



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018**



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LYNCHBURG, VIRGINIA**

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FISCAL YEAR ENDED JUNE 30, 2018**

Prepared By:

The Accounting Department

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

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CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018

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AUTHORITY MEMBERS

Wilson L. Dickerson - Chairman

Joseph Kirkland - Vice-Chairman

Calvin Adams

Carter S. Elliott, Jr.

James R. Marstin

William R. Moore

Daniel L. Richardson

Frank L. Davis, Jr. - Administrator

April Farmer - Treasurer

Wendy Meese - Secretary

CAMPBELL COUNTY

ADMINISTRATOR

FRANK L. DAVIS, JR.

fdavis@ccusa-water.com

**TELEPHONE**

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UTILITIES AND SERVICE AUTHORITY

20644 TIMBERLAKE ROAD, LYNCHBURG, VIRGINIA 24502

December 27, 2018

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Campbell County Utilities and Service Authority (Authority) for the fiscal year ended June 30, 2018. The CAFR was prepared by the Authority in conformity with U.S. Generally Accepted Accounting Principles (GAAP) with emphasis on disclosure of the financial activities of the Authority. Responsibility for both the completeness and reliability of the information, including all disclosures, rest with the Authority, and is based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The basic financial statements have been audited by our independent auditors, Robinson, Farmer, Cox Associates, who have issued an unmodified ("clean") opinion on the financial statements of the Authority as of and for the year ended June 30, 2018. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and Specifications for audits of Authorities, Boards and Commissions, issued by the Auditor of Public Accounts for the Commonwealth of Virginia. The annual audit is planned and performed to obtain reasonable, rather than absolute, assurance that the basic financial statements of Campbell County Utilities and Service Authority are free of any material misstatement. The independent auditors' report is located at the front of the financial section of this report.

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

Profile

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

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

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

As of June 30, 2018, the Authority had 8,111 water connections and 2,464 sewer connections. A large portion of Campbell County remains rural so it is not economically feasible to extend water or sewer lines to all of the population of Campbell County. It is estimated that the Authority provides water to approximately 19,600 of the estimated 55,010 residents of Campbell County. Sewer main extensions are substantially more expensive and the Authority provided sewer treatment services to approximately 6,000 Campbell County residents. These figures do not include connections to commercial, industrial or governmental facilities.

Services Provided

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

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

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

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

*Economic
Conditions
and
Outlook*

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

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

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

*Internal
Control
Structure
and
Budgetary
Controls*

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

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

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

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

*Relevant
Financial
Policies*

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

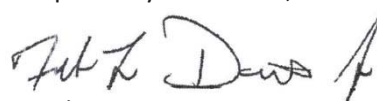
Awards

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

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

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

Respectfully submitted,

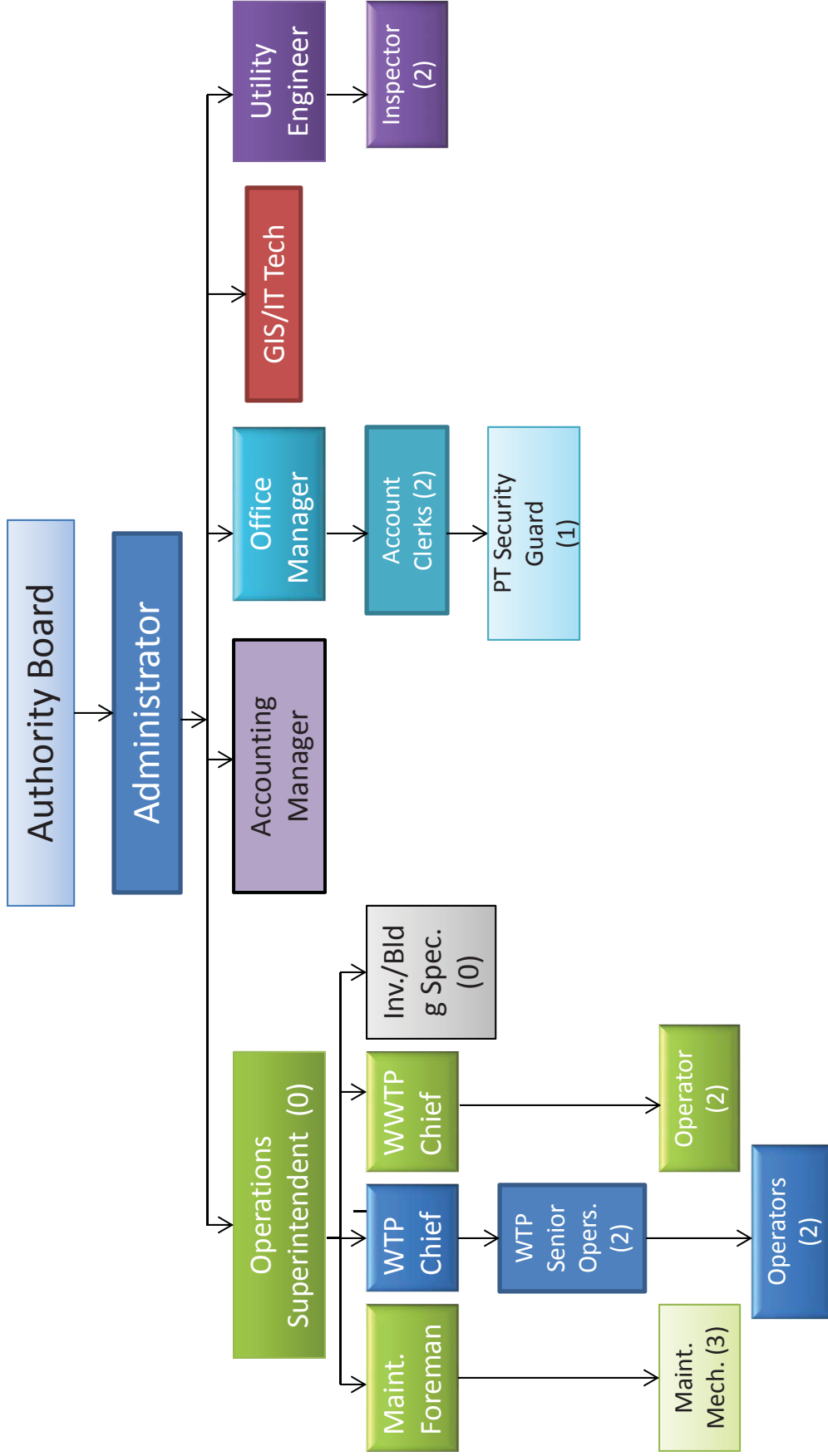
A handwritten signature in black ink, appearing to read "Frank L. Davis, Jr.", with a stylized flourish at the end.

