxes and fees payable to each entity at June 30, 2020:

City of Bristol, Virginia	\$ 758,253
State Corporation Commission	57,709
Washington County, Virginia	51,620
Scott County, Virginia	3,183
City of Bristol, Tennessee	624
Sullivan County, Tennessee	117
	<u> </u>
Total Due to Other Governmental Entities	<u><u>\$ 871,506</u></u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 1,493,013	-	(44,837)	-	1,448,176
Construction in Progress	2,904,732	5,806,912	(3,952,695)	-	4,758,949
Total Capital Assets, Not Depreciated	<u>4,397,745</u>	<u>5,806,912</u>	<u>(3,997,532)</u>	<u>-</u>	<u>6,207,125</u>
Capital Assets, Being Depreciated					
Distribution System	55,405,522	1,097,691	(166,762)	21,955	56,358,406
General Plant	44,633,853	1,870,149	(85,689)	5,995	46,424,308
Buildings	10,698,839	126,057	(74,434)	2,035	10,752,497
Equipment, Furniture and Fixtures	6,123,745	591,105	(177,165)	(29,985)	6,507,700
Transportation Equipment	4,706,374	255,370	(133,507)	-	4,828,237
Total Capital Assets, Being Depreciated	<u>121,568,333</u>	<u>3,940,372</u>	<u>(637,557)</u>	<u>-</u>	<u>124,871,148</u>
Less Accumulated Depreciation For					
Distribution System	(29,947,227)	(1,731,015)	125,576	-	(31,552,666)
General Plant	(27,193,044)	(1,159,269)	85,689	-	(28,266,624)
Buildings	(3,987,173)	(282,027)	15,489	-	(4,253,711)
Equipment, Furniture and Fixtures	(5,297,511)	(292,813)	177,166	-	(5,413,158)
Transportation Equipment	(3,023,293)	(455,925)	132,788	-	(3,346,430)
Total Accumulated Depreciation	<u>(69,448,248)</u>	<u>(3,921,049)</u>	<u>536,708</u>	<u>-</u>	<u>(72,832,589)</u>
Total Capital Assets Being Depreciated, Net	<u>52,120,085</u>	<u>19,323</u>	<u>(100,849)</u>	<u>-</u>	<u>52,038,559</u>
Capital Assets, Net	<u><u>\$ 56,517,830</u></u>	<u><u>5,826,235</u></u>	<u><u>(4,098,381)</u></u>	<u><u>-</u></u>	<u><u>58,245,684</u></u>

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - CAPITAL ASSETS (CONTINUED)

The Authority received contributions in aid of construction of \$437,990 for fiscal year 2020. This amount is reported as a reduction in costs of the related assets. Idle property in the amount of \$24,175 was held at June 30, 2020.

Depreciation expense for the year ended June 30, 2020 was \$3,921,049.

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
VRA Loans:					
Bristol View Connector	\$ 759,958	-	(65,607)	694,351	67,722
Hassan Heights Water Tank	693,391	-	(59,859)	633,532	61,790
Little Creek Interceptor	-	1,760,903	-	1,760,903	196,390
Compensated Absences	962,987	438,655	(362,135)	1,039,507	390,742
Totals	<u>\$ 2,416,336</u>	<u>2,199,558</u>	<u>(487,601)</u>	<u>4,128,293</u>	<u>716,644</u>

Virginia Resources Authority Loans Payable

In September 2008, the Authority entered into two separate agreements with the Virginia Resources Authority (VRA). Money for these agreements is provided by the Drinking Water State Revolving Funds.

The Bristol View Connector Revolving Loan Fund (RLF) loan was issued in the amount of \$1,289,511, of which \$694,351 was outstanding as of June 30, 2020. The Hassan Heights Water Tank RLF loan was issued in the amount of \$1,176,557, of which \$633,532 was outstanding as of June 30, 2020. Each note has a 20-year term and a 3.20% interest rate with principal and interest payments through April 2029.

In January 2020, the Little Creek Interceptor Revolving Loan Fund (RLF) loan was issued in the amount of \$7,855,589, of which \$1,760,903 was drawn and outstanding as of June 30, 2020. There is \$6,094,686 that is still available to draw. The note has a 20-year term and a 0.50% interest rate with principal payments beginning in April 2021 and maturing October 2040. The following debt service requirements reflect only the amount drawn as of June 30, 2020.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Virginia Resources Authority Loans Payable (Continued)

The debt service requirements for the Authority's notes are as follows:

Year Ended June 30	VRA - Bristol View		VRA - Hassan Heights		VRA - Little Creek	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 67,722	21,682	61,790	19,783	196,390	-
2022	69,906	19,497	63,783	17,789	392,779	-
2023	72,161	17,242	65,840	15,732	392,779	-
2024	74,489	14,915	67,964	13,608	392,779	-
2025	76,892	12,512	70,157	11,416	386,176	-
2026-2029	333,181	24,434	303,998	22,294	-	-
	<u>\$ 694,351</u>	<u>110,282</u>	<u>633,532</u>	<u>100,622</u>	<u>1,760,903</u>	<u>-</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Amount Outstanding
VRA RLF Loan - Bristol View Connector	3.20%	09-08	04-29	\$ 1,289,511	\$ 694,351
VRA RLF Loan - Hassan Heights Water Tank	3.20%	09-08	04-29	1,176,557	633,532
VRA RLF Loan - Little Creek Interceptor	0.00%	01-20	10-40	7,855,589	1,760,903
					<u>\$ 3,088,786</u>

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN

Plan Description

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

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

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

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

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer.</p>

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

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

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required, except as governed by law.</p>
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier.</p> <p>An early retirement reduction is applied to this amount if the member is retiring with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. <u>Defined Contribution Component:</u> Not applicable.
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of service credit.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.</p>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	27
Inactive members:	
Vested inactive members	11
Non-vested inactive members	23
Inactive members active elsewhere in VRS	<u>5</u>
Total inactive members	39
Active members	<u>139</u>
Total Covered Employees	<u><u>205</u></u>

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 3.85% 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 \$133,452 and \$144,138 for the years ended June 30, 2020 and June 30, 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Net Pension Asset

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

* 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.

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 1.00% increase compounded from ages 70 to 90.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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)	Update 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	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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:

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return (Continued)

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 Strategia	6.00%	3.52%	0.21%
PIP - Private Investment Partnersh	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic 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 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 the state and teacher employer contributions; political subdivisions were also provided with an opportunity to use and alternate 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 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.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

Changes in Net Pension Asset

	Increase (Decrease)		
	Plan Fiduciary Net		
	Total Pension Liability	Position	Net Pension Asset
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	<u>\$ 7,827,319</u>	<u>10,064,772</u>	<u>(2,237,453)</u>
Changes for the Year:			
Service Cost	761,034	-	761,034
Interest	530,485	-	530,485
Changes of Assumptions	350,019	-	350,019
Differences Between Expected and Actual Experience	12,360	-	12,360
Contributions - Employer	-	152,136	(152,136)
Contributions - Employees	-	225,543	(225,543)
Net Investment Income	-	675,237	(675,237)
Benefit Payments, Including Refunds of Employee Contributions	(497,913)	(497,913)	-
Administrative Expense	-	(6,584)	6,584
Other Changes	-	(485)	485
Net Changes	<u>1,155,985</u>	<u>547,934</u>	<u>608,051</u>
Balance at June 30, 2019	<u><u>\$ 8,983,304</u></u>	<u><u>10,612,706</u></u>	<u><u>(1,629,402)</u></u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Authority's Net Pension Asset	\$ (76,953)	(1,629,402)	(2,847,318)

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$424,583. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 168,731	69,206
Changes of assumptions	295,835	158,562
Net difference between projected and actual earnings on pension plan investments	-	94,656
Employer contributions subsequent to the measurement date	133,452	-
Total	<u>\$ 598,018</u>	<u>322,424</u>

\$133,452 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in future reporting periods as follows:

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - PENSION PLAN (CONTINUED)

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

<u>Year ended June 30</u>	
2020	\$ 23,137
2021	(48,659)
2022	34,212
2023	46,158
2024	61,492
Thereafter	25,802

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 <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Plan

Plan Description

The Authority has adopted a plan that provides post-employment medical insurance for retirees and their spouses. Upon retirement, eligible individuals may continue to participate in the employer's group medical plan. The plan is closed to employees hired on or after July 1, 2018. The OPEB plan is a single-employer defined benefit OPEB plan administered by the Authority who has the authority to amend the plan. The plan is funded on a pay-as-you-go basis. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

If the retiree has completed 30 years of service, the Authority pays the entire health insurance premium. If years of service are between 20 and 30 years, the Authority pays a portion of insurance based on years of service. The amount paid by the Authority is 3.00% per year of service. The plan provides healthcare insurance for eligible retirees and their spouses through the Authority's group health insurance plan, which covers both active and retired members. The Authority allows retirees to continue on health insurance until they reach the age of 65. If the retiree has their spouse covered on the insurance plan, the insurance continues until the spouse reaches the age of 65. The policy rates go from employee/spouse rates to a single member rate once one of the individuals reaches the age of 65.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Single-Employer Plan (Continued)

The Authority amended the plan significantly in June 2020. These changes will go into effect on June 30, 2021 for existing retirees. The changes went into effect on June 26, 2020 for future retirees.

Employees Covered by Benefit Terms

As of the July 1, 2019 actuarial valuation, the following employees were covered by benefit terms:

Active employees	66
Inactive employees or beneficiaries currently receiving benefits	23
	<u>89</u>

Net OPEB Liability

The Authority's net OPEB liability of \$2,386,300 is based on a measurement date of July 1, 2019 and the corresponding measurement period of July 1, 2018 to July 1, 2019. The measurement of the total OPEB liability is based on a valuation date of July 1, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	3.13% (represents the Municipal GO AA 20-year rates)
Salary Scale	3.00%
Healthcare Cost Trend Rates	6.50% for fiscal year 2020, decreasing 0.50% per year to an ultimate rate of 4.50%
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019
Actuarial Cost Method	Entry Age Actuarial Cost Method

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Single-Employer Plan (Continued)

Changes in the Net OPEB Liability

Changes in the net OPEB Liability were as follows:

		Increase (Decrease)	
	Total OPEB Liability	Plan Fiduciary Net	Net OPEB Liability
	(a)	Position (b)	(a-b)
Balance at 7/1/2019	\$ 3,078,600	-	3,078,600
Changes for the year:			
Service Cost	171,700	-	171,700
Interest	111,500	-	111,500
Differences Between Expected and			
Actual Experience	(490,900)	-	(490,900)
Assumption Changes	(75,900)	-	(75,900)
Contributions - Employer	-	127,600	(127,600)
Change in Benefit Terms	(281,100)	-	(281,100)
Benefit Payments	(127,600)	(127,600)	-
Net Changes	(692,300)	-	(692,300)
Balance at 6/30/2020	\$ 2,386,300	-	2,386,300

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

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

	1.00% Decrease (2.13%)	Current Discount Rate (3.13%)	1.00% Increase (4.13%)
Net OPEB Liability	\$ 2,585,300	2,386,300	2,206,600

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

The following presents the net OPEB liability of the Authority as of the measurement date calculated using the trend rate, as well as what the Authority's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1.00% Decrease (5.5% to 3.5%)	Current Trend Rate (6.5% to 4.50%)	1.00% Increase (7.5% to 5.50%)
Net OPEB Liability	\$ 2,178,500	2,386,300	2,628,700

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Single-Employer Plan (Continued)

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

For the year ended June 30, 2020, the Authority recognized OPEB negative expense of \$(499,700). At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	1,673,400
Changes of Assumptions	59,800	58,600
Employer Contributions Subsequent to the Measurement Date	<u>116,904</u>	<u>-</u>
Total	<u><u>\$ 176,704</u></u>	<u><u>1,732,000</u></u>

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

<u>Year ended June 30</u>	
2021	\$ (506,300)
2022	(506,300)
2023	(506,300)
2024	(153,300)
2025	-

Cost-Sharing Employer Plan – Group Life Insurance Plan

Plan Description

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

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

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing Employer Plan – Group Life Insurance Plan (Continued)

Plan Description (Continued)

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing Employer Plan – Group Life Insurance Plan (Continued)

Plan Description (Continued)

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit 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 Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program 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% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 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 Group Life Insurance Program from the entity were \$51,808 and \$54,895 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of \$368,901 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 Group Life Insurance Program 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 0.02267% as compared to 0.03819% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense (gain) of \$(44,971). 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.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing Employer Plan – Group Life Insurance Plan (Continued)

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
	<hr/>	<hr/>
Differences Between Expected and Actual Experience	\$ 24,534	4,784
Net Difference Between Projected and Actual Earnings on GLI OPEB		
Program Investments	-	7,578
Change in Assumptions	23,290	11,124
Change in Proportion	-	264,388
Employer Contributions Subsequent to the Measurement Date	51,808	-
	<hr/>	<hr/>
Total	<u>\$ 99,632</u>	<u>287,874</u>

\$51,808 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:

<u>Year ended June 30</u>	
2021	\$ (52,190)
2022	(52,190)
2023	(48,981)
2024	(41,972)
2025	(34,012)
Thereafter	(10,705)

**BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing Employer Plan – Group Life Insurance 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.

Inflation	2.50%
Salary increases, including inflation - Locality - General employees	3.50% - 5.35%
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 the 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing Employer Plan – Group Life Insurance Plan (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% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net GLI OPEB Liability

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

Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	(1,762,972)
Employers' Net GLI OPEB Liability	<u>\$ 1,627,266</u>

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.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing Employer Plan – Group Life Insurance 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%
		*Expected arithmetic 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.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing Employer Plan – Group Life Insurance Plan (Continued)

Discount Rate (Continued)

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 which was 100% of the actuarially determined contribution rate. 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.

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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's Proportionate Share of the GLI Program Net OPEB Liability	\$ 484,634	368,901	275,045

Group Life Insurance Program Fiduciary Net Position

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

The aggregate OPEB amounts for both plans are as follows as of June 30, 2020:

	OPEB - Medical	OPEB - GLI	Total
OPEB Liability	\$ (2,386,300)	(368,901)	(2,755,201)
Deferred Outflow of Resources	176,704	99,632	276,336
Deferred Inflow of Resources	(1,732,000)	(287,874)	(2,019,874)
OPEB Expense (Gain)	(499,700)	(44,971)	(544,671)

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - SERVICE CONTRACTS

In September 2006, the Authority entered into an agreement with the Tennessee Valley Authority (TVA) for the purchase of wholesale electric power. The original contract period was for January 1, 2008 through December 31, 2027; however, on September 30, 2019, BVU signed an updated contract with TVA which extended the duration of this service contract through September 2039. For the year ended June 30, 2020, \$33,509,664 was expensed under this contract. Of this total, \$12,675 is included in billing and collections.