Frank L. Davis, Jr.

Administrator

CCUSA ORGANIZATIONAL CHART

June 30, 2018





Government Finance Officers Association

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

Presented to

**Campbell County
Utilities and Service Authority
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Campbell County Utilities and Service Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Campbell County Utilities and Service Authority, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 12 to the financial statements, in 2018, the Authority adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 81 *and*, 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 12 to the financial statements, in 2018, the Authority restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension funding and OPEB on pages 15-21 and 76-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of Campbell County Utilities and Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Campbell County Utilities and Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Campbell County Utilities and Service Authority's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 27, 2018

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

As management of Campbell County Utilities and Service Authority, (the "Authority"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2018.

Overview of the Financial Statements

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

Financial statements

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

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

The basic financial statements can be found on pages 25 through 28 of this report.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 29 through 73 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in Exhibits 4 through Exhibit 9 of the Required Supplementary Information (pages 76-82).

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of fiscal year 2018 by \$64,310,154 (net assets or total net position). Of this amount, \$7,289,466 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors compared to \$62,001,653 net assets (as restated) with \$7,535,542 unrestricted net assets at the close of fiscal year 2017 and \$59,911,270 net assets with \$8,378,61 unrestricted net assets at the close of fiscal year 2016.
- The Authority's total net assets increased by \$2,308,501; however, 79.2% of this increase was attributable to capital contributions from developers. The percentage of increase in total net assets due to capital contributions was 55.9% in FY17 and 57.1% in FY16. The Authority is currently investing in its own capital by upgrading aging lines; this capital outlay is not providing growth for the system but is ensuring continued quality distribution is provided to Authority customers.

Financial Highlights: (Continued)

- The Authority's total liabilities decreased by \$1,912,630 this fiscal year from FY17 compared to a decrease of \$1,113,936 in FY17 from FY16 and a decrease of \$1,212,283 in FY16 from FY15. This reflects a total decrease of \$4,238,849 over the past four fiscal years.

Statement of Net Assets:

The following table reflects the condensed Statement of Net Assets:

Table 1
Summary of Statement of Net Position
At of June 30, 2018 and June 30, 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current assets	\$ 7,481,828	\$ 7,720,805
Capital assets	62,811,076	61,634,730
Restricted assets	1,523,707	1,604,700
Total assets	<u>\$ 71,816,611</u>	<u>\$ 70,960,235</u>
Deferred outflows	\$ 460,075	648,528
Total assets and deferred outflows	<u>\$ 72,276,686</u>	<u>\$ 71,608,763</u>
Current liabilities	\$ 1,730,278	\$ 1,959,266
Long-term liabilities	5,964,202	7,647,844
Total liabilities	<u>\$ 7,694,480</u>	<u>\$ 9,607,110</u>
Deferred inflows	\$ 272,052	-
Net investment in capital assets	\$ 56,520,688	\$ 53,966,111
Restricted	500,000	500,000
Unrestricted	7,289,466	7,535,542
Total net position	<u>\$ 64,310,154</u>	<u>\$ 62,001,653</u>
Total liabilities, deferred inflows, and net position	<u>\$ 72,276,686</u>	<u>\$ 71,608,763</u>

- The Authority's combined net assets increased by \$2,308,501 during the year compared to an increase of \$2,090,383 in the previous fiscal year and \$1,951,175 in fiscal year 2016.

Statement of Net Assets: (Continued)

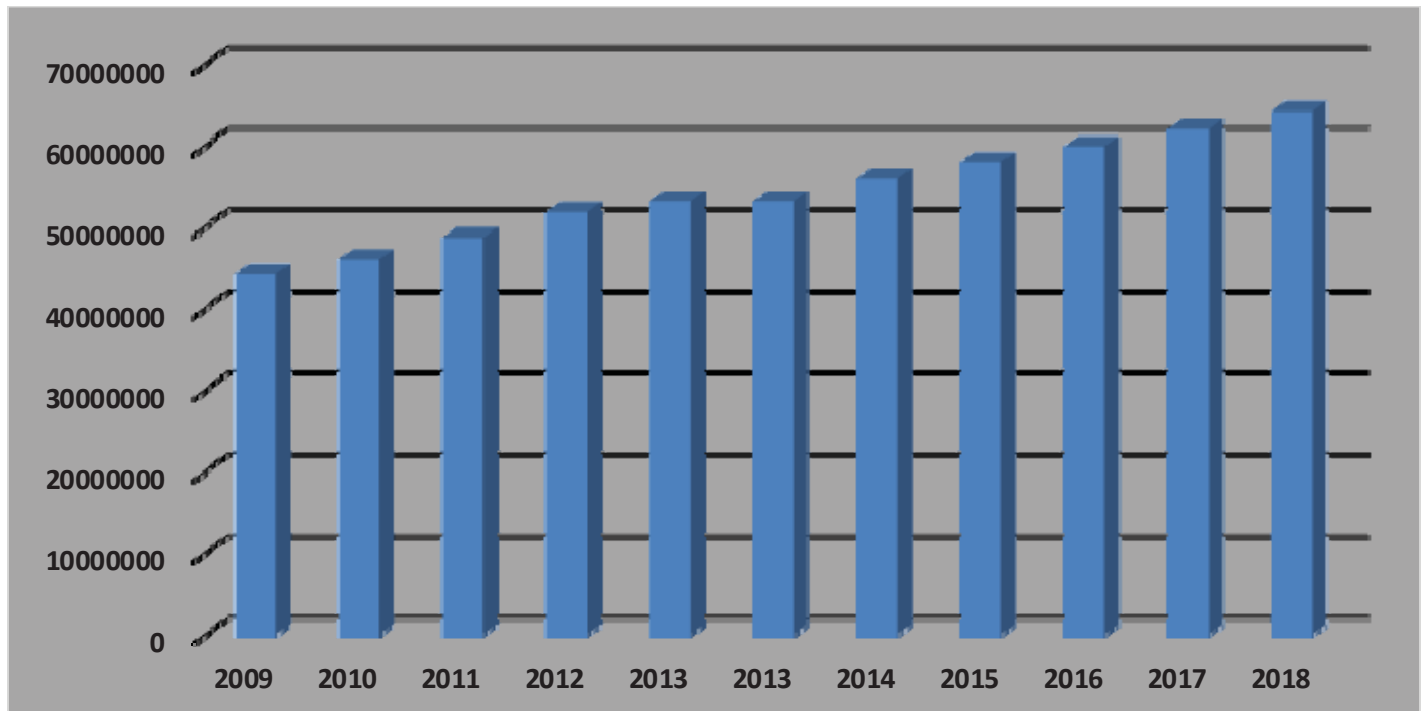
The following table shows the revenues and expenses of the Authority during the fiscal year:

Table 2
Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Operating revenues:		
Water sales, charges and sewer service charges	\$ 6,444,763	\$ 6,493,231
Total operating revenues	<u>\$ 6,444,763</u>	<u>\$ 6,493,231</u>
Operating expenses:		
Source of supply	\$ 1,017,163	\$ 963,997
Wastewater treatment	410,573	479,189
Maintenance and inspection	742,976	520,287
Personnel	1,823,995	1,772,105
Administrative and general	350,045	330,036
Depreciation	<u>1,633,583</u>	<u>1,639,133</u>
Total operating expenses	<u>\$ 5,978,335</u>	<u>\$ 5,704,747</u>
Net income from operations	<u>\$ 466,428</u>	<u>\$ 788,484</u>
Nonoperating revenues (expenses):		
Interest income	\$ 7,926	\$ 3,902
Interest expense	(242,707)	(283,783)
Capital recovery fees	183,096	289,378
Connection fees	65,778	42,834
System development fee	-	700
Sewer capacity fee	47,250	99,197
Grant from Campbell County	98,343	65,144
Other nonoperating expenses	<u>(39,028)</u>	<u>(83,415)</u>
Total nonoperating revenues (expenses)	<u>\$ 120,658</u>	<u>\$ 133,957</u>
Net income before capital contributions	\$ 587,086	\$ 922,441
Capital contributions	<u>1,828,415</u>	<u>1,167,942</u>
Change in net position	\$ 2,415,501	\$ 2,090,383
Net position - beginning of year, as restated	<u>61,894,653</u>	<u>59,911,270</u>
Net position - end of year	<u><u>\$ 64,310,154</u></u>	<u><u>\$ 62,001,653</u></u>

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. By far the largest portion of the Authority's net assets (87.5%) reflects investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are *not* available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



At the end of FY18, the Authority was able to report positive balances in all three categories of net assets.

Operating revenues decreased by \$48,468 and operating expenses including depreciation and amortization increased \$273,608 from FY 2017. Key elements of these changes are as follows:

- Capital Contributions from developers in the form of dedicated facilities were \$1,828,415. These included water transmission and distribution lines, sewer mains, service lines and laterals.
- There were no changes to water and sewer user rates in FY18. Retail water consumption and meter service charges fell short of budgeted projections by 4.5% or \$224,372 while sewer revenue exceeded forecasts by 0.8%, or \$10,732. A theory for reduced water usage is due to the amount of rainfall during FY18.
- Capital Recovery Fees (formerly "Availability Fees") for water and sewer both fell short of budget expectations in FY18. Water Capital Recovery Fees fell short of budget projections by 16.0%, or \$22,100. Capital Recovery Fees for sewer fell short of budget projections by 36.6%, or \$38,804. Authority staff and the Budget Committee (the Budget Committee consists of two Authority Board members) are conservative when preparing the budget for Capital Recovery Fees and do not budget for proposed projects until such projects are certain.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2018 net of accumulated depreciation was \$62,811,076. Investment in Capital Assets grew approximately 1.91% during FY18. Investments in capital assets grew 2.66 during FY17 and 0.30% in FY16.

The Authority Board encumbered \$933,600 for capital projects throughout the year.

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

Long-Term Debt - At the end of the fiscal year, the Authority had \$7,694,480 Long-Term Debt. Long-term debt consists of bonds and notes outstanding, compensated absences and net pension liability. The Authority had \$9,607,110 long-term debt at the end of FY17, a *decrease* of 19.9%. Campbell County pays a portion of the bond payments through a moral obligation agreement (\$98,343 in FY18). Accrued leave accounted for approximately 0.28% of long-term liabilities.

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

Review of Operations:

Operating Revenues - Total Operating Revenue decreased approximately 0.70% compared to an increase of 4.5% in FY17 from FY16 and 1.8% from FY16 from FY15. A comparison of the current fiscal year's actual and budgeted income is found on Schedule 2 under Supporting Schedules of the Financial Section. Operating Revenues fell short of budget projections by \$247,931.

Operating Expenses - Operating Expenses before depreciation and amortization exceeded the FY18 Budget by approximately 0.8% (or \$33,292). Operating Expenses before depreciation and amortization increased from FY17 Operating Expenses by approximately 6.9% (or \$279,138).

Expenses in the **Personnel division** increased by approximately 2.9%. The Authority was allowed a 3% cost of living adjustment and step increases were given to 5 employees according to longevity. To prepare for the retirement of the Authority's Wastewater Chief Operator, the Authority promoted a Maintenance Technician to train for this position in FY20. This employee was given a raise and a new employee was hired to fill the now vacant Maintenance Technician position. The Health Insurance line item is the largest increase in this division. The Authority's share of the increase for health insurance premiums was approximately 13% beginning with January 2018 premiums. Workers' Compensation Insurance was a major portion of the increase for the division while Retirement Expenses decreased in FY18 due to a lower Employer Contribution Rate.

Expenses in the **Administrative and General division** increased by 6.0% for fiscal year 2018. Large increases in this division were in the Equipment Contract line item, the Office Maintenance line item, and the Travel/Mileage/Education line item.

Expenses for the Source of Supply division (Expenses at the Water Treatment Plant) increased by approximately 7.6% from fiscal year 2017. There were large increases in the Purchase Water 460 line item, Electric Service line item, and the Equipment and Supplies line item.

Expenses for the RWWTP decreased 14.3%. In FY16 and FY17, there was a significant increase in Purchase of services from the City of Lynchburg due to an increase of flows combined with an increase in expenses passed along from the City of Lynchburg. The increase and the annual adjustments have leveled off.

Expenses in the Maintenance and Inspection division increased 42.8%, or \$222,689. Leak repairs and other required labor in the system are charged to the "Maintenance" line item within this division, resulting in fluctuations in this line item from year to year. Authority Administration has developed an aggressive schedule to address aging infrastructure which will result in decreases over time to the Maintenance line item. An increase in the Equipment and Supplies line item is also responsible for the increase in the division over FY17.

The Naruna division continues to be a small portion of overall Authority expenses with a budget of \$16,100; however, repairs to the Naruna well in FY17 caused expenses in this division to be over budget by \$13,972. In FY18, expenses for the Naruna division decreased by 70.2%, or \$17,571.

A summary of the current fiscal year's actual and budgeted expenses is found on Schedules 4 and 5 under Supporting Schedules of the Financial Section. A comparative summary of Authority financial data for FY18 and the previous nine years can be found in Table 2 in the Statistical Section.

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

Interest Expense decreased approximately 14.5% this fiscal year. Revenue from Capital Recovery Fees fell short of budget projections for water and sewer, as was previously explained in more detail under the heading "Financial Analysis". Capital Recovery fees are used to fund capital asset projects and to help pay interest expense on the long-term debt; however, in FY12, the Authority Board created a Base Fee for sewer customers so that Capital Recovery Fees would not be the sole source to fund capital asset projects. Both the Water Base Fee and the Sewer Base Fee were increased slightly in FY13, \$1 and \$2 respectively. These fees have not increased since FY13.

Contributions in Aid to Construction (CIAC) recognized in FY18 totaled \$1,828,415. Developers construct water and sewer infrastructure as they develop properties and then the infrastructure is "dedicated" to the Authority for future maintenance.

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

Trends in Operations

Connection Growth - A table containing new connections over the last 10 Fiscal Years is located in the Statistical section of this report. The annual growth of water customers was in the 3 to 6% range prior to FY09 but fell to the 1% range in fiscal years 2009 through FY12. New water connections were 0.93% in FY18. The average annual growth of sewer customers was in the 2-5% range and the Authority had even experienced as much as 9% in FY06 but that percentage of growth dropped to less than 2% in FY09 and has dropped to less than 1% in FY11 at only 20 new connections. The number of sewer customers grew 1.78% in FY18.

User Rates - The last increase in water or sewer usage rates was in FY12. Pages 72 and 73 in the Statistical Section lists the user rates for water and sewer as well as existing connection, availability and construction fees in place at fiscal year end.

Long Term Debt - The Authority issued a new Bond in December 2011 to fund construction of the new Tanglewood Water Tank. During the bonding process, it was found that the Authority could save \$321,422 by also refinancing most of its existing outstanding bonds. The Authority now has three bonds: the 2011 Bond A (new financing); the 2011 Bond B (refinancing of existing bonds); and the 2003 Bond which was at a low enough interest rate that did not benefit the Authority to include in the refinancing. The Revenue Bond Compliance report can be found on pages 93 and 94. Bond covenants require the Authority to maintain Debt Service Coverage Ratio of 1.15. The actual debt coverage achieved in FY18 was 1.77. Approximately 23.9% of the Authority's operating revenue was used to fund bond payments in fiscal year 2018 as compared to 24.8% in fiscal year 2017 (including non-operating revenue but not including Contributions in aid of construction, this calculation would have been 22.5% in FY18 and 23.0% in FY17).

Summary - Despite an increase in expenses and a decrease in revenue, the Authority had a successful financial year in its operations. The Authority had adequate debt service coverage for the year. The Authority had a positive net income of \$587,086 before capital contributions this year.

Requests for Information

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

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- Basic Financial Statements -

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Statement of Net Position
At June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 5,931,676
Accounts receivable	1,238,433
Inventory	311,719
Total current assets	<u>\$ 7,481,828</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents - debt service	\$ 500,000
Investments - debt service	1,023,707
Total restricted assets	<u>\$ 1,523,707</u>

Capital assets:

Land and land rights	\$ 298,954
Structures and improvements	27,201,157
Water and sanitary sewer mains and improvements other than structures	55,381,903
Machinery and equipment	3,680,683
Other	1,082,106
Lynchburg facilities capacity	2,913,891
Construction in progress	970,050
Total capital assets	<u>\$ 91,528,744</u>

Less accumulated depreciation (28,717,668)

Net capital assets \$ 62,811,076

Total noncurrent assets \$ 64,334,783

Total assets \$ 71,816,611

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on refunding	\$ 210,118
Pension deferrals	243,455
OPEB deferrals	6,502
Total deferred outflows of resources	<u><u>\$ 460,075</u></u>

Statement of Net Position

At June 30, 2018 (Continued)

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 267,702
Accrued interest payable	42,082
Advances for construction	36,207
Compensated absences, current portion	21,369
Notes payable, current portion	55,518
Revenue bonds payable, current portion	1,307,400
	<hr/>
Total current liabilities	\$ 1,730,278

Noncurrent liabilities:

Net pension liability	\$ 663,509
Net OPEB liability	99,000
Compensated absences, noncurrent portion	64,105
Notes payable, noncurrent portion	658,588
Revenue bonds payable, noncurrent portion	4,479,000
	<hr/>
Total noncurrent liabilities	\$ 5,964,202
	<hr/>
Total liabilities	\$ 7,694,480

DEFERRED INFLOWS OF RESOURCES

Pension deferrals	\$ 261,052
OPEB deferrals	11,000
	<hr/>
Total deferred inflows of resources	\$ 272,052