NOTE 10 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees and natural disasters. The risk management programs utilized by the Authority are as follows:

Workmens' Compensation Insurance

Insurance is provided through VACORP, which is a Commonwealth of Virginia pooled plan. Benefits are those afforded through the Commonwealth of Virginia, as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience.

General Liability and Other

The Authority maintains general liability and other insurance coverage through VACORP, which is a Commonwealth of Virginia pooled plan.

Healthcare

Healthcare insurance coverage is provided to the Authority's employees through a policy with Local Choice/Anthem, which is a Commonwealth of Virginia pooled plan. Partial premiums are withheld from the employee's earnings and remaining premiums are paid by the Authority. Retired employees and dependents of employees are also covered by the program provided they pay the applicable premium.

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

NOTE 11 - INTERDIVISION TRANSACTIONS

Interdivision Receivables and Payables

During the course of operations, transactions occur between the individual divisions that may result in amounts owed between divisions. For the purpose of the statement of net position, these amounts have been eliminated.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 - INTERDIVISION TRANSACTIONS (CONTINUED)

Interdivision Receivables and Payables (Continued)

The amounts due between the individual divisions as of June 30, 2020 are as follows:

<u>Receivable Division</u>	<u>Payable Division</u>	<u>Amount</u>
Electric	OptiNet	\$ 383,714
Electric	Sewer	6,179
Electric	Water	5,930
CPC OptiNet	OptiNet	4,360

During the year ended June 30, 2020, charges for services revenue of \$174,794 and \$964 were received by the Electric and Water divisions, respectively. These revenues were paid by the following divisions: Electric - \$156,255, Water - \$16,140, and Wastewater - \$3,363.

The Electric division received rent from property of \$124,914 from: Water - \$67,432 and Wastewater - \$57,482 for the year ended June 30, 2020.

Interdivision Notes Payable

During the year ended June 30, 2016, a note payable from OptiNet to Electric was re-established in the amount of \$13,741,288, which included \$4,643,549 of accrued interest, through a prior period adjustment. This note was removed in fiscal year 2007 by former management based on their understanding at the time of Virginia's law related to the allowance of cross-subsidization of the internet division. However, based on the audit by the Virginia Auditor of Public Accounts (see note 1), cross-subsidization was allowed only for internet services, but not telephone and cable television. As a result the Electric - OptiNet interdivision borrowing related to telephone and cable television was not allowed to be removed and therefore was re-established between the Electric division and OptiNet by a promissory note. Accrued interest of \$407,296 was added to the note receivable in the current fiscal year, resulting in a balance as of June 30, 2020 of \$15,306,593. The first payment under the terms of the note is due on January 1, 2021. This amount is eliminated in the basic financial statements.

Also, another note was established during the year ended June 30, 2017, through a prior period adjustment, in the amount of \$1,346,153 for the cumulative difference in the actual number of pole attachments and rates paid for those attachments by OptiNet to Electric. This note was paid in full during FY2020.

An intercompany loan agreement was entered into in August 2018 between the Water division and Wastewater division for an amount up to \$2,500,000 with an interest rate of 2.30% and maturity date of 20 years from the effective date. In November 2018, \$1,700,000 was borrowed and the balance is \$1,580,433 as of June 30, 2020. This amount is eliminated in the basic financial statements.

BVU AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Authority is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Authority.

In December 2018, the Authority entered into a corrective action plan, also known as a Consent Order, with the Virginia Department of Environmental Quality (DEQ) to correct overflow events along a portion of two sewer zones. Preliminary estimates are that the actions will take approximately 8 years to complete at an estimated cost of \$32 million to \$40 million dollars.

The Authority has entered into construction contracts for sewer improvement projects which were not completed at fiscal year-end. At June 30, 2020, remaining construction commitments are \$4,031,627.

NOTE 13 - COVID-19

On March 13, 2020, the United States declared a national emergency due to the spread of a coronavirus, COVID-19. This was in response to the World Health Organization characterizing the virus as a pandemic on March 11, 2020. Due to the unknown duration and extent of the outbreak, the full effect on the Authority's financial performance cannot be quantified at this time.

NOTE 14 - SUBSEQUENT EVENTS

In July 2020, BVU was sued by the City of the Bristol, Virginia. The City claims that \$6.50 million is due to them as a result of the sale of OptiNet in August 2018. In August 2020, BVU filed a lawsuit against the City related to the ownership of properties in and around 300 Lee Street that the City occupies. These properties were paid for by the Authority.

The Authority received a commitment letter in July 2020 from the VRA for \$7,294,000 for the second phase of the sewer projects. The second phase is anticipated to be awarded in late FY2021.

REQUIRED SUPPLEMENTARY INFORMATION

BVU AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION ASSET
AND RELATED RATIOS
For the Years Ended June 30

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 761,034	753,335	822,504	871,916	934,815	944,947
Interest	530,485	465,275	403,565	349,213	280,294	206,470
Differences between Expected and Actual Experience	12,360	75,776	191,654	(138,688)	(873)	-
Changes in Assumptions	350,019	-	(286,779)	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(497,913)	(227,704)	(271,049)	(340,915)	(118,449)	(75,133)
Net Change in Total Pension Liability	1,155,985	1,066,682	859,895	741,526	1,095,787	1,076,284
Total Pension Liability - Beginning	7,827,319	6,760,637	5,900,742	5,159,216	4,063,429	2,987,145
Total Pension Liability - Ending (a)	\$ 8,983,304	7,827,319	6,760,637	5,900,742	5,159,216	4,063,429
Plan Fiduciary Net Position						
Contributions - Employer	\$ 152,136	333,762	353,523	439,461	443,009	762,024
Contributions - Employees	225,543	361,712	378,856	391,387	387,783	399,374
Net Investment Income	675,237	675,540	956,184	140,294	294,159	728,746
Benefit Payments, including Refunds of Employee Contributions	(497,913)	(227,704)	(271,049)	(340,915)	(118,449)	(75,133)
Administrative Expense	(6,584)	(5,334)	(4,985)	(4,070)	(3,651)	(2,960)
Other Changes	(485)	(842)	(634)	369	(64)	(32)
Net Change in Plan Fiduciary Net Position	547,934	1,137,134	1,411,895	626,526	1,002,787	1,812,019
Plan Fiduciary Net Position - Beginning	10,064,772	8,927,637	7,515,742	6,889,216	5,886,429	4,074,410
Plan Fiduciary Net Position - Ending (b)	\$ 10,612,706	10,064,771	8,927,637	7,515,742	6,889,216	5,886,429
Authority's Net Pension Asset - Ending (a) - (b)	\$ (1,629,402)	(2,237,452)	(2,167,000)	(1,615,000)	(1,730,000)	(1,823,000)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	118.14%	128.59%	132.05%	127.37%	133.53%	144.86%
Covered Payroll	\$ 4,444,208	7,260,790	7,542,969	7,814,346	7,740,429	7,873,956
Authority's Net Pension Asset as a Percentage of Covered Payroll	-36.66%	-30.82%	-28.73%	-20.67%	-22.35%	-23.15%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future years until 10 years of information is available.

See Independent Auditors' Report.

BVU AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Years Ended June 30

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 133,452	\$ 133,452	\$ -	\$ 3,954,855	3.85%
2019	144,138	144,138	-	4,444,208	3.85%
2018	334,000	334,000	-	7,260,790	4.91%
2017	353,512	353,512	-	7,542,969	4.91%
2016	497,444	497,444	-	7,814,346	5.76%
2015	565,450	565,450	-	7,740,429	5.76%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future years until 10 years of information is available.

See Independent Auditors' Report.

BVU AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
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, valuations 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-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

See Independent Auditors' Report.

BVU AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB LIABILITY
AND RELATED RATIOS
For the Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 171,700	172,500	164,300
Interest	111,500	170,200	168,700
Changes in Benefit Terms	(281,100)	-	-
Differences Between Expected and Actual Experience	(490,900)	(2,085,500)	-
Changes in Assumptions	(75,900)	96,400	-
Benefit Payments, Including Refunds of Employee Contributions	(127,600)	(112,000)	(141,700)
Net Change in Total OPEB Liability	(692,300)	(1,758,400)	191,300
Total OPEB Liability - Beginning	3,078,600	4,837,000	4,645,700
Total OPEB Liability - Ending	<u>\$ 2,386,300</u>	<u>3,078,600</u>	<u>4,837,000</u>
 Plan Fiduciary Net Position			
Contributions - Employer	\$ 127,600	112,000	141,700
Benefit Payments, Including Refunds of Employee Contributions	(127,600)	(112,000)	(141,700)
Net Change in Plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending	<u>-</u>	<u>-</u>	<u>-</u>
 Employer's Net OPEB Liability	<u>\$ 2,386,300</u>	<u>3,078,600</u>	<u>4,837,000</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%	0.00%
 Covered Payroll	\$ 3,792,600	3,856,300	7,548,200
 Authority's Net OPEB Liability as a Percentage of Covered Payroll	62.92%	79.83%	64.08%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future years until 10 years of information is available.

See Independent Auditors' Report.

BVU AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
For the Years Ended June 30

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 127,600	\$ 127,600	\$ -	\$ 3,792,600	3.36%
2019	112,000	112,000	-	3,856,300	2.90%
2018	141,700	141,700	-	7,548,200	1.88%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future years until 10 years of information is available.

Notes to Schedule

The employer has elected to make an annual contribution equal to the benefit payments. The employer share of net benefits is the difference between the expected benefit payments and the retiree contributions. It is sometimes referred to as "pay-as-you-go."

The expected benefit payments are actuarially determined to reflect the age difference between the overall covered group and the retiree group.

Actuarially determined contributions, which are based on the "pay-as-you-go" cost, and actual contributions are from the measurement periods ending June 30 of the year prior to the year-end of the reporting periods shown.

See Independent Auditors' Report.

BVU AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF THE NET OPEB LIABILITY
GROUP LIFE INSURANCE PROGRAM
For the Measurement Dates of June 30, 2019, 2018 and 2017

	2019	2018	2017
Authority's Proportion of the Net GLI OPEB Liability	0.02267%	0.03819%	0.04089%
Authority's Proportionate Share of the Net GLI OPEB Liability	\$ 368,901	\$ 580,000	\$ 615,000
Authority's Covered Payroll	\$ 4,444,208	\$ 7,260,790	\$ 7,542,969
Authority's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.30%	7.99%	8.15%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, there are only three years available. However, additional years will be included as they become available.

See Independent Auditors' Report.

BVU AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM
For the Years Ended June 30*

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2020	\$ 51,808	\$ 51,808	\$ -	\$ 3,954,855	1.31%
2019	54,896	54,896	-	4,444,208	1.24%
2018	95,116	95,116	-	7,260,790	1.31%
2017	39,223	39,223	-	7,542,969	0.52%

* The amounts presented have a measurement date of the previous fiscal year end.

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future years until 10 years of information is available.

Notes to Schedule

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Increase rate from 14% to 15%
Discount Rate	Decrease discount rate from 7.00% to 6.75%

See Independent Auditors' Report.

COMBINING FINANCIAL SCHEDULES

BVU AUTHORITY
COMBINING SCHEDULE OF NET POSITION
June 30, 2020

	Electric	Water	Wastewater	BVU OptiNet	CPC OptiNet	Totals	Eliminating Entries	Combined Total
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$ 2,743,354	913,770	3,792,638	13,012,934	27,260	20,489,956	-	20,489,956
Investments	-	-	-	16,525,234	-	16,525,234	-	16,525,234
Accounts Receivable, Net of Allowance	4,692,573	239,406	291,183	-	-	5,223,162	-	5,223,162
Notes Receivable	67,703	-	-	-	-	67,703	-	67,703
Other Receivables	583,297	(14,995)	(2,181)	-	-	566,121	-	566,121
Due from Other Governmental Entities	-	-	253,498	-	-	253,498	-	253,498
Internal Balances	395,823	-	-	-	4,360	400,183	(400,183)	-
Prepays	312,844	43,174	36,591	-	-	392,609	-	392,609
Inventories	577,795	274,443	73,649	-	-	925,887	-	925,887
Other Current Assets	-	2,194	4,109	-	-	6,303	-	6,303
Total Current Assets	9,373,389	1,457,992	4,449,487	29,538,168	31,620	44,850,656	(400,183)	44,450,473
Noncurrent Assets								
Restricted Cash - Customer Deposits	1,707,753	-	-	-	-	1,707,753	-	1,707,753
Cash - Reserves	6,514,337	1,347,167	997,302	-	-	8,858,806	-	8,858,806
Investments - Reserves	4,602,558	254,513	1,681,046	-	-	6,538,117	-	6,538,117
Restricted Investments	-	171,931	394,930	-	-	566,861	-	566,861
Notes Receivable	15,343,184	-	1,580,433	-	-	16,923,617	(16,887,027)	36,590
Investment in Joint Sewerage System	-	-	7,309,820	-	-	7,309,820	-	7,309,820
Net Pension Asset	694,641	179,831	160,665	594,265	-	1,629,402	-	1,629,402
Capital Assets, Net	35,063,667	14,185,163	8,996,854	-	-	58,245,684	-	58,245,684
Total Noncurrent Assets	63,926,140	16,138,605	21,121,050	594,265	-	101,780,060	(16,887,027)	84,893,033
TOTAL ASSETS	73,299,529	17,596,597	25,570,537	30,132,433	31,620	146,630,716	(17,287,210)	129,343,506
DEFERRED OUTFLOWS OF RESOURCES								
Deferred Outflows Related to OPEB	129,709	34,404	30,337	81,886	-	276,336	-	276,336
Deferred Outflows Related to Pension	254,936	66,021	58,964	218,097	-	598,018	-	598,018
TOTAL DEFERRED OUTFLOWS OF RESOURCES	384,645	100,425	89,301	299,983	-	874,354	-	874,354

(Continued)

BVU AUTHORITY
COMBINING SCHEDULE OF NET POSITION
June 30, 2020

	Electric	Water	Wastewater	BVU OptiNet	CPC OptiNet	Totals	Eliminating Entries	Combined Total
LIABILITIES								
Current Liabilities								
Accounts Payable and Accrued Liabilities	4,147,933	28,320	904,380	37,511	-	5,118,144	-	5,118,144
Accrued Interest Payable	-	10,623	-	-	-	10,623	-	10,623
Accrued Payroll and Related Liabilities	23,938	7,302	5,170	-	-	36,410	-	36,410
Customer Security Deposits	1,707,753	-	-	-	-	1,707,753	-	1,707,753
Due to Other Governmental Entities	857,887	13,619	-	-	-	871,506	-	871,506
Internal Balances	-	5,930	6,179	388,074	-	400,183	(400,183)	-
Unearned Revenue	26,428	-	-	-	-	26,428	-	26,428
Notes Payable	-	129,512	196,390	-	-	325,902	-	325,902
Compensated Absences	253,555	75,766	61,421	-	-	390,742	-	390,742
Total Current Liabilities	7,017,494	271,072	1,173,540	425,585	-	8,887,691	(400,183)	8,487,508
Noncurrent Liabilities								
Notes Payable	-	2,778,805	1,564,513	15,306,593	-	19,649,911	(16,887,027)	2,762,884
Compensated Absences	426,642	140,847	81,276	-	-	648,765	-	648,765
Net OPEB Liabilities	1,151,033	299,772	277,666	1,026,730	-	2,755,201	-	2,755,201
Total Noncurrent Liabilities	1,577,675	3,219,424	1,923,455	16,333,323	-	23,053,877	(16,887,027)	6,166,850
TOTAL LIABILITIES	8,595,169	3,490,496	3,096,995	16,758,908	-	31,941,568	(17,287,210)	14,654,358

(Continued)

BVU AUTHORITY
COMBINING SCHEDULE OF NET POSITION
June 30, 2020

	Electric	Water	Wastewater	BVU OptiNet	CPC OptiNet	Totals	Eliminating Entries	Combined Total
DEFERRED INFLOWS OF RESOURCES								
Deferred Inflows Related to OPEB	861,073	222,994	199,159	736,648	-	2,019,874	-	2,019,874
Deferred Inflows Related to Pension	137,450	35,595	31,791	117,588	-	322,424	-	322,424
TOTAL DEFERRED INFLOWS OF RESOURCES	998,523	258,589	230,950	854,236	-	2,342,298	-	2,342,298
NET POSITION								
Net Investment in Capital Assets	35,063,668	12,857,279	7,235,951	-	-	55,156,898	-	55,156,898
Restricted - Net Pension Asset	694,641	179,831	160,665	594,265	-	1,629,402	-	1,629,402
Unrestricted	28,332,173	910,827	14,935,277	12,225,007	31,620	56,434,904	-	56,434,904
TOTAL NET POSITION	\$ 64,090,482	13,947,937	22,331,893	12,819,272	31,620	113,221,204	-	113,221,204

See Independent Auditors' Report.

BVU AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020

	Electric	Water	Wastewater	BVU OptiNet	CPC OptiNet	Totals	Eliminating Entries	Combined Total
OPERATING REVENUES								
Charges for Services	\$ 42,463,888	3,578,690	4,805,196	-	-	50,847,774	(175,758)	50,672,016
Rent from Property	1,188,638	96,542	-	-	-	1,285,180	(124,914)	1,160,266
Forfeited Discounts and Penalties	241,995	21,802	24,304	-	-	288,101	-	288,101
Connections and Transfers	215,250	56,859	9,727	-	-	281,836	-	281,836
Income from CPC Operations	-	-	-	(10,218)	-	(10,218)	10,218	-
Other	272,398	30,000	-	-	-	302,398	-	302,398
TOTAL OPERATING REVENUES	44,382,169	3,783,893	4,839,227	(10,218)	-	52,995,071	(290,454)	52,704,617
OPERATING EXPENSES								
Power and Pumping	-	256,374	1,403,020	-	-	1,659,394	(813)	1,658,581
Purification and Collection System	-	482,054	196,978	-	-	679,032	(2,052)	676,980
Transmission and Distribution	3,480,246	303,437	-	-	-	3,783,683	(39,815)	3,743,868
Billing and Collection	1,678,828	235,261	213,893	(7,551)	-	2,120,431	-	2,120,431
Purchase of Electricity	33,496,989	-	-	-	-	33,496,989	-	33,496,989
Administrative and General	3,043,458	851,891	767,879	178,457	10,218	4,851,903	(257,992)	4,593,911
Depreciation	2,590,249	832,288	498,512	-	-	3,921,049	-	3,921,049
Distribution of CPC Operations	-	-	-	-	(10,218)	(10,218)	10,218	-
TOTAL OPERATING EXPENSES	44,289,770	2,961,305	3,080,282	170,906	-	50,502,263	(290,454)	50,211,809
Operating Income (Loss)	92,399	822,588	1,758,945	(181,124)	-	2,492,808	-	2,492,808

(Continued)

BVU AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020

	Electric	Water	Wastewater	BVU OptiNet	CPC OptiNet	Totals	Eliminating Entries	Combined Total
NONOPERATING REVENUES (EXPENSES)								
Interest Income	493,374	6,951	71,050	442,801	-	1,014,176	(447,167)	567,009
Interest Expense	(1,878)	(81,738)	-	(409,955)	-	(493,571)	447,167	(46,404)
Loss on Investment in JSS	-	-	(179,931)	-	-	(179,931)	-	(179,931)
Gain (Loss) on Disposal of Assets	115,912	46,252	-	(235,911)	-	(73,747)	-	(73,747)
TOTAL NONOPERATING REVENUES (EXPENSES)	607,408	(28,535)	(108,881)	(203,065)	-	266,927	-	266,927
Change in Net Position	699,807	794,053	1,650,064	(384,189)	-	2,759,735	-	2,759,735
NET POSITION, JULY 1, 2019	63,390,675	13,153,884	20,681,829	13,203,461	31,620	110,461,469	-	110,461,469
NET POSITION, JUNE 30, 2020	<u>\$ 64,090,482</u>	<u>13,947,937</u>	<u>22,331,893</u>	<u>12,819,272</u>	<u>31,620</u>	<u>113,221,204</u>	<u>-</u>	<u>113,221,204</u>

See Independent Auditors' Report.

BVU AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended June 30, 2020

	Electric	Water	Wastewater	BVU OptiNet	CPC OptiNet	Totals	Eliminating Entries	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from Customers and Users	\$ 44,984,539	3,741,048	4,874,171	(124,035)	(71,204)	53,404,519	(310,890)	53,093,629
Receipt (Payment) of Customer Deposits	91,859	-	-	-	-	91,859	-	91,859
Payments to Suppliers	(38,738,545)	(1,470,102)	(1,145,765)	(188,336)	(4,696)	(41,547,444)	310,890	(41,236,554)
Payments to Employees	(3,494,342)	(1,006,665)	(650,344)	65,559	-	(5,085,792)	-	(5,085,792)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	2,843,511	1,264,281	3,078,062	(246,812)	(75,900)	6,863,142	-	6,863,142
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from Sale of Equipment	261,597	46,252	-	(235,911)	-	71,938	-	71,938
Acquisition and Construction of Capital Assets	(1,865,728)	(609,158)	(3,319,704)	-	-	(5,794,590)	-	(5,794,590)
Notes Receivable Issued	(407,296)	-	-	-	-	(407,296)	407,296	-
Payments Received on Notes Receivable	1,459,596	-	68,912	-	-	1,528,508	(1,528,508)	-
Proceeds from Debt	-	-	1,760,903	407,296	-	2,168,199	(407,296)	1,760,903
Principal Paid on Capital Debt	-	(194,377)	-	(1,459,596)	-	(1,653,973)	1,528,508	(125,465)
Interest Paid on Capital Debt	(1,878)	(82,743)	-	(409,955)	-	(494,576)	447,167	(47,409)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(553,709)	(840,026)	(1,489,889)	(1,698,166)	-	(4,581,790)	447,167	(4,134,623)
CASH FLOWS FROM INVESTING ACTIVITIES								
Capital Contribution to Joint Sewerage System	-	-	(275,000)	-	-	(275,000)	-	(275,000)
Purchase of Investments	(572,158)	(6,951)	(33,837)	(200,313)	-	(813,259)	-	(813,259)
Interest Received	493,374	6,951	71,050	442,801	-	1,014,176	(447,167)	567,009
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(78,784)	-	(237,787)	242,488	-	(74,083)	(447,167)	(521,250)

(Continued)

BVU AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended June 30, 2020

	Electric	Water	Wastewater	BVU OptiNet	CPC OptiNet	Totals	Eliminating Entries	Combined Total
Net Increase (Decrease) in Cash and Cash Equivalents	2,211,018	424,255	1,350,386	(1,702,490)	(75,900)	2,207,269	-	2,207,269
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,754,426	1,836,682	3,439,554	14,715,424	103,160	28,849,246	-	28,849,246
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,965,444</u>	<u>2,260,937</u>	<u>4,789,940</u>	<u>13,012,934</u>	<u>27,260</u>	<u>31,056,515</u>	<u>-</u>	<u>31,056,515</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION								
Cash and Cash Equivalents	\$ 2,743,354	913,770	3,792,638	13,012,934	27,260	20,489,956	-	20,489,956
Restricted Cash - Customer Deposits	1,707,753	-	-	-	-	1,707,753	-	1,707,753
Restricted Cash - Reserves	6,514,337	1,347,167	997,302	-	-	8,858,806	-	8,858,806
	<u>\$ 10,965,444</u>	<u>2,260,937</u>	<u>4,789,940</u>	<u>13,012,934</u>	<u>27,260</u>	<u>31,056,515</u>	<u>-</u>	<u>31,056,515</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES								
Operating Income (Loss)	\$ 92,399	822,588	1,758,945	(181,124)	-	2,492,808	-	2,492,808
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:								
Depreciation Expense	2,590,249	832,288	498,512	-	-	3,921,049	-	3,921,049
(Increase) Decrease in Assets								
Net Accounts Receivable	515,045	(81)	100	-	-	515,064	-	515,064
Notes Receivable	77,650	-	-	-	-	77,650	-	77,650
Other Receivables	(318,263)	1,160	(1,051)	-	-	(318,154)	-	(318,154)
Due from Other Governmental Units	-	-	79,077	-	-	79,077	-	79,077
Internal Balances	271,884	7,295	5,651	73,321	2,117	360,268	(360,268)	-
Prepays	(229,330)	(27,426)	63,409	-	-	(193,347)	-	(193,347)
Inventories	47,261	(7,522)	(41,060)	-	-	(1,321)	-	(1,321)
Other Current Assets	(17,943)	420	(326)	-	-	(17,849)	-	(17,849)
Net Pension Asset	230,548	63,520	88,030	225,952	-	608,050	-	608,050
(Increase) Decrease in Deferred Outflows of Resources	(141,042)	(33,852)	(25,991)	(169,614)	-	(370,499)	-	(370,499)

(Continued)

BVU AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended June 30, 2020

	Electric	Water	Wastewater	BVU OptiNet	CPC OptiNet	Totals	Eliminating Entries	Combined Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH								
PROVIDED BY (USED FOR) OPERATING ACTIVITIES (CONTINUED)								
Increase (Decrease) in Liabilities								
Accounts Payable and Accrued Liabilities	(56,903)	(229,012)	884,777	(17,430)	(4,696)	576,736	-	576,736
Accrued Payroll and Related Liabilities	13,004	4,231	2,550	-	-	19,785	-	19,785
Customer Security Deposits	91,859	-	-	-	-	91,859	-	91,859
Due to Other Governmental Units	73,352	(335)	-	-	-	73,017	-	73,017
Internal Balances	-	(51,303)	(48,506)	(187,138)	(73,321)	(360,268)	360,268	-
Unearned Revenue	644	-	-	-	-	644	-	644
Net OPEB Liabilities	(1,052,079)	(287,690)	(321,517)	757,918	-	(903,368)	-	(903,368)
Compensated Absences	51,389	20,601	4,530	-	-	76,520	-	76,520
Increase (Decrease) in Deferred Inflows of Resources	603,787	149,399	130,932	(748,697)	-	135,421	-	135,421
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 2,843,511</u>	<u>1,264,281</u>	<u>3,078,062</u>	<u>(246,812)</u>	<u>(75,900)</u>	<u>6,863,142</u>	<u>-</u>	<u>6,863,142</u>

See Independent Auditors' Report.

STATISTICAL SECTION
(UNAUDITED)

STATISTICAL SECTION

This section of the Authority's CAFR presents detailed information to provide a context for understanding what the information in the financial statements, notes to financial statements and required supplementary information says about the Authority's overall financial health.

Contents:	<u>Page</u>
Financial Trends	
<i>Financial trend information is intended to assist users in understanding how the Authority's financial position has changed over time. The tables which follow disclose ten years of financial data.</i>	79
Revenue Capacity	
<i>Revenue capacity information is provided to assist users in understanding the factors affecting the Authority's ability to generate sources of revenue. In setting rates, the Authority's general practice has been to cover projected operating costs and current capital projects and to cover a portion of future major capital projects. This practice generally allows the Authority to maintain and modernize its systems. The tables below set forth fees for over the last ten years. A summary of current rates and fees can be found at www.bvua.com.</i>	81
Debt Capacity	
<i>Debt capacity information is intended to assist users in understanding the Authority's debt burden and ability to issue additional debt. Rates are designed to recover the cost of debt associated with capital projects.</i>	96
Demographic and Economic Information	
<i>Demographic and economic information is intended to assist users in understanding the socio-economic environment within which the Authority operates and to provide information that facilitates comparisons of financial statement information over time.</i>	98

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

**BVU AUTHORITY
NET POSITION BY COMPONENT
Last Ten Fiscal Years**

Table 1

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Investment in Capital Assets	\$ 78,006,074	99,697,091	111,466,768	112,939,156	113,129,629	118,453,883	110,940,595	99,827,738	55,064,481	55,156,898
Restricted	-	-	-	-	-	1,730,000	1,615,000	2,167,000	2,237,452	1,629,402
Unrestricted	24,152,140	21,990,983	21,491,920	24,859,969	28,443,885	29,837,005	38,257,839	50,456,001	53,159,536	56,434,904
Total net position	\$ 102,158,214	121,688,074	132,958,688	137,799,125	141,573,514	150,020,888	150,813,434	152,450,739	110,461,469	113,221,204

Source: Internal records

See Independent Auditors' Report.