NET POSITION

Net investment in capital assets	\$ 56,520,688
Restricted:	
Debt service	500,000
Unrestricted	7,289,466
	<hr/>
Total net position	\$ 64,310,154

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

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

Operating revenues:

Water sales, charges and sewer service charges	\$ 6,444,763
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Operating expenses:

Source of supply	\$ 1,017,163
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Wastewater treatment	410,573
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Maintenance and inspection	742,976
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Personnel	1,823,995
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Administrative and general	350,045
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Total operating expenses before depreciation	\$ 4,344,752
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Depreciation	\$ 1,633,583
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Operating income (loss)	\$ 466,428
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Nonoperating revenues (expenses):

Interest income	\$ 7,926
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Interest expense	(242,707)
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Capital recovery fees	183,096
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Connection fees	65,778
-----------------	--------

Sewer capacity fee	47,250
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Grant from Campbell County	98,343
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Other nonoperating expenses	(39,028)
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Net nonoperating revenues (expenses)	\$ 120,658
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Net income (loss) before capital contributions	\$ 587,086
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Capital contributions	\$ 1,828,415
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Change in net position	\$ 2,415,501
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Net position - beginning of year, as restated	61,894,653
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Net position - end of year	\$ 64,310,154
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Receipts from customers and users	\$ 6,495,980
Payments to/for employees	(1,848,748)
Payments to suppliers/others	(2,675,245)
Net cash provided by (used for) operating activities	\$ 1,971,987
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (2,809,929)
Contributions from developers and customers	1,790,220
Contributions from governmental units	98,343
Capital recovery fees	183,096
Connection fees	65,778
Sewer capacity fee	47,250
Retirement of indebtedness	(1,440,718)
Interest on long-term debt	(190,590)
Net cash provided by (used for) capital and related financing activities	\$ (2,256,550)
Cash flows from investing activities:	
Interest income	\$ 7,926
Decrease in restricted assets	80,993
Net cash provided by (used for) investing activities	\$ 88,919
Net increase (decrease) in cash and cash equivalents	\$ (195,644)
Cash and cash equivalents at beginning of year (includes restricted cash)	6,627,320
Cash and cash equivalents at end of year (includes restricted cash)	\$ 6,431,676
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Net income from operations	\$ 466,428
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	1,633,583
Other nonoperating expenses	(39,028)
Changes in operating assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) decrease in:	
Accounts receivable	51,217
Prepaid items	250
Inventory	(8,134)
Pension deferrals - deferred outflows of resources	132,468
OPEB deferrals - deferred outflows of resources	(502)
Increase (decrease) in:	
Accounts payable and accrued expenses	(107,576)
Net pension liability	(434,583)
Net OPEB liability	(14,000)
Compensated absences	19,812
OPEB deferrals - deferred inflows of resources	11,000
Pension deferrals - deferred inflows of resources	261,052
Net cash provided by (used for) operating activities	\$ 1,971,987
Supplemental Disclosure:	
Noncash investing, capital, and financing activities:	
Capital assets contributed	\$ 1,828,415

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business and Reporting Entity:

Organization and Purpose:

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

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

Financial Reporting Entity:

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

Financial Statement Presentation:

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

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation: (Continued)

- Required Supplementary Information: (Continued)
 - Schedule of Employer Contributions Group Life Insurance Program
 - Notes to Required Supplementary Information Group Life Insurance Program

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

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

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

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

Investments - External investment pools are measured at amortized cost in accordance with GASB 79. All other investments are reported at fair value.

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

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

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

When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in results of operations. Depreciation expense for the year ended June 30, 2018 was \$1,612,397. Included in depreciation expense was \$76,704 charged to Lynchburg Facilities Capacity.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation: (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. As of June 30, 2018, this interest was immaterial.

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

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

Unbilled Revenue - The Authority bills service charges to customers on a bi-monthly basis. Service charges earned but unbilled are accrued based on the last billing. These items are reported in the financial statements as a part of receivables and revenues. The amount of estimated unbilled revenue included in accounts receivable totaled \$393,459.

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

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

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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

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

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

Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI 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 GLI 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 GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

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

Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The Authority's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial papers are required to be rated no lower than Standard and Poor's A-1 and Moody's Investors Service P-1.

<u>Authority's Rated Debt Investments</u>		
<u>Investment</u>	<u>S&P Rating</u>	<u>Value</u>
U.S. Government Securities		
Money Market Funds	AAAm	\$ <u><u>1,023,707</u></u>

Interest Rate Risk:

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
U.S. Government Securities		
Money Market Funds	\$ <u><u>1,023,707</u></u>	\$ <u><u>1,023,707</u></u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

Interest Rate Risk: (Continued)

Funds held by US Bank as trustee for revenue bonds:

2011 Revenue Bonds:	
Revenue bond debt service	\$ 301,098
2003 Revenue Bonds:	
Revenue bond debt service	722,609
Other funds:	
Minimum balance required by 1993 bond indenture	<u>500,000</u>
Total restricted assets	<u>\$ 1,523,707</u>

Fair Value Measurements:

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

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

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

The Authority has the following recurring fair value measurements as of June 30, 2018:

Investment Type	6/30/2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities				
Money Market Funds	\$ <u>1,023,707</u>	\$ <u>1,023,707</u>	\$ <u>-</u>	\$ <u>-</u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 3 - CAPITAL ASSETS:

Details of changes in capital assets for the fiscal year ended June 30, 2018 are as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements and other reductions</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated:				
Land and land rights	\$ 298,954	\$ -	\$ -	\$ 298,954
Construction in progress	<u>2,204,767</u>	<u>2,713,932</u>	<u>3,948,649</u>	<u>970,050</u>
Total capital assets not being depreciated	\$ <u>2,503,721</u>	\$ <u>2,713,932</u>	\$ <u>3,948,649</u>	\$ <u>1,269,004</u>
Capital assets being depreciated:				
Structures and improvements	\$ 27,162,483	\$ 38,674	\$ -	\$ 27,201,157
Water and sanitary sewer mains and improvements other than structures	51,772,187	3,609,716	-	55,381,903
Machinery and equipment	3,305,614	375,069	-	3,680,683
Other	1,082,106	-	-	1,082,106
Lynchburg Facilities Capacity	<u>2,892,704</u>	<u>21,187</u>	<u>-</u>	<u>2,913,891</u>
Total capital assets being depreciated	\$ <u>86,215,094</u>	\$ <u>4,044,646</u>	\$ <u>-</u>	\$ <u>90,259,740</u>
Less: Accumulated depreciation:				
Structures and improvements	\$ (10,678,664)	\$ (536,005)	\$ -	\$ (11,214,669)
Water and sanitary sewer mains and improvements other than structures	(11,802,778)	(773,148)	-	(12,575,926)
Machinery and equipment	(2,055,816)	(221,434)	-	(2,277,250)
Other	(423,756)	(26,292)	-	(450,048)
Lynchburg Facilities Capacity	<u>(2,123,071)</u>	<u>(76,704)</u>	<u>-</u>	<u>(2,199,775)</u>
Total accumulated depreciation	\$ <u>(27,084,085)</u>	\$ <u>(1,633,583)</u>	\$ <u>-</u>	\$ <u>(28,717,668)</u>
Capital assets being depreciated, net	\$ <u>59,131,009</u>	\$ <u>2,411,063</u>	\$ <u>-</u>	\$ <u>61,542,072</u>
Net capital assets	<u>\$ 61,634,730</u>	<u>\$ 5,124,995</u>	<u>\$ 3,948,649</u>	<u>\$ 62,811,076</u>

Lynchburg Facilities Capacity - The Authority entered into an agreement with the City of Lynchburg, Virginia to purchase capacity in its regional sewage treatment plant. The cost of this purchase is recorded in capital assets and is amortized over a period of 20 years. The amortization is based on the amount of principal payments made on notes payable to the City, as detailed in Note 6. Amortization of this cost is included in depreciation expense and totaled \$76,704 for FY17. The unamortized balance of this cost was \$714,116 at June 30, 2018.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 4 - CONSTRUCTION WORK IN PROGRESS:

	Balance Beginning of Year	Cost of Construction	Adjustments/ Transfers to Utility Plant & Equipment	Balance End of Year
Dreaming Creek Sewer Reconstruction	\$ 64,752	\$ 198,102	\$ -	\$ 262,854
Leesville Estates	97,666	-	-	97,666
Leesville Estates - Phase 2	10,367	-	-	10,367
Daly Seven 1002 Unit Hotel	10,522	-	-	10,522
SCADA System	182,173	1,698	183,871	-
Campbell County Master Sewer Plan - Phase 2	62,300	-	-	62,300
Route 460 West Sewer Study	12,173	-	-	12,173
Waterlick Road Low Pressure Sewer	17,857	-	-	17,857
Leesville Estates - Phase 2 (2010)	10,132	-	-	10,132
Russell Woods Sewer	181,868	-	-	181,868
Campbell County Landfill W & S Improvements	6,390	-	-	6,390
Liberty Ridge W & S Completion	27,257	1,676,000	1,703,257	-
Brookneal Water Line/Naruna	12,649	-	-	12,649
Simon's Run Water Line	1,342	-	-	1,342
Dennis Riddle Drive Sewer Extension	2,424	-	-	2,424
Woodhaven Service Replacement Project	11,583	-	-	11,583
Winston Lane Water Line	19,182	-	-	19,182
Timberlake Drive Main Water Line Replacement	1,300,312	23,111	1,323,423	-
Southside Electric Cooperative	-	132,812	132,812	-
Route 29 Sewer System Model	9,000	-	-	9,000
Clean WTP Holding Pond #1	63,562	28,385	91,947	-
Liberty Ridge Memory Care	-	36,170	36,170	-
Waterline Extension 1122 Wards Road	5,790	-	-	5,790
Sewer Flow Study	19,653	-	-	19,653
Ash Grove Drive waterline replacement	29,250	-	29,250	-
Farfields waterline replacement	13,597	430,370	443,967	-
Reseal parking lot WWTP	1,395	2,557	3,952	-
Route 24 pump station switch gear	27,504	-	-	27,504
WTP SCADA - priority 4	3,330	-	-	3,330
Relocation of Liberty Sewer Main	-	800	-	800
Web Mapping Portal & GIS Collector Application	-	19,088	-	19,088
Arrowhead Drive Waterline Replacement	-	3,800	-	3,800
Russell Woods Waterline Replacement	-	16,931	-	16,931
Virtual Server, Rack & Office 365	-	60,466	-	60,466
Wards Road & English Tavern Road Replacement	-	13,721	-	13,721
SCADA WTP Priority 5	-	33,615	-	33,615
Sheetz Water Service Upgrade	-	7,139	-	7,139
Seneca Park Lot A Shell Building	-	12,600	-	12,600
Suntrust Tank Recoating	-	303	-	303
William Campbell HS Waterline	-	6,175	-	6,175
ORWTP Telephone System Replacement	-	997	-	997
Other	737	9,092	-	9,829
Total	\$ 2,204,767	\$ 2,713,932	\$ 3,948,649	\$ 970,050

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 5 - LONG-TERM OBLIGATIONS:

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

	Balance July 1, 2017 as restated	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Net pension liability	\$ 1,098,092	\$ 426,016	\$ 860,599	\$ 663,509	\$ -
Net OPEB liability	113,000	3,000	17,000	99,000	-
Compensated absences	65,662	36,228	16,416	85,474	21,369
Notes payable	769,624	-	55,518	714,106	55,518
Revenue bonds payable	7,171,600	-	1,385,200	5,786,400	1,307,400
Totals	<u>\$ 9,217,978</u>	<u>\$ 465,244</u>	<u>\$ 2,334,733</u>	<u>\$ 7,348,489</u>	<u>\$ 1,384,287</u>

Amounts required to amortize long-term debt:

Fiscal Year Ending June 30,	Notes Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 55,518	\$ 13	\$ 1,307,400	\$ 150,301
2020	55,518	13	463,000	124,248
2021	55,518	12	495,000	110,967
2022	55,518	11	403,000	97,402
2023	55,518	11	413,000	85,776
2024	43,817	10	425,000	73,864
2025	43,817	10	436,000	61,594
2026	43,817	9	350,000	50,382
2027	43,817	9	367,000	40,147
2028	35,208	8	277,000	29,555
2029	29,830	7	203,000	22,455
2030	29,830	7	209,000	16,275
2031	29,829	6	216,000	9,900
2032	29,829	6	222,000	3,330
2033	29,829	5	-	-
2034	8,556	5	-	-
2035	8,556	4	-	-
2036	8,556	3	-	-
2037	8,556	3	-	-
2038	8,556	2	-	-
2039	8,555	2	-	-
2040	8,555	1	-	-
2041	8,555	1	-	-
2042	2,816	-	-	-
2043	2,816	-	-	-
2044	2,816	-	-	-
Total	<u>\$ 714,106</u>	<u>\$ 158</u>	<u>\$ 5,786,400</u>	<u>\$ 876,196</u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 5 - LONG-TERM OBLIGATIONS: (Continued)

Details of long-term obligations are as follows:

	<u>Total</u>	<u>Amount Due Within One Year</u>
Net pension liability	\$ 663,509	\$ -
Net OPEB liability	\$ 99,000	\$ -
Compensated absences	\$ 85,474	\$ 21,369
Notes payable:		
\$131,234 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$5,171 on June 1 through June 2015, thereafter \$1,284 through June 1, 2028, interest at 0%	\$ 12,840	\$ 1,284
\$468,039 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$11,701 on June 1 through 2023, interest at 0%	58,501	11,701
\$295,122 note payable to the City of Lynchburg, Virginia due in annual principal installments of \$8,608 on June 1 through 2027, interest at 0%	77,466	8,608
\$136,530 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$4,096 on June 1 through 2028, interest at 0%	40,958	4,096
\$172,189 note payable to the City of Lynchburg, Virginia due in annual principal installments of \$5,740 on June 1, through 2041, interest at 0.59%	132,008	5,740
\$425,467 note payable to the City of Lynchburg, Virginia due in annual principal installments of \$21,273 on June 1, through 2033, interest at 0%	319,102	21,273
\$84,495 note payable to the City of Lynchburg, Virginia due in annual principal installments of \$2,816 on June 1, through 2044, interest at 0%	73,231	2,816
Total notes payable	\$ 714,106	\$ 55,518

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 5 - LONG-TERM OBLIGATIONS: (Continued)

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

	<u>Total</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:		
\$3,377,000 Water and Sewer System Revenue Bond, Series 2011A dated December 20, 2011 principal payable in various installments beginning October 1, 2012 through October 1, 2031, interest payable semi-annually at 3.00%	\$ 2,584,000	\$ 151,000
\$4,268,000 Water and Sewer System Refunding Revenue Bond, Series 2011B dated December 20, 2011, principal payable semi-annually in various incremental amounts beginning April 1, 2012 through October 1, 2027, interest payable semi-annually at 2.75%	2,347,000	301,000
\$9,738,200 Water and Sewer System Refunding Revenue bond dated August 15, 2003, principal payable annually in various incremental amounts due on October 15, 2018, interest payable semi-annually at 3.07%	<u>855,400</u>	<u>855,400</u>
Total revenue bonds	\$ <u>5,786,400</u>	\$ <u>1,307,400</u>
Total long-term obligations	\$ <u><u>7,348,489</u></u>	\$ <u><u>1,384,287</u></u>

County of Campbell, Virginia has entered into a Support Agreement with the Authority whereby the County has undertaken a nonbinding obligation to appropriate to the Authority funds as necessary to pay the debt service required by certain water and sewer system revenue bonds. The Authority received \$98,343 from the County in FY18.

NOTE 6 - PENSION PLAN:

Plan Description

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	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.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. 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.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	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.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2016 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	14
Inactive members:	
Vested inactive members	2
Non-vested inactive members	0
Inactive members active elsewhere in VRS	<u>0</u>
Total inactive members	2
Active members	<u>20</u>
Total covered employees	<u><u>36</u></u>

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 9.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$116,047 and \$114,460 for the years ended June 30, 2018 and June 30, 2017, respectively.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Authority Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 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.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 4,633,788	\$ 3,535,696	\$ 1,098,092
Changes for the year:			
Service cost	\$ 102,855	\$ -	\$ 102,855
Interest	320,344	-	320,344
Changes of assumptions	(186,312)	-	(186,312)
Differences between expected and actual experience	(66,044)	-	(66,044)
Contributions - employer	-	111,589	(111,589)
Contributions - employee	-	59,339	(59,339)
Net investment income	-	437,315	(437,315)
Benefit payments, including refunds of employee contributions	(114,884)	(114,884)	-
Administrative expenses	-	(2,424)	2,424
Other changes	-	(393)	393
Net changes	\$ 55,959	\$ 490,542	\$ (434,583)
Balances at June 30, 2017	\$ 4,689,747	\$ 4,026,238	\$ 663,509

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 1,349,597	\$ 663,509	\$ 100,473

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - PENSION PLAN: (Continued)

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

For the year ended June 30, 2018, the Authority recognized pension expense of \$73,207. At June 30, 2018, 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	\$ 127,408	\$ 52,399
Change in assumptions	-	147,818
Net difference between projected and actual earnings on pension plan investments	-	60,835
Employer contributions subsequent to the measurement date	<u>116,047</u>	<u>-</u>
Total	<u>\$ 243,455</u>	<u>\$ 261,052</u>

\$116,047 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (44,108)
2020	4,476
2021	(21,129)
2022	(72,883)
2023	-

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 7 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB 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 Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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.

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
Eligible Employees 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: <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board 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.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)	
Benefit Amounts	
The benefits payable under the Group Life Insurance Program have several components.	
<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	
Reduction in Benefit Amounts	
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.	
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)	
For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.	