**BVU AUTHORITY
CHANGES IN NET POSITION
Last Ten Fiscal Years**

Table 2

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OPERATING REVENUES										
Charges for services	\$ 77,221,487	76,626,529	78,906,953	79,998,232	79,548,565	84,275,758	84,021,323	82,580,342	56,997,844	50,672,016
Management and consulting fees	1,328,137	1,451,827	875,555	902,050	142,219	153,441	167,873	-	-	-
OptiNet backhaul fees	-	-	-	-	-	-	-	173,502	15,462	-
Rent from property	641,969	664,497	374,824	372,342	359,748	363,302	365,037	366,219	879,364	1,160,266
Forfeited discounts and penalties	476,625	521,288	640,933	569,876	521,319	528,163	556,020	557,976	440,329	288,101
Connections and transfers	236,194	299,845	260,738	264,568	238,495	244,972	268,764	241,541	284,344	281,836
Income from CPC Operations	-	-	-	1,754,793	2,019,780	-	-	-	-	-
Other	1,485,522	1,524,911	1,499,930	208,849	422,767	273,926	344,704	347,972	163,763	302,398
TOTAL OPERATING REVENUES	81,389,934	81,088,897	82,558,933	84,070,710	83,252,893	85,839,562	85,723,721	84,267,552	58,781,106	52,704,617
OPERATING EXPENSES										
Power and pumping	1,391,217	1,438,774	1,482,728	1,520,399	1,505,748	1,706,911	1,624,118	1,738,854	1,790,223	1,658,581
Purification and collection system	844,046	824,591	791,314	709,984	690,180	676,057	702,955	706,056	701,762	676,980
Transmission and distribution	2,397,351	2,486,645	2,235,785	2,348,990	2,229,767	2,139,208	2,061,893	2,185,113	3,411,866	3,743,868
Telephone, broadband, and CATV	7,369,055	7,748,832	7,891,406	8,398,670	9,070,919	11,639,364	10,185,055	11,479,223	1,106,421	-
Billing and collection	3,383,302	3,982,791	4,465,970	5,219,137	5,132,043	5,985,459	5,180,156	4,758,234	2,443,130	2,120,431
Sales promotion	395,805	396,901	488,356	499,935	389,409	145,453	-	-	-	-
Purchase of electricity	42,501,261	40,341,634	40,637,375	40,717,621	40,695,776	38,583,259	41,410,889	37,848,680	36,927,142	33,496,989
Administrative and general	9,376,336	10,585,758	9,645,178	9,907,878	9,095,690	9,126,869	8,364,721	7,678,109	5,230,293	4,593,911
Depreciation	7,534,453	7,968,198	8,501,561	9,527,739	11,176,532	13,096,513	13,150,430	12,507,809	4,523,409	3,921,049
Distribution of CPC operations	-	-	-	-	-	438,580	445,630	482,470	42,581	-
TOTAL OPERATING EXPENSES	75,192,826	75,774,124	76,139,673	78,850,353	79,986,064	83,537,673	83,125,847	79,384,548	56,176,827	50,211,809
OPERATING INCOME	6,197,108	5,314,773	6,419,260	5,220,357	3,266,829	2,301,889	2,597,874	4,883,004	2,604,279	2,492,808
NONOPERATING REVENUES (EXPENSES)										
Amortization	(220,288)	(280,669)	(280,469)	(245,127)	(245,127)	(245,127)	(245,127)	(245,127)	(2,788,816)	-
Interest income	97,865	95,879	90,252	86,004	91,563	56,193	46,587	34,062	277,147	567,009
Interest expense	(1,809,959)	(1,512,040)	(1,407,375)	(1,610,286)	(1,519,855)	(1,412,327)	(1,485,679)	(1,431,411)	(2,095,445)	(46,404)
Loss on investment in Joint Sewer System	-	-	-	-	-	-	-	(228,311)	(394,178)	(179,931)
Loss on sale of OptiNet	-	-	-	-	-	-	-	-	(39,988,630)	-
Gain (loss) on disposal of assets	39,644	224,330	(148,301)	34,065	(49,335)	87,639	(121,109)	(150,266)	386,104	(73,747)
Other	3,507	-	-	-	-	-	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,889,231)	(1,472,500)	(1,745,893)	(1,735,344)	(1,722,754)	(1,513,622)	(1,805,328)	(2,021,053)	(44,603,818)	266,927
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	4,307,877	3,842,273	4,673,367	3,485,013	1,544,075	788,267	792,546	2,861,951	(41,999,539)	2,759,735
Capital contributions	6,369,344	15,687,587	6,450,943	2,076,268	381,314	-	-	-	-	-
CHANGE IN NET POSITION	\$ 10,677,221	19,529,860	11,124,310	5,561,281	1,925,389	788,267	792,546	2,861,951	(41,999,539)	2,759,735

Source: Internal records

See Independent Auditors' Report.

**BVU AUTHORITY
REVENUES BY SOURCE
Last Ten Fiscal Years**

Table 3

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Electric Services	\$ 54,784,861	52,400,666	52,778,132	52,558,707	52,047,845	51,218,637	51,102,456	49,828,892	46,957,893	42,288,130
Water Services	3,153,864	3,498,356	3,684,813	3,587,519	3,254,408	3,417,689	3,432,990	3,466,484	3,462,139	3,578,690
Wastewater Services	3,237,100	3,514,978	4,252,002	4,279,216	4,101,543	4,681,347	4,612,551	4,602,639	4,609,702	4,805,196
OptiNet Services	15,010,554	16,179,533	16,933,367	19,572,790	20,144,769	19,529,752	19,596,857	19,061,228	1,810,419	-
CPC Services	-	-	-	-	-	5,428,333	5,276,469	5,621,099	157,691	-
Management and consulting fees	1,328,137	1,451,827	800,342	782,109	-	-	-	-	-	-
OptiNet backhaul fees	-	-	75,213	119,941	142,219	153,441	167,873	173,502	15,462	-
Rent from property	641,969	664,497	374,824	372,342	359,748	363,302	365,037	366,219	879,364	1,160,266
Forfeited discounts and penalties	476,625	521,288	640,933	569,876	521,319	528,163	556,020	557,976	440,329	288,101
Connections and transfers	236,194	299,845	260,738	264,568	238,495	244,972	268,764	241,541	284,344	281,836
Income from CPC Operations	1,035,108	1,032,996	1,258,639	1,754,793	2,019,780	-	-	-	-	-
Other	1,485,522	1,524,911	1,499,930	208,849	422,767	273,926	344,704	347,972	163,763	302,398
Interest Income	97,865	95,879	90,252	86,004	91,563	56,193	46,587	34,062	277,147	567,009
Capital Grants and Contributions	6,369,344	15,687,587	6,450,943	2,076,268	381,314	-	-	-	-	-
Total Revenues by Source	\$ 87,857,143	96,872,363	89,100,128	86,232,982	83,725,770	85,895,755	85,770,308	84,301,614	59,058,253	53,271,626

NOTE: Prior to FY2016, only the net income from CPC Operations was recorded by BVU Authority. Beginning in FY2016, the results of CPC Operations were recorded in their gross amount.

Source: Internal records

See Independent Auditors' Report.

BVU AUTHORITY
LARGEST INDIVIDUAL CUSTOMER ACCOUNTS
Current Year and Nine Years Prior

Table 4

Electric	2020 Rank	2011 Rank
Universal Fibers Systems, LLC (305 ***481)	1	1
Strongwell (***)104)	2	6
Virginia Chasan (***)977)	3	-
Snack Alliance (***)403)	4	-
Sam's Wholesale (***)108)	5	10
Aerus, LLC (***)482)	6	9
Wal-Mart Stores East Inc (***)503)	7	8
Snack Alliance (***)402)	8	-
KVAT Food Stores 821 (***)073)	9	-
Green Valley Poultry (***)553)	10	-
Bristol Compressors International (305 ***483)	-	2
Bristol Compressors International (300 ***483)	-	5
Universal Fibers Systems, LLC (300 ***481)	-	3
Ball Metal Beverage (***)409)	-	4
Sandvik Management, LLC (***)480)	-	7

Water	2020 Rank	2011 Rank
Snack Alliance (***)402)	1	2
City of Bristol, VA (***)001)	2	-
Hulsing Hotels Virginia, Inc (***)285)	3	-
Ridgecrest Town Apts, LLC (***)730)	4	-
American Merchant, Inc (***)206)	5	-
Bristol VA School Board (***)056)	6	-
City of Bristol, VA (***)465)	7	-
Carriage Hills Condos (***)231)	8	-
Associated Asphalt Bristol, LLC (***)091)	9	-
Strongwell (***)104)	10	-
Washington County Service Authority (***)573)	-	1
Washington County Service Authority (***)590)	-	3
Washington County Service Authority (***)566)	-	4
VI College (***)073)	-	5
Lee Highway Mobile Home Park (***)155)	-	6
Washington County Service Authority (***)571)	-	7
United Parcel Service (***)303)	-	8
Rainero Tile Co (***)325)	-	9
Piccadilly Restaurant, LLC (***)177)	-	10

Source: Internal billing records.

(Continued)

BVU AUTHORITY
LARGEST INDIVIDUAL CUSTOMER ACCOUNTS
Current Year and Nine Years Prior

Table 4

Wastewater	2020 Rank	2011 Rank
City of Bristol, VA (250 ***219)	1	1
Snack Alliance (251 ***402)	2	2
Washington County Service Authority (**520)	3	4
Washington County Service Authority (**581)	4	8
Wolf Hills Energy, LLC (500 ***548)	5	-
Washington County Service Authority (**580)	6	-
City of Bristol, VA (250 ***001)	7	-
Washington County Service Authority (**530)	8	7
Universal Fibers Systems, LLC (**587)	9	5
Hulshing Hotels Virginia, Inc (**285)	10	-
Bristol Compressors International (**582)	-	3
Washington County Service Authority (**551)	-	6
VI College (250 ***073)	-	9
Lee Highway Mobile Home Park (670 ***155)	-	10

See Independent Auditors' Report.

BVU AUTHORITY
SCHEDULE OF ELECTRIC SYSTEM RATES
Last Ten Fiscal Years

	Table 5										
	Fiscal Year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Residential-Schedule RS (Rate Class 22)											
Customer Charge	\$ 10.10	\$ 10.10	\$ 10.10	\$ 10.10	\$ 10.10	\$ 10.60	\$ 12.20	\$ 18.00	\$ 18.00	\$ 18.00	
TVA Hydro-Allocation Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1.60)	\$ (1.60)	\$ (1.60)	\$ (1.60)	
Energy Charge:											
Summer (Jun, Jul, Aug, and Sep)	\$ 0.07293	\$ 0.07588	\$ 0.07588	\$ 0.07745	\$ 0.07904	\$ 0.08534	\$ 0.08690	\$ 0.07868	\$ 0.07894	\$ 0.07283	
Winter (Dec, Jan, Feb, and Mar)	\$ 0.07019	\$ 0.07305	\$ 0.07305	\$ 0.07454	\$ 0.07606	\$ 0.08226	\$ 0.08374	\$ 0.07545	\$ 0.07562	\$ 0.06958	
Transition (Apr, May, Oct, and Nov)	\$ 0.06848	\$ 0.07129	\$ 0.07129	\$ 0.07274	\$ 0.07421	\$ 0.08035	\$ 0.08179	\$ 0.07345	\$ 0.07357	\$ 0.06758	
General Power-Schedule GSA1 (Rate Class 40)											
(demand up to 50 kW and usage up to 15,000 kWh)											
Customer Charge	\$ 15.20	\$ 15.20	\$ 15.20	\$ 15.20	\$ 15.20	\$ 15.84	\$ 15.84	\$ 18.00	\$ 18.00	\$ 18.00	
Energy Charge:											
Summer (Jun, Jul, Aug, and Sep)	\$ 0.08405	\$ 0.08728	\$ 0.08728	\$ 0.08897	\$ 0.09069	\$ 0.09765	\$ 0.09933	\$ 0.09387	\$ 0.09458	\$ 0.08774	
Winter (Dec, Jan, Feb, and Mar)	\$ 0.08131	\$ 0.08446	\$ 0.08446	\$ 0.08608	\$ 0.08773	\$ 0.09460	\$ 0.09621	\$ 0.09068	\$ 0.09131	\$ 0.08453	
Transition (Apr, May, Oct, and Nov)	\$ 0.07960	\$ 0.08270	\$ 0.08270	\$ 0.08427	\$ 0.08587	\$ 0.09268	\$ 0.09424	\$ 0.08866	\$ 0.08923	\$ 0.08250	
General Power-Schedule GSA2 (Rate Class 50)											
(demand of 50 kW to 1,000 kW or demand of less than 50 kW but usage in excess of 15,000 kWh)											
Customer Charge	\$ 60.00	\$ 60.00	\$ 60.00	\$ 60.00	\$ 60.00	\$ 62.54	\$ 62.54	\$ 75.00	\$ 75.00	\$ 75.00	
Demand Charge:											
First 50 kW											
Summer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Winter	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Transition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Excess of 50 kW											
Summer	\$ 13.70	\$ 14.06	\$ 14.06	\$ 14.37	\$ 14.69	\$ 15.70	\$ 16.01	\$ 16.32	\$ 16.37	\$ 15.41	
Winter	\$ 12.87	\$ 13.21	\$ 13.21	\$ 13.50	\$ 13.79	\$ 14.77	\$ 15.06	\$ 15.35	\$ 15.38	\$ 14.44	
Transition	\$ 12.87	\$ 13.21	\$ 13.21	\$ 13.50	\$ 13.79	\$ 14.77	\$ 15.06	\$ 15.35	\$ 15.38	\$ 14.44	
Energy Charge:											
First 15,000 kWh											
Summer	\$ 0.07948	\$ 0.08484	\$ 0.08484	\$ 0.08653	\$ 0.08825	\$ 0.09510	\$ 0.09678	\$ 0.09341	\$ 0.09413	\$ 0.08773	
Winter	\$ 0.07674	\$ 0.08202	\$ 0.08202	\$ 0.08364	\$ 0.08529	\$ 0.09204	\$ 0.09365	\$ 0.09020	\$ 0.09083	\$ 0.08450	
Transition	\$ 0.07503	\$ 0.08025	\$ 0.08025	\$ 0.08182	\$ 0.08342	\$ 0.09012	\$ 0.09168	\$ 0.08819	\$ 0.08876	\$ 0.08247	
Additional kWh											
Summer	\$ 0.03985	\$ 0.04072	\$ 0.04072	\$ 0.04149	\$ 0.04227	\$ 0.04598	\$ 0.04675	\$ 0.04246	\$ 0.04305	\$ 0.03983	
Winter	\$ 0.03711	\$ 0.03790	\$ 0.03790	\$ 0.03860	\$ 0.03931	\$ 0.04293	\$ 0.04362	\$ 0.03925	\$ 0.03976	\$ 0.03661	
Transition	\$ 0.03594	\$ 0.03669	\$ 0.03669	\$ 0.03735	\$ 0.03803	\$ 0.04161	\$ 0.04227	\$ 0.03787	\$ 0.03834	\$ 0.03522	

(Continued)

BVU AUTHORITY
SCHEDULE OF ELECTRIC SYSTEM RATES
Last Ten Fiscal Years

	Table 5											
	Fiscal Year											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
General Power-Schedule GSA3 (Rate Class 54) (demand of greater than 1,000 kW but less than 2,500 kW)												
Customer Charge	\$ 230.00	\$ 230.00	\$ 230.00	\$ 230.00	\$ 230.00	\$ 239.73	\$ 239.73	\$ 239.73	\$ 239.73	\$ 239.73	\$ 239.73	\$ 239.73
Demand Charge:												
First 1,000 kW												
Summer	\$ 13.91	\$ 14.72	\$ 14.72	\$ 15.04	\$ 15.37	\$ 16.42	\$ 16.74	\$ 17.06	\$ 17.12	\$ 16.12	\$ 16.12	\$ 16.12
Winter	\$ 13.08	\$ 13.86	\$ 13.86	\$ 14.16	\$ 14.47	\$ 15.49	\$ 15.79	\$ 16.09	\$ 16.09	\$ 16.12	\$ 16.12	\$ 15.15
Transition	\$ 13.08	\$ 13.86	\$ 13.86	\$ 14.16	\$ 14.47	\$ 15.49	\$ 15.79	\$ 16.09	\$ 16.09	\$ 16.12	\$ 16.12	\$ 15.15
Excess of 1,000 kW												
Summer	\$ 14.20	\$ 15.08	\$ 15.08	\$ 15.46	\$ 15.85	\$ 17.01	\$ 17.39	\$ 17.77	\$ 17.83	\$ 17.83	\$ 17.83	\$ 16.73
Winter	\$ 13.37	\$ 14.22	\$ 14.22	\$ 14.58	\$ 14.95	\$ 16.07	\$ 16.43	\$ 16.79	\$ 16.79	\$ 16.82	\$ 16.82	\$ 15.74
Transition	\$ 13.37	\$ 14.22	\$ 14.22	\$ 14.58	\$ 14.95	\$ 16.07	\$ 16.43	\$ 16.79	\$ 16.79	\$ 16.82	\$ 16.82	\$ 15.74
Energy Charge:												
Summer	\$ 0.03985	\$ 0.04072	\$ 0.04072	\$ 0.04149	\$ 0.04227	\$ 0.04598	\$ 0.04675	\$ 0.04752	\$ 0.04812	\$ 0.04812	\$ 0.04812	\$ 0.04469
Winter	\$ 0.03711	\$ 0.03790	\$ 0.03790	\$ 0.03860	\$ 0.03931	\$ 0.04293	\$ 0.04362	\$ 0.04431	\$ 0.04483	\$ 0.04483	\$ 0.04483	\$ 0.04147
Transition	\$ 0.03594	\$ 0.03669	\$ 0.03669	\$ 0.03735	\$ 0.03803	\$ 0.04161	\$ 0.04227	\$ 0.04293	\$ 0.04341	\$ 0.04341	\$ 0.04341	\$ 0.04009
General Power-Schedule GSA3 (Rate Class 55) (demand of greater than 2,500 kW but less than 5,000 kW)												
Customer Charge	\$ 230.00	\$ 230.00	\$ 230.00	\$ 230.00	\$ 230.00	\$ 239.73	\$ 239.73	\$ -	\$ -	\$ -	\$ -	\$ -
Demand Charge:												
First 1,000 kW												
Summer	\$ 13.91	\$ 14.72	\$ 14.72	\$ 15.04	\$ 15.37	\$ 16.42	\$ 16.74	\$ -	\$ -	\$ -	\$ -	\$ -
Winter	\$ 13.08	\$ 13.86	\$ 13.86	\$ 14.16	\$ 14.47	\$ 15.49	\$ 15.79	\$ -	\$ -	\$ -	\$ -	\$ -
Transition	\$ 13.08	\$ 13.86	\$ 13.86	\$ 14.16	\$ 14.47	\$ 15.49	\$ 15.79	\$ -	\$ -	\$ -	\$ -	\$ -
Excess of 1,000 kW												
Summer	\$ 14.20	\$ 15.08	\$ 15.08	\$ 15.46	\$ 15.85	\$ 17.01	\$ 17.39	\$ -	\$ -	\$ -	\$ -	\$ -
Winter	\$ 13.37	\$ 14.22	\$ 14.22	\$ 14.58	\$ 14.95	\$ 16.07	\$ 16.43	\$ -	\$ -	\$ -	\$ -	\$ -
Transition	\$ 13.37	\$ 14.22	\$ 14.22	\$ 14.58	\$ 14.95	\$ 16.07	\$ 16.43	\$ -	\$ -	\$ -	\$ -	\$ -
Additional kW above contract demand												
Summer	\$ 14.20	\$ 15.08	\$ 15.08	\$ 15.46	\$ 15.85	\$ 17.01	\$ 17.39	\$ -	\$ -	\$ -	\$ -	\$ -
Winter	\$ 13.37	\$ 14.22	\$ 14.22	\$ 14.58	\$ 14.95	\$ 16.07	\$ 16.43	\$ -	\$ -	\$ -	\$ -	\$ -
Transition	\$ 13.37	\$ 14.22	\$ 14.22	\$ 14.58	\$ 14.95	\$ 16.07	\$ 16.43	\$ -	\$ -	\$ -	\$ -	\$ -
Energy Charge:												
Summer	\$ 0.03985	\$ 0.04072	\$ 0.04072	\$ 0.04149	\$ 0.04227	\$ 0.04598	\$ 0.04675	\$ -	\$ -	\$ -	\$ -	\$ -
Winter	\$ 0.03711	\$ 0.03790	\$ 0.03790	\$ 0.03860	\$ 0.03931	\$ 0.04293	\$ 0.04362	\$ -	\$ -	\$ -	\$ -	\$ -
Transition	\$ 0.03711	\$ 0.03669	\$ 0.03669	\$ 0.03735	\$ 0.03803	\$ 0.04161	\$ 0.04227	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

BVU AUTHORITY
SCHEDULE OF ELECTRIC SYSTEM RATES
Last Ten Fiscal Years

	Table 5									
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Power-Schedule GSB (Rate Class 36)										
(demand of greater than 5,000 kW and less than 15,000 kW)										
Customer Charge	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ -	\$ -	\$ -
Administrative Charge	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ -	\$ -	\$ -
Demand Charge (per kW):										
Summer										
On Peak kW	\$ 16.60	\$ 17.05	\$ 17.05	\$ 17.44	\$ 17.84	\$ 10.09	\$ 10.33	\$ -	\$ -	\$ -
Off Peak kW	\$ 4.56	\$ 4.64	\$ 4.64	\$ 4.71	\$ 4.78	\$ 5.56	\$ 5.64	\$ -	\$ -	\$ -
Additional kW above contract demand	\$ 16.01	\$ 17.05	\$ 17.05	\$ 17.44	\$ 17.84	\$ 10.09	\$ 10.33	\$ -	\$ -	\$ -
Winter										
On Peak kW	\$ 9.74	\$ 9.97	\$ 9.97	\$ 10.18	\$ 10.39	\$ 9.20	\$ 9.42	\$ -	\$ -	\$ -
Off Peak kW	\$ 4.56	\$ 4.64	\$ 4.64	\$ 4.71	\$ 4.78	\$ 5.56	\$ 5.64	\$ -	\$ -	\$ -
Additional kW above contract demand	\$ 9.74	\$ 9.97	\$ 9.97	\$ 10.18	\$ 10.39	\$ 9.20	\$ 9.42	\$ -	\$ -	\$ -
Transition										
On Peak Billing kW	\$ 4.56	\$ 4.64	\$ 4.64	\$ 4.71	\$ 4.78	\$ 9.20	\$ 9.42	\$ -	\$ -	\$ -
On Peak Transition Max kW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5.56	\$ 5.64	\$ -	\$ -	\$ -
Additional kW above contract demand	\$ 4.56	\$ 4.64	\$ 4.64	\$ 4.71	\$ 4.78	\$ 9.20	\$ 9.42	\$ -	\$ -	\$ -
Energy Charge (per kWh):										
Summer										
On Peak kWh	\$ 0.07627	\$ 0.11536	\$ 0.11536	\$ 0.08039	\$ 0.08236	\$ 0.07553	\$ 0.07722	\$ -	\$ -	\$ -
Off Peak										
First 425/200 hours use of demand	\$ 0.04272	\$ 0.08078	\$ 0.08078	\$ 0.04490	\$ 0.04594	\$ 0.05236	\$ 0.05350	\$ -	\$ -	\$ -
Next 195/200 hours use of demand	\$ 0.02466	\$ 0.06216	\$ 0.06216	\$ 0.02579	\$ 0.02633	\$ 0.00930	\$ 0.00941	\$ -	\$ -	\$ -
Over 620/400 hours use of demand	\$ 0.00933	\$ 0.04636	\$ 0.04636	\$ 0.00958	\$ 0.00970	\$ 0.00613	\$ 0.00615	\$ -	\$ -	\$ -
Winter										
On Peak kWh	\$ 0.04660	\$ 0.04788	\$ 0.04788	\$ 0.04901	\$ 0.05016	\$ 0.06495	\$ 0.06639	\$ -	\$ -	\$ -
Off Peak										
First 425/200 hours use of demand	\$ 0.04272	\$ 0.04388	\$ 0.04388	\$ 0.04490	\$ 0.04594	\$ 0.05442	\$ 0.05560	\$ -	\$ -	\$ -
Next 195/200 hours use of demand	\$ 0.02466	\$ 0.02526	\$ 0.02526	\$ 0.02579	\$ 0.02633	\$ 0.00930	\$ 0.00941	\$ -	\$ -	\$ -
Over 620/400 hours use of demand	\$ 0.00933	\$ 0.00946	\$ 0.00946	\$ 0.00958	\$ 0.00970	\$ 0.00613	\$ 0.00615	\$ -	\$ -	\$ -
Transition										
On Peak kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.05206	\$ 0.05319	\$ -	\$ -	\$ -
Off Peak										
First 425 hours use of demand	\$ 0.04272	\$ 0.04388	\$ 0.04388	\$ 0.04490	\$ 0.04594	\$ 0.05206	\$ 0.05319	\$ -	\$ -	\$ -
Next 195 hours use of demand	\$ 0.02466	\$ 0.02526	\$ 0.02526	\$ 0.02579	\$ 0.02633	\$ 0.00930	\$ 0.00941	\$ -	\$ -	\$ -
Over 620 hours use of demand	\$ 0.00933	\$ 0.00946	\$ 0.00946	\$ 0.00958	\$ 0.00970	\$ 0.00613	\$ 0.00615	\$ -	\$ -	\$ -

(Continued)

BVU AUTHORITY
SCHEDULE OF ELECTRIC SYSTEM RATES
Last Ten Fiscal Years

	Table 5											
	Fiscal Year											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
General Power-Schedule GSB (Rate Class 36)												
(Continued)												
Facility Charge (per kW): (delivery voltage level)												
First 10,000 kW												
<46kV	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ -	\$ -	\$ -		
46kV - 161 kV	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ -	\$ -	\$ -		
> 161 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Over 10,000 kW												
<46kV	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ -	\$ -	\$ -		
46kV - 161 kV	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ -	\$ -	\$ -		
> 161 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Reactive Charge (per kVAR):												
Leading (per kVAR)	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ -	\$ -	\$ -		
Lagging (per kVAR)	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ -	\$ -	\$ -		
Manufacturing Service Rate-Schedule MSB (Rate Class 26)												
(demand of greater than 5,000 kW and less than 15,000 kW)												
Customer Charge	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	
Administrative Charge	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	
Demand Charge (per kW):												
Summer												
On Peak kW	\$ 15.95	\$ 16.40	\$ 16.40	\$ 16.79	\$ 17.19	\$ 9.50	\$ 9.72	\$ 9.95	\$ 10.22	\$ 10.22		
Off Peak kW	\$ 3.91	\$ 3.98	\$ 3.98	\$ 4.05	\$ 4.12	\$ 2.15	\$ 2.17	\$ 2.19	\$ 2.27	\$ 2.27		
Additional kW above contract demand	\$ 15.95	\$ 16.40	\$ 16.40	\$ 16.79	\$ 17.19	\$ 9.50	\$ 9.72	\$ 9.95	\$ 10.22	\$ 10.22		
Winter												
On Peak kW	\$ 9.09	\$ 9.32	\$ 9.32	\$ 9.53	\$ 9.74	\$ 8.60	\$ 8.80	\$ 9.01	\$ 9.25	\$ 9.25		
Off Peak kW	\$ 3.91	\$ 3.98	\$ 3.98	\$ 4.05	\$ 4.12	\$ 2.15	\$ 2.17	\$ 2.19	\$ 2.27	\$ 2.27		
Additional kW above contract demand	\$ 9.09	\$ 9.32	\$ 9.32	\$ 9.53	\$ 9.74	\$ 8.60	\$ 8.80	\$ 9.01	\$ 9.25	\$ 9.25		
Transition												
Billing kW	\$ 3.91	\$ 3.98	\$ 3.98	\$ 4.05	\$ 4.12	\$ 8.60	\$ 8.80	\$ 9.01	\$ 9.25	\$ 9.25		
Transition Max kW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.15	\$ 2.17	\$ 2.19	\$ 2.27	\$ 2.27		
Additional kW above contract demand	\$ 3.91	\$ 3.98	\$ 3.98	\$ 4.05	\$ 4.12	\$ 8.60	\$ 8.80	\$ 9.01	\$ 9.25	\$ 9.25		

(Continued)

BVU AUTHORITY
SCHEDULE OF ELECTRIC SYSTEM RATES
Last Ten Fiscal Years

	Fiscal Year										Table 5
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Manufacturing Service Rate-Schedule MSB (Rate Class 26) (Continued)											
Energy Charge (per kWh):											
Summer											
On Peak kWh	\$ 0.05960	\$ 0.06128	\$ 0.06128	\$ 0.06276	\$ 0.06427	\$ 0.05758	\$ 0.05885	\$ 0.06011	\$ 0.06173	\$ 0.06173	
Off Peak											
First 425/200 hours use of demand	\$ 0.02641	\$ 0.02707	\$ 0.02707	\$ 0.02765	\$ 0.02824	\$ 0.03443	\$ 0.03514	\$ 0.03585	\$ 0.03679	\$ 0.03679	
Next 195/200 hours use of demand	\$ 0.00835	\$ 0.00845	\$ 0.00845	\$ 0.00854	\$ 0.00863	\$ 0.00690	\$ 0.00694	\$ 0.00698	\$ 0.00717	\$ 0.00717	
Over 620/400 hours use of demand	\$ (0.00697)	\$ (0.00734)	\$ (0.00734)	\$ (0.00767)	\$ (0.00800)	\$ 0.00454	\$ 0.00453	\$ 0.00452	\$ 0.00464	\$ 0.00464	
Winter											
On Peak kWh	\$ 0.03054	\$ 0.03133	\$ 0.03133	\$ 0.03202	\$ 0.03272	\$ 0.04703	\$ 0.04803	\$ 0.04905	\$ 0.05035	\$ 0.05035	
Off Peak											
First 425/200 hours use of demand	\$ 0.02641	\$ 0.02707	\$ 0.02707	\$ 0.02765	\$ 0.02824	\$ 0.03649	\$ 0.03725	\$ 0.03801	\$ 0.03902	\$ 0.03902	
Next 195/200 hours use of demand	\$ 0.00835	\$ 0.00845	\$ 0.00845	\$ 0.00854	\$ 0.00863	\$ 0.00690	\$ 0.00694	\$ 0.00698	\$ 0.00717	\$ 0.00717	
Over 620/400 hours use of demand	\$ (0.00697)	\$ (0.00734)	\$ (0.00734)	\$ (0.00767)	\$ (0.00800)	\$ 0.00454	\$ 0.00453	\$ 0.00452	\$ 0.00464	\$ 0.00464	
Transition											
On Peak kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.03730	\$ 0.03807	\$ 0.03885	\$ 0.03988	\$ 0.03988	
Off Peak											
First 425/200 hours use of demand	\$ 0.02641	\$ 0.02707	\$ 0.02707	\$ 0.02765	\$ 0.02824	\$ 0.03730	\$ 0.03807	\$ 0.03885	\$ 0.03988	\$ 0.03988	
Next 195/200 hours use of demand	\$ 0.00835	\$ 0.00845	\$ 0.00845	\$ 0.00854	\$ 0.00863	\$ 0.00690	\$ 0.00694	\$ 0.00698	\$ 0.00717	\$ 0.00717	
Over 620/400 hours use of demand	\$ (0.00697)	\$ (0.00734)	\$ (0.00734)	\$ (0.00767)	\$ (0.00800)	\$ 0.00454	\$ 0.00453	\$ 0.00452	\$ 0.00464	\$ 0.00464	
Facility Charge (per kW):(delivery voltage level)											
First 10,000 kW											
<46kV	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	
46kV - 161 kV	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	
> 161 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Over 10,000 kW											
<46kV	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	
46kV - 161 kV	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	
> 161 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Reactive Charge (per kVAR):											
Leading (per kVAR)	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	
Lagging (per kVAR)	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	

(Continued)

BVU AUTHORITY
SCHEDULE OF ELECTRIC SYSTEM RATES
Last Ten Fiscal Years

	Table 5									
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Seasonal General Service Rate-Schedule SGSB (Rate Class 56)										
(demand of greater than 5,000 kW and less than 15,000 kW)										
Customer Charge	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ -	\$ -	\$ -
Administrative Charge	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ -	\$ -	\$ -
Demand Charge (per kW):										
Summer										
Billing kW	\$ 21.63	\$ 22.23	\$ 22.23	\$ 22.76	\$ 23.30	\$ 20.07	\$ 20.50	\$ -	\$ -	\$ -
Additional kW above contract demand	\$ 21.63	\$ 22.23	\$ 22.23	\$ 22.76	\$ 23.30	\$ 20.07	\$ 20.50	\$ -	\$ -	\$ -
Winter										
Billing kW	\$ 15.51	\$ 15.92	\$ 15.92	\$ 16.28	\$ 16.65	\$ 17.01	\$ 17.37	\$ -	\$ -	\$ -
Additional kW above contract demand	\$ 15.51	\$ 15.92	\$ 15.92	\$ 16.28	\$ 16.65	\$ 17.01	\$ 17.37	\$ -	\$ -	\$ -
Transition										
Billing kW	\$ 10.91	\$ 11.18	\$ 11.18	\$ 11.42	\$ 11.66	\$ 13.95	\$ 14.24	\$ -	\$ -	\$ -
Additional kW above contract demand	\$ 10.91	\$ 11.18	\$ 11.18	\$ 11.42	\$ 11.66	\$ 13.95	\$ 14.24	\$ -	\$ -	\$ -
Energy Charge (per kWh):										
Summer	\$ 0.03069	\$ 0.03148	\$ 0.03148	\$ 0.03217	\$ 0.03288	\$ 0.03351	\$ 0.03420	\$ -	\$ -	\$ -
Winter	\$ 0.02671	\$ 0.02738	\$ 0.02738	\$ 0.02797	\$ 0.02857	\$ 0.02911	\$ 0.02968	\$ -	\$ -	\$ -
Transition	\$ 0.02583	\$ 0.02647	\$ 0.02647	\$ 0.02703	\$ 0.02760	\$ 0.02189	\$ 0.02866	\$ -	\$ -	\$ -
Facility Charge (per kW):										
(delivery voltage level)										
First 10,000 kW										
<46kV	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ -	\$ -	\$ -
46kV - 161 kV	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ -	\$ -	\$ -
> 161 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Over 10,000 kW										
<46kV	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ -	\$ -	\$ -
46kV - 161 kV	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ -	\$ -	\$ -
> 161 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reactive Charge (per kVAR):										
Leading (per kVAR)	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ -	\$ -	\$ -
Lagging (per kVAR)	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ -	\$ -	\$ -

(Continued)

BVU AUTHORITY
SCHEDULE OF ELECTRIC SYSTEM RATES
Last Ten Fiscal Years

	Table 5									
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Seasonal Manufacturing Service Rate-Schedule										
SMSB (Rate Class 02)										
(demand of greater than 5,000 kW and less than 15,000 kW)										
Customer Charge	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Charge	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ -	\$ -	\$ -	\$ -	\$ -
Demand Charge (per kW):										
Summer										
Billing kW	\$ 18.18	\$ 18.69	\$ 18.69	\$ 19.14	\$ 19.60	\$ -	\$ -	\$ -	\$ -	\$ -
Additional kW above contract demand	\$ 18.18	\$ 18.69	\$ 18.69	\$ 19.14	\$ 19.60	\$ -	\$ -	\$ -	\$ -	\$ -
Winter										
Billing kW	\$ 12.05	\$ 12.38	\$ 12.38	\$ 12.67	\$ 12.96	\$ -	\$ -	\$ -	\$ -	\$ -
Additional kW above contract demand	\$ 12.05	\$ 12.38	\$ 12.38	\$ 12.67	\$ 12.96	\$ -	\$ -	\$ -	\$ -	\$ -
Transition										
Billing kW	\$ 7.45	\$ 7.63	\$ 7.63	\$ 7.79	\$ 7.95	\$ -	\$ -	\$ -	\$ -	\$ -
Additional kW above contract demand	\$ 7.45	\$ 7.63	\$ 7.63	\$ 7.79	\$ 7.95	\$ -	\$ -	\$ -	\$ -	\$ -
Energy Charge (per kWh):										
Summer	\$ 0.02128	\$ 0.02178	\$ 0.02178	\$ 0.02222	\$ 0.02267	\$ -	\$ -	\$ -	\$ -	\$ -
Winter	\$ 0.01679	\$ 0.01715	\$ 0.01715	\$ 0.01747	\$ 0.01779	\$ -	\$ -	\$ -	\$ -	\$ -
Transition	\$ 0.01574	\$ 0.01607	\$ 0.01607	\$ 0.01636	\$ 0.01666	\$ -	\$ -	\$ -	\$ -	\$ -
Facility Charge (per kW):										
(delivery voltage level)										
First 10,000 kW										
<46kV	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ -	\$ -	\$ -	\$ -	\$ -
46kV - 161 kV	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ -	\$ -	\$ -	\$ -	\$ -
> 161 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Over 10,000 kW										
<46kV	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ -	\$ -	\$ -	\$ -	\$ -
46kV - 161 kV	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ -	\$ -	\$ -	\$ -	\$ -
> 161 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reactive Charge (per kVAR):										
Leading (per kVAR)	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ -	\$ -	\$ -	\$ -	\$ -
Lagging (per kVAR)	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

BVU AUTHORITY
SCHEDULE OF ELECTRIC SYSTEM RATES
Last Ten Fiscal Years

	Fiscal Year										Table 5
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Outdoor Lighting (Schedule LS - Part A)											
(street/park lighting, traffic signals, and athletic field lighting)											
Customer Charge	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00
Energy Charge:											
Summer	\$ 0.07663	\$ 0.07746	\$ 0.07746	\$ 0.07819	\$ 0.07894	\$ 0.08415	\$ 0.08488	\$ 0.85610	\$ 0.08318	\$ 0.08125	\$ 0.08125
Winter	\$ 0.07389	\$ 0.07464	\$ 0.07464	\$ 0.07530	\$ 0.07597	\$ 0.08107	\$ 0.08173	\$ 0.08239	\$ 0.07988	\$ 0.07801	\$ 0.07801
Transition	\$ 0.07218	\$ 0.07288	\$ 0.07288	\$ 0.07349	\$ 0.07411	\$ 0.07916	\$ 0.07977	\$ 0.08038	\$ 0.07781	\$ 0.07600	\$ 0.07600
Facility Charge (per month)	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
Outdoor Lighting (Schedule LS - Part B)											
(outdoor lighting for individual customers)											
Energy Charge (per kWh):											
Summer	\$ 0.07663	\$ 0.07746	\$ 0.07746	\$ 0.07819	\$ 0.07894	\$ 0.08415	\$ 0.08488	\$ 0.85610	\$ 0.08318	\$ 0.08125	\$ 0.08125
Winter	\$ 0.07389	\$ 0.07464	\$ 0.07464	\$ 0.07530	\$ 0.07597	\$ 0.08107	\$ 0.08173	\$ 0.08239	\$ 0.07988	\$ 0.07801	\$ 0.07801
Transition	\$ 0.07218	\$ 0.07288	\$ 0.07288	\$ 0.07349	\$ 0.07411	\$ 0.07916	\$ 0.07977	\$ 0.08038	\$ 0.07781	\$ 0.07600	\$ 0.07600
Facility Charge (per month):											
Mercury Vapor/Incandescent (175 Watts)	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
Mercury Vapor/Incandescent (400 Watts)	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46
Mercury Vapor Flood (400 Watts)	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96
Mercury Vapor Flood (1,000 Watts)	\$ 3.31	\$ 3.31	\$ 3.31	\$ 3.31	\$ 3.31	\$ 3.31	\$ 3.31	\$ 3.31	\$ 3.31	\$ 3.31	\$ 3.31
High Pressure Sodium (100 Watts)	\$ 3.53	\$ 3.53	\$ 3.53	\$ 3.53	\$ 3.53	\$ 3.53	\$ 3.53	\$ 3.53	\$ 3.53	\$ 3.53	\$ 3.53
High Pressure Sodium (150 Watts)	\$ 4.89	\$ 4.89	\$ 4.89	\$ 4.89	\$ 4.89	\$ 4.89	\$ 4.89	\$ 4.89	\$ 4.89	\$ 4.89	\$ 4.89
High Pressure Sodium (200 Watts)	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59
High Pressure Sodium (400 Watts)	\$ 4.30	\$ 4.30	\$ 4.30	\$ 4.30	\$ 4.30	\$ 4.30	\$ 4.30	\$ 4.30	\$ 4.30	\$ 4.30	\$ 4.30
High Pressure Sodium Flood (400 Watts)	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14	\$ 6.14
High Pressure Sodium Flood (1,000 Watts)	\$ 4.75	\$ 4.75	\$ 4.75	\$ 4.75	\$ 4.75	\$ 4.75	\$ 4.75	\$ 4.75	\$ 4.75	\$ 4.75	\$ 4.75
Metal Halide Flood (400 Watts)	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20
Metal Halide Flood (1,000 Watts)	\$ 6.33	\$ 6.33	\$ 6.33	\$ 6.33	\$ 6.33	\$ 6.33	\$ 6.33	\$ 6.33	\$ 6.33	\$ 6.33	\$ 6.33
LED (100 Watts)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3.53	\$ 3.53	\$ 3.53	\$ 3.53
Pole Rental Charge (per month):											
Wood	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Post Top	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Aluminum	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00
Installation Charge (one time fee):											
Existing Pole	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
New Pole	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 250.00	\$ 250.00	\$ 250.00

(Continued)

BVU AUTHORITY
SCHEDULE OF ELECTRIC SYSTEM RATES
Last Ten Fiscal Years

	Fiscal Year										Table 5
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
TVA Fuel Cost Adjustment											
Residential (Schedule RS)											
Energy Charge											
First 1,000 kWh	\$ 0.02478	\$ 0.02475	\$ 0.02463	\$ 0.02724	\$ 0.02212	\$ 0.01924	\$ 0.02118	\$ 0.01970	\$ 0.01830	\$ 0.01495	
Additional kWh	\$ 0.02478	\$ 0.02475	\$ 0.02463	\$ 0.02724	\$ 0.02212	\$ 0.01924	\$ 0.02118	\$ 0.01970	\$ 0.01830	\$ 0.01495	
General Power (Schedule GSA1)											
Energy Charge	\$ 0.02478	\$ 0.02475	\$ 0.02463	\$ 0.02724	\$ 0.02212	\$ 0.01924	\$ 0.02118	\$ 0.01970	\$ 0.01830	\$ 0.01495	
General Power (Schedule GSA2)											
Demand Charge											
First 50 kW											
Excess over 50 kW											
Energy Charge											
First 15,000 kWh	\$ 0.02478	\$ 0.02475	\$ 0.02463	\$ 0.02724	\$ 0.02212	\$ 0.01924	\$ 0.02118	\$ 0.01970	\$ 0.01830	\$ 0.01495	
Additional kWh	\$ 0.02478	\$ 0.02475	\$ 0.02463	\$ 0.02724	\$ 0.02212	\$ 0.01924	\$ 0.02118	\$ 0.01970	\$ 0.01830	\$ 0.01495	
General Power (Schedule GSA3)											
Demand Charge											
First 1,000 kW											
Excess over 1,000 kW											
Energy Charge	\$ 0.02478	\$ 0.02475	\$ 0.02463	\$ 0.02724	\$ 0.02212	\$ 0.01924	\$ 0.02118	\$ 0.01970	\$ 0.01830	\$ 0.01495	
Manufacturing Service Rate (Schedule MSB)											
Demand Charge											
Energy Charge											
First 620 hours of use demand	\$ 0.02431	\$ 0.02428	\$ 0.02416	\$ 0.02672	\$ 0.02170	\$ 0.01780	\$ 0.01916	\$ 0.01750	\$ 0.01666	\$ 0.01234	
Additional kWh	\$ 0.02431	\$ 0.02428	\$ 0.02416	\$ 0.02672	\$ 0.02170	\$ 0.01780	\$ 0.01916	\$ 0.01750	\$ 0.01666	\$ 0.01234	
Outdoor Lighting (Schedule LS - Part A and Part B)											
Energy Charge	\$ 0.02478	\$ 0.02475	\$ 0.02463	\$ 0.02724	\$ 0.02212	\$ 0.01924	\$ 0.02118	\$ 0.01970	\$ 0.01830	\$ 0.01495	

See Independent Auditors' Report.

BVU AUTHORITY
SCHEDULE OF WATER SYSTEM RATES
Last Ten Fiscal Years

Table 6										
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Monthly Billing										
Customer Charge										
Residential	\$	8.48	10.43	11.53	11.53	12.11	12.11	12.11	12.11	13.11
Non-Residential		17.16	21.12	23.34	23.34	24.51	24.51	24.51	24.51	26.51
Usage Charge (per 1,000 gallons)										
0 - 100,000 gallons per month	\$	2.57	3.16	3.49	3.49	3.66	3.66	3.66	3.66	3.66
100,001 - 3,250,000 gallons per month		2.12	2.60	2.87	2.87	3.01	3.01	3.01	3.01	3.01
3,250,001 - over		1.16	1.42	1.57	1.57	1.65	1.65	1.65	1.65	1.65
Industry Rate Class (per 1,000 gallons)										
0 - 100,000 gallons per month	\$	-	-	3.32	3.32	3.49	3.49	3.49	3.49	3.49
100,001 - 3,250,000 gallons per month		-	-	2.73	2.73	2.87	2.87	2.87	2.87	2.87
3,250,001 - over		-	-	1.49	1.49	1.56	1.56	1.56	1.56	1.56
Meter Service Charge										
5/8" x 3/4"	\$	-	-	-	-	-	-	-	-	-
1"		8.25	10.15	11.20	11.20	11.76	11.76	11.76	11.76	11.76
1-1/2 "		19.75	24.30	26.85	26.85	28.19	28.19	28.19	28.19	28.19
2"		32.75	40.30	44.50	44.50	46.73	46.73	46.73	46.73	46.73
3"		78.00	96.00	106.10	106.10	111.41	111.41	111.41	111.41	111.41
4"		123.75	152.30	168.30	168.30	176.72	176.72	176.72	176.72	176.72
6"		182.00	224.00	247.55	247.55	259.93	259.93	259.93	259.93	259.93
Fire Line Charges										
4"	\$	26.00	32.00	35.00	35.00	36.75	36.75	36.75	36.75	36.75
6"		52.00	64.00	70.00	70.00	73.50	73.50	73.50	73.50	73.50
8"		78.00	96.00	106.00	106.00	111.30	111.30	111.30	111.30	111.30
10"		104.00	128.00	141.00	141.00	148.05	148.05	148.05	148.05	148.05
Hydrant Rental		19.75	24.30	26.85	26.85	28.19	28.19	28.19	28.19	28.19
Connection Fees/System Fees										
Water Meter										
5/8" x 3/4"	\$	900.00	900.00	990.00	990.00	990.00	990.00	990.00	990.00	990.00
1"		2,265.00	2,265.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
2"		4,240.00	4,240.00	4,685.00	4,685.00	4,685.00	4,685.00	4,685.00	4,685.00	4,685.00
4"		13,360.00	15,470.00	17,095.00	17,095.00	17,095.00	17,095.00	17,095.00	17,095.00	17,095.00
6"		17,625.00	17,625.00	19,480.00	19,480.00	19,480.00	19,480.00	19,480.00	19,480.00	19,480.00

BVU AUTHORITY
SCHEDULE OF WATER SYSTEM RATES
Last Ten Fiscal Years

										Table 6
										Fiscal Year
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fire Line										
Meter Size										
4"	\$ 13,630.00	15,470.00	17,095.00	17,095.00	17,095.00	17,950.00	17,950.00	17,950.00	17,950.00	17,950.00
6"	17,625.00	17,625.00	19,480.00	19,480.00	19,480.00	20,454.00	20,454.00	20,454.00	20,454.00	20,454.00
Non Metered										
4" line	\$ 6,815.00	7,730.00	8,540.00	8,540.00	8,540.00	8,967.00	8,967.00	8,967.00	8,967.00	8,967.00
6" line	8,810.00	8,810.00	9,735.00	9,735.00	9,735.00	10,222.00	10,222.00	10,222.00	10,222.00	10,222.00

Customers residing outside the City of Bristol, VA shall be charged one and one-half (1-1/2) times the computed bill.

Source: Internal Records

See Independent Auditors' Report.

BVU AUTHORITY
SCHEDULE OF WASTEWATER SYSTEM RATES
Last Ten Fiscal Years

Table 7										
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Monthly Billing										
Customer Charge										
Residential	\$	8.16	9.59	11.43	11.43	11.43	13.14	13.14	13.14	14.14
Non-Residential		19.00	22.33	26.62	26.62	26.62	30.61	30.61	30.61	32.61
Treatment Charge (per 1,000 gallons)										
All volumes	\$	2.33	2.73	3.25	3.25	3.25	3.74	3.74	3.74	3.74
Industry Rate Class (per 1,000 gallons)										
All volumes	N/A	N/A	2.87	2.87	2.87	3.30	3.30	3.30	3.30	3.30
Meter Service Charge										
5/8" x 3/4"	\$	-	-	-	-	-	-	-	-	-
1"		9.50	11.15	13.25	13.25	13.25	15.24	15.24	15.24	15.24
1-1/2 "		23.00	27.00	32.15	32.15	32.15	36.97	36.97	36.97	36.97
2"		38.50	45.25	53.90	53.90	53.90	61.99	61.99	61.99	61.99
3"		87.00	102.25	121.85	121.85	121.85	140.13	140.13	140.13	140.13
4"		138.00	162.20	193.35	193.35	193.35	222.35	222.35	222.35	222.35
6"		342.00	402.00	479.20	479.20	479.20	551.08	551.08	551.08	551.08
Strong Waste Surcharge (per pound)										
Biological Oxygen Demand (BOD-5)										
0 - 300	\$	-	-	-	-	-	-	-	-	-
301 - over		0.06	0.06	0.06	0.06	0.06	0.07	0.07	0.07	0.07
Total Suspended Solids (TSS)										
0 - 300	\$	-	-	-	-	-	-	-	-	-
301 - over		0.12	0.12	0.12	0.12	0.12	0.14	0.14	0.14	0.14
Connection Fees/System Fees										
Line Size										
6"	\$	1,005.00	1,180.00	1,405.00	1,405.00	1,405.00	1,616.00	1,616.00	1,616.00	2,250.00
All Other		Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

BVU AUTHORITY
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

										Table 8
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
2010 Revenue and Refunding Bonds	\$ 44,545,000	\$ 43,385,000	\$ 42,185,000	\$ 40,930,000	\$ 39,610,000	\$ 38,235,000	\$ 36,790,000	\$ 35,275,000	-	-
Notes Payable - MI Connection	885,391	-	-	-	-	-	-	-	-	-
Southeast Rural Community Assistance Project (SERCAP)	-	-	-	222,773	214,826	-	-	-	-	-
VRA Revolving Loan Funds - Hassen Heights Water Tank	1,109,613	1,063,177	1,015,248	965,771	914,698	861,977	807,556	751,379	693,391	633,532
VRA Revolving Loan Funds - Bristol View Connector	1,216,140	1,165,246	1,112,716	1,058,489	1,002,512	944,730	885,084	823,514	759,958	694,351
VRA Revolving Loan Funds - Little Creek Interceptor and Sewer Basin Project	-	-	-	-	-	-	-	-	-	1,760,903
Total Outstanding Debt	<u>\$ 47,756,144</u>	<u>\$ 45,613,423</u>	<u>\$ 44,312,965</u>	<u>\$ 43,177,033</u>	<u>\$ 41,742,036</u>	<u>\$ 40,041,707</u>	<u>\$ 38,482,640</u>	<u>\$ 36,849,893</u>	<u>\$ 1,453,349</u>	<u>\$ 3,088,786</u>
Outstanding Debt Per Customer (by Department)										
Electric	\$ 1,000	\$ 971	\$ 948	\$ 928	\$ 893	\$ 863	\$ 832	\$ 792	\$ -	\$ -
Water	\$ 662	\$ 638	\$ 619	\$ 602	\$ 572	\$ 548	\$ 522	\$ 493	\$ 184	\$ 169
Sewer	\$ -	\$ -	\$ -	\$ 29	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ 230
OptiNet	\$ 2,405	\$ 2,156	\$ 1,997	\$ 1,874	\$ 1,796	\$ 1,713	\$ 1,661	\$ 1,615	\$ -	\$ -

See Independent Auditors' Report.

BVU AUTHORITY
REVENUE BOND COVERAGE
Last Ten Fiscal Years

Table 9

Fiscal Year	Gross	Operating	Net	Debt Service Requirements (3)			Coverage
	Revenues (1)	Expenses (2)	Available	Principal	Interest	Total	
Electric							
2011	\$ 56,352,274	51,247,509	5,104,765	595,000	697,648	1,292,648	3.95
2012	54,106,556	49,335,039	4,771,517	425,000	681,811	1,106,811	4.31
2013	54,547,328	49,590,926	4,956,402	440,000	666,733	1,106,733	4.48
2014	54,163,773	49,944,002	4,219,771	460,000	645,408	1,105,408	3.82
2015	53,690,719	49,122,216	4,568,503	480,000	624,310	1,104,310	4.14
2016	53,152,408	46,782,178	6,370,230	505,000	600,793	1,105,793	5.76
2017	53,552,196	49,384,256	4,167,940	530,000	576,533	1,106,533	3.77
2018	52,259,747	45,607,913	6,651,834	560,000	549,635	1,109,635	5.99
2019	49,387,236	46,491,770	2,895,466	-	-	-	-
2020	44,875,543	41,699,522	3,176,021	-	-	-	-
Water							
2011	\$ 3,325,730	2,484,905	840,825	199,284	201,873	401,156	2.10
2012	3,710,383	2,576,558	1,133,825	172,325	196,280	368,605	3.08
2013	3,865,417	2,620,737	1,244,680	180,464	190,373	370,837	3.36
2014	3,768,161	2,846,974	921,187	188,705	183,143	371,847	2.48
2015	3,506,449	2,590,455	915,994	197,050	175,836	372,886	2.46
2016	3,606,976	2,561,690	1,045,286	200,503	168,084	368,587	2.84
2017	3,638,490	2,458,512	1,179,978	209,067	160,160	369,227	3.20
2018	3,647,363	2,345,605	1,301,758	217,747	151,658	369,404	3.52
2019	3,630,730	2,526,263	1,104,467	121,557	49,437	170,995	6.46
2020	3,790,844	2,129,017	1,661,827	125,478	45,516	170,995	9.72
Sewer							
2011	\$ 3,277,749	2,720,803	556,946	-	-	-	-
2012	3,553,648	2,936,327	617,321	-	-	-	-
2013	4,304,153	3,005,439	1,298,714	-	-	-	-
2014	4,324,296	3,038,855	1,285,441	3,227	3,408	6,635	193.74
2015	4,142,224	2,803,659	1,338,565	7,947	7,977	15,924	84.06
2016	4,728,757	3,001,951	1,726,806	-	-	-	-
2017	4,667,993	2,797,133	1,870,860	-	-	-	-
2018	4,640,570	3,084,857	1,555,713	-	-	-	-
2019	4,733,250	2,946,194	1,787,056	-	-	-	-
2020	4,910,277	2,581,771	2,328,506	-	-	-	-
OptiNet							
2011	\$ 18,532,046	11,425,444	7,106,602	805,000	1,029,023	1,834,023	3.87
2012	19,814,189	13,238,671	6,575,518	660,000	1,051,848	1,711,848	3.84
2013	20,840,114	13,609,306	7,230,808	680,000	1,028,408	1,708,408	4.23
2014	22,936,382	14,773,808	8,162,574	710,000	995,318	1,705,318	4.79
2015	23,069,018	15,602,283	7,466,735	750,000	962,492	1,712,492	4.36
2016	24,530,309	18,463,163	6,067,146	780,000	925,944	1,705,944	3.56
2017	24,768,880	16,022,255	8,746,625	820,000	888,344	1,708,344	5.12
2018	24,486,249	16,391,298	8,094,951	855,000	846,977	1,701,977	4.76
2019	1,862,461	2,558,343	(695,882)	-	-	-	-
2020	442,801	170,906	271,895	-	-	-	-

(1) Total operating revenues plus interest income.

(2) Total operating expenses plus amortization less depreciation.

(3) Includes principal and interest on revenue bonds and VRA Revolving Loan Fund debt.

Source: Internal records

See Independent Auditors' Report.

**BVU AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

										Table 10
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Unemployment Rate										
City of Bristol	8.30%	7.30%	7.00%	6.40%	5.40%	5.10%	4.50%	3.70%	3.90%	9.80%
Scott County	7.30%	7.50%	7.00%	5.90%	5.20%	4.90%	4.00%	3.20%	3.20%	6.40%
Washington County	7.10%	6.70%	6.40%	5.80%	4.80%	4.60%	4.10%	3.40%	3.40%	7.70%
Virginia	6.60%	6.10%	5.70%	5.30%	4.50%	4.10%	3.70%	3.00%	2.80%	8.10%
Population										
City of Bristol	17,780	17,702	17,728	17,690	17,625	17,669	17,160	16,877	17,018	N/A
Scott County	23,274	23,445	23,223	23,181	22,759	22,733	22,377	22,121	21,892	N/A
Washington County	55,179	55,479	55,207	54,943	54,130	53,410	53,789	53,992	53,417	N/A
Virginia	8,096,604	8,185,867	8,260,405	8,326,289	8,382,993	8,411,808	8,470,020	8,517,685	8,535,519	N/A
Personal Income (Thousands of Dollars)										
Washington County + City of Bristol	\$ 2,715,354	2,922,509	2,779,901	2,693,897	2,686,904	2,591,795	2,791,654	2,899,980	N/A	N/A
Scott County	\$ 664,992	665,666	654,470	667,370	690,471	695,417	714,652	727,191	N/A	N/A
Virginia	\$ 386,298,008	404,772,481	402,064,568	420,235,927	440,823,733	448,683,501	466,743,276	492,312,666	N/A	N/A
Per Capita Personal Income (Dollars)										
Washington County + City of Bristol	\$ 37,441	40,145	38,518	37,523	37,650	36,420	39,221	40,912	N/A	N/A
Scott County	\$ 28,836	28,994	28,738	29,623	31,024	31,570	32,685	33,769	N/A	N/A
Virginia	\$ 47,647	49,431	48,666	50,528	52,687	53,323	55,105	57,799	N/A	N/A

Source:
United States Department of Labor, Bureau of Labor Statistics
Weldon Cooper Center for Public Service
Bureau of Economic Analysis

N/A - Information was not available when schedules were prepared

See Independent Auditors' Report.

**BVU AUTHORITY
PRINCIPAL EMPLOYERS
Current Year and Nine Years Prior**

Table 11

	2020		2011	
	Employees (1)	Rank	Employees (1)	Rank
City of Bristol				
Bristol City Public Schools	250 to 499 employees	1	250 to 499 employees	4
Electro Mechanical Corporation	250 to 499 employees	2	500 to 999 employees	2
Camac Corporation	250 to 499 employees	3	-	-
Highlands Community Services Board	250 to 499 employees	4	250 to 499 employees	8
City of Bristol	250 to 499 employees	5	250 to 499 employees	5
U.P.S.	250 to 499 employees	6	250 to 499 employees	10
Snack Alliance Inc	250 to 499 employees	7	-	-
Food City	250 to 499 employees	8	250 to 499 employees	9
Strongwell	250 to 499 employees	9	250 to 499 employees	7
VDOT	100 to 249 employees	10	-	-
Sprint United Management	-	-	500 to 999 employees	1
Officemax Inc	-	-	250 to 499 employees	3
U S Solutions Group	-	-	500 to 999 employees	6
	2020		2011	
	Employees (1)	Rank	Employees (1)	Rank
Washington County				
Washington County Schools	1000 and over employees	1	1000 and over employees	1
Food City	1000 and over employees	2	1000 and over employees	2
Mountain States Health AI	500 to 999 employees	3	500 to 999 employees	4
Utility Trailer Manufacturing	500 to 999 employees	4	250 to 499 employees	7
Wal Mart	500 to 999 employees	5	250 to 499 employees	6
Paramont Manufacturing	250 to 499 employees	6	-	-
Washington County	250 to 499 employees	7	250 to 499 employees	8
Emory and Henry College	250 to 499 employees	8	250 to 499 employees	10
Kearney National, Inc.	250 to 499 employees	9	-	-
Virginia Highlands Community College	100 to 249 employees	10	250 to 499 employees	9
Camac Corporation	-	-	250 to 499 employees	5
Bristol Compressors International	-	-	500 to 999 employees	3
	2020		2011	
	Employees (1)	Rank	Employees (1)	Rank
Scott County				
Scott County School Board	500 to 999 employees	1	500 to 999 employees	1
Tempur Production	250 to 499 employees	2	100 to 249 employees	3
Joy Technologies	250 to 499 employees	3	250 to 499 employees	2
Itec Healthcare Solutions Inc	100 to 249 employees	4	-	-
Marty, Inc.	100 to 249 employees	5	-	-
VFP Inc.	100 to 249 employees	6	100 to 249 employees	8
Food City	100 to 249 employees	7	100 to 249 employees	4
County of Scott	100 to 249 employees	8	100 to 249 employees	5
Ridgecrest Manor Nursing & Rehabilitation	100 to 249 employees	9	100 to 249 employees	6
Nova Health & Rehab Center	50 to 99 employees	10	-	-
Mountain Region Personal Care	-	-	100 to 249 employees	7
FNCS Weber City Operating	-	-	50 to 99 employees	9
Sw Virginia Regional Jail Auth	-	-	100 to 249 employees	10

Source: Virginia Employment Commission Quarterly Census of Employment and Wages for 1st Qtr 2020 and 2nd Qtr 2011.
Data for 2nd Qtr 2020 was not available at the time this report was prepared.

See Independent Auditors' Report.

**BVU AUTHORITY
CLIMATOLOGICAL DATA
Last Ten Fiscal Years**

Table 12

<u>Fiscal Year</u>	<u>Heating Degree Days *</u>	<u>Cooling Degree Days *</u>
2020	4137	1040
2019	4269	1133
2018	4623	902
2017	3921	969
2016	4224	740
2015	5007	715
2014	4833	744
2013	4359	769
2012	3706	913
2011	4469	1003

Source: U.S. Department of Commerce, National Oceanic and Atmospheric Administration, Abingdon, Virginia, Elevation 1,925 feet (Bristol, VA, within city limits, Elevation 1,662 to 2,124 feet)

* Degree Day is the measurement of the departure, on a single day, of the daily mean temperature from a standard temperature (65 degrees Fahrenheit). Heating Degree Day is a measurement designed to quantify the demand for energy needed to heat a building. Cooling Degree Day is a measurement designed to quantify the demand for energy needed to cool a building.

See Independent Auditors' Report.

BVU AUTHORITY
ELECTRIC SALES INFORMATION
Last Ten Fiscal Years

										Table 13
										Fiscal Year
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Purchased Power (kWh)	596,678,554	558,693,201	558,952,771	560,711,607	559,840,691	539,503,555	514,938,200	519,494,701	492,770,724	454,425,227
Consumption (kWh)										
Residential	220,332,023	194,484,388	203,635,243	210,410,023	207,969,958	191,675,969	188,244,626	200,775,221	198,934,677	193,323,865
Commercial	40,613,221	38,863,172	38,554,142	37,996,296	37,231,807	34,537,543	34,061,091	35,451,776	35,626,834	34,579,213
Large Commercial and Industrial	317,298,242	297,527,293	286,503,291	284,900,300	286,970,054	289,730,297	269,085,894	254,088,620	233,433,790	201,978,170
Street and Outdoor Lighting	6,164,797	6,051,715	5,920,591	5,828,021	5,717,871	5,762,394	5,738,744	5,673,241	5,755,556	5,813,774
Total Consumption	<u>584,408,283</u>	<u>536,926,568</u>	<u>534,613,267</u>	<u>539,134,640</u>	<u>537,889,690</u>	<u>521,706,203</u>	<u>497,130,355</u>	<u>495,988,858</u>	<u>473,750,857</u>	<u>435,695,022</u>
Line Losses (kWh)	12,270,271	21,766,633	24,339,504	21,576,967	21,951,001	17,797,352	17,807,845	23,505,843	19,019,867	18,730,205
Line Losses as a percentage of purchased power	2.06%	3.90%	4.35%	3.85%	3.92%	3.30%	3.46%	4.52%	3.86%	4.12%
Customer Count										
Residential	13,722	13,728	13,679	13,542	13,632	13,605	13,574	13,665	13,597	13,583
Commercial	2,191	2,237	2,229	2,214	2,220	2,230	2,237	2,262	2,274	2,294
Large Commercial and Industrial	327	317	313	323	326	322	308	304	314	310
Street and Outdoor Lighting	135	135	133	136	137	138	142	142	144	144
Total Customer Count	<u>16,375</u>	<u>16,417</u>	<u>16,354</u>	<u>16,215</u>	<u>16,315</u>	<u>16,295</u>	<u>16,261</u>	<u>16,373</u>	<u>16,329</u>	<u>16,331</u>

Note: Customer counts are as of June 30.

Source: Internal statistics reports.

See Independent Auditors' Report.

BVU AUTHORITY
WATER SALES INFORMATION
Last Ten Fiscal Years

										Table 14
Fiscal Year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Production (000's)										
Total gallons pumped	1,353,193	1,142,712	919,409	962,961	813,624	805,108	850,545	876,953	885,047	993,099
Gallons used in operations	16,635	14,007	10,883	13,482	9,514	8,161	8,248	9,133	9,707	10,680
Gallons Available For Sale	<u>1,336,558</u>	<u>1,128,705</u>	<u>908,526</u>	<u>949,479</u>	<u>804,110</u>	<u>796,947</u>	<u>842,297</u>	<u>867,820</u>	<u>875,340</u>	<u>982,419</u>
Consumption (000's)										
Residential	307,165	302,728	292,560	297,231	290,302	283,256	276,619	275,081	274,283	276,993
Commercial and Industrial	346,286	298,020	267,258	283,626	270,345	277,781	301,811	307,244	296,352	303,563
Other Water Authorities	304,869	212,727	137,868	92,400	-	-	-	-	-	-
Total Consumption	<u>958,320</u>	<u>813,475</u>	<u>697,686</u>	<u>673,257</u>	<u>560,647</u>	<u>561,037</u>	<u>578,430</u>	<u>582,325</u>	<u>570,635</u>	<u>580,556</u>
Gallons Losses (000's)	378,238	315,230	210,840	276,222	243,463	235,910	263,867	285,495	304,705	401,863
Losses as a percentage of gallons pumped	27.95%	27.59%	22.93%	28.68%	29.92%	29.30%	31.02%	32.56%	34.43%	40.47%
Customer Count										
Residential	6,832	6,868	6,847	6,788	6,845	6,832	6,827	6,862	6,830	6,815
Commercial and Industrial	1,100	1,098	1,080	1,055	1,059	1,056	1,049	1,039	1,060	1,059
Other Water Authorities	11	11	2	-	-	-	-	-	-	-
Total Customer Count	<u>7,943</u>	<u>7,977</u>	<u>7,929</u>	<u>7,843</u>	<u>7,904</u>	<u>7,888</u>	<u>7,876</u>	<u>7,901</u>	<u>7,890</u>	<u>7,874</u>

Note: Customer count is as of June 30.

Source: Internal statistics reports.

See Independent Auditors' Report.

**BVU AUTHORITY
WASTEWATER SALES INFORMATION
Last Ten Fiscal Years**

Table 15

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gallons Transported (000's)										
Residential	314,837	311,991	305,306	309,184	297,356	289,329	291,908	298,172	289,392	297,891
Commercial and Industrial	499,305	451,715	453,209	456,611	423,265	430,416	403,663	411,638	426,992	441,985
Total Gallons Transported (000's)	<u>814,142</u>	<u>763,706</u>	<u>758,515</u>	<u>765,795</u>	<u>720,621</u>	<u>719,745</u>	<u>695,571</u>	<u>709,810</u>	<u>716,384</u>	<u>739,876</u>
Customer Count										
Residential	6,677	6,713	6,697	6,633	6,702	6,691	6,688	6,730	6,701	6,690
Commercial and Industrial	1,028	1,028	1,007	983	985	977	967	945	972	977
Total Customer Count	<u>7,705</u>	<u>7,741</u>	<u>7,704</u>	<u>7,616</u>	<u>7,687</u>	<u>7,668</u>	<u>7,655</u>	<u>7,675</u>	<u>7,673</u>	<u>7,667</u>

Note: Customer counts are as of June 30.

Source: Internal statistics reports.

See Independent Auditors' Report.

BVU AUTHORITY
DEMAND FOR SERVICES AND CAPITAL INDICATORS
June 30, 2020

Table 16

Electric System		
Delivery Points From TVA	2	
Number of Substations	10	
Miles of Transmission Lines	27	
Miles of Overhead Circuit Lines	577	
Water System		
Daily Capacity of Water Plant	10,000,000	Gallons per Day
Average Daily Consumption	1,590,600	Gallons per Day
Number of Water Tanks	5	
Storage Capacity	6,800,000	Gallons
Miles of Water Lines	161	
Sewer System		
Total Daily Capacity of Treatment Plant	15,000,000	Gallons per Day
BVU Daily Capacity of Treatment Plant	6,750,000	Gallons per Day
Average Daily Customer Usage	2,027,100	Gallons per Day
Miles of Sewer Lines	141	
Number of Employees		
Full Time	64	
Part Time	<u>1</u>	
Total	<u><u>65</u></u>	

Source: Internal Records

See Independent Auditors' Report.

INTERNAL CONTROL AND COMPLIANCE SECTION

**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 Board of Directors
BVU Authority
Bristol, 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 *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 BVU Authority (the Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 23, 2020. Our report includes a reference to other auditors who audited the financial statements of the Joint Sewerage System, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify and 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 the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

October 23, 2020

**BVU AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2020**

SECTION I - FINANCIAL STATEMENT AUDIT FINDINGS

None Noted

SECTION II - PRIOR YEAR FINDINGS IMPLEMENTED

None Noted