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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 \$6,502 and \$6,285 for the years ended June 30, 2018 and June 30, 2017, respectively.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

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

At June 30, 2018, the entity reported a liability of \$99,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.00655% as compared to 0.00645% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$3,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,000
Change in assumptions	-	5,000
Employer contributions subsequent to the measurement date	<u>6,502</u>	<u>-</u>
Total	<u>\$ 6,502</u>	<u>\$ 11,000</u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

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

\$6,502 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, 2019. 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>	
2019	\$ (2,000)
2020	(2,000)
2021	(2,000)
2022	(2,000)
2023	(1,000)
Thereafter	(2,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

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 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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	Adjusted rates to better match experience
Salary Scale	No change

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

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 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 20%

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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 June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

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

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Authority's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 128,000	\$ 99,000	\$ 75,000

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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 8 - LITIGATION:

At June 30, 2018, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 9 - COMPENSATED ABSENCES:

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

Authority employees earn vacation and sick leave at a variable rate based on length of service. No benefits or pay is received for unused sick leave upon termination. Vacation accumulates on a calendar year basis and terminates annually if not taken. The Authority has outstanding accrued vacation pay and related benefits totaling \$85,474 at June 30, 2018.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 10 - RISK MANAGEMENT:

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

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

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

NOTE 11 - CONSTRUCTION COMMITMENTS:

At June 30, 2018, the Authority had the following major projects under construction:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2018</u>	<u>Contract Balance</u>
Dreaming Creek Sewer Replacement	\$ 194,250	\$ 181,902	\$ 12,348
Total	\$ 194,250	\$ 181,902	\$ 12,348

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 12 - ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Authority implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

Net position at June 30, 2017, as reported	\$ 62,001,653
Implementation of GASB 75	<u>(107,000)</u>
Net position at June 30, 2017, as restated	<u><u>\$ 61,894,653</u></u>

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- Required Supplementary Information -

Schedule of Changes in Net Pension Liability and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 102,855	\$ 106,130	\$ 101,893	\$ 94,235
Interest	320,344	293,053	265,416	248,500
Changes of assumptions	(186,312)	-	-	-
Differences between expected and actual experience	(66,044)	102,991	134,547	-
Benefit payments, including refunds of employee contributions	(114,884)	(109,724)	(104,354)	(97,794)
Net change in total pension liability	\$ 55,959	\$ 392,450	\$ 397,502	\$ 244,941
Total pension liability - beginning	4,633,788	4,241,338	3,843,836	3,598,895
Total pension liability - ending (a)	\$ 4,689,747	\$ 4,633,788	\$ 4,241,338	\$ 3,843,836
Plan fiduciary net position				
Contributions - employer	\$ 111,589	\$ 103,559	\$ 101,737	\$ 98,188
Contributions - employee	59,339	57,108	56,022	53,477
Net investment income	437,315	62,808	149,981	436,173
Benefit payments, including refunds of employee contributions	(114,884)	(109,724)	(104,354)	(97,794)
Administrative expense	(2,424)	(2,083)	(1,966)	(2,287)
Other	(393)	(26)	(30)	23
Net change in plan fiduciary net position	\$ 490,542	\$ 111,642	\$ 201,390	\$ 487,780
Plan fiduciary net position - beginning	3,535,696	3,424,054	3,222,664	2,734,884
Plan fiduciary net position - ending (b)	\$ 4,026,238	\$ 3,535,696	\$ 3,424,054	\$ 3,222,664
Authority's net pension liability - ending (a) - (b)	\$ 663,509	\$ 1,098,092	\$ 817,284	\$ 621,172
Plan fiduciary net position as a percentage of the total pension liability	85.85%	76.30%	80.73%	83.84%
Covered payroll	\$ 1,099,288	\$ 1,158,231	\$ 1,120,448	\$ 1,069,535
Authority's net pension liability as a percentage of covered payroll	60.36%	94.81%	72.94%	58.08%

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

Schedule of Employer Contributions

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	\$ 116,047	\$ 116,047	\$ -	\$ 1,225,417	9.47%
2017	114,460	114,460	-	1,099,288	10.41%
2016	105,167	105,167	-	1,158,231	9.08%
2015	101,737	101,737	-	1,120,448	9.08%
2014	95,509	95,509	-	1,069,535	8.93%
2013	99,403	99,403	-	1,113,137	8.93%
2012	51,121	51,121	-	1,071,725	4.77%
2011	49,893	49,893	-	1,045,984	4.77%
2010	37,397	37,397	-	1,035,927	3.61%
2009	36,796	36,796	-	1,019,289	3.61%

Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Schedule of Authority's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

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

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

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 6,502	\$ 6,502	\$ -	\$ 1,250,317	0.52%
2017	6,285	6,285	-	1,208,661	0.52%
2016	5,560	5,560	-	1,158,231	0.48%
2015	5,378	5,378	-	1,120,448	0.48%
2014	5,134	5,134	-	1,069,535	0.48%
2013	5,343	5,343	-	1,113,137	0.48%
2012	3,001	3,001	-	1,071,725	0.28%
2011	2,929	2,929	-	1,045,984	0.28%
2010	2,098	2,098	-	1,035,927	0.20%
2009	2,752	2,752	-	1,019,289	0.27%

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2018

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

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 20%

Non-Largest Ten Locality Employers - General Employees

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%

Largest Ten Locality Employers - Hazardous Duty Employees

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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

- Other Supplementary Information -
Supporting Schedules

Schedule of Revenues and Expenses
For the Year Ended June 30, 2018

	Total	Central/ Rustburg	Naruna
Operating revenues:			
Water fees	\$ 4,841,779	\$ 4,753,628	\$ 88,151
Sewer fees	1,310,732	1,310,732	-
Account establishment fees	24,500	24,500	-
Reconnection fees	33,400	33,400	-
Meter tamper fee	300	300	-
Miscellaneous	234,052	234,052	-
Total operating revenues	\$ 6,444,763	\$ 6,356,612	\$ 88,151
Operating expenses:			
Source of supply:			
Purchase of water	\$ 55,492	\$ 55,492	\$ -
Water charges (460 East)	539,941	539,941	-
Chemicals	158,015	158,015	-
Electrical services	183,717	179,460	4,257
Maintenance	15,133	14,584	549
Equipment and supplies	31,448	31,448	-
Safety	1,767	1,767	-
Uniforms	2,618	2,618	-
Fuel	1,091	1,091	-
Landfill fees	903	903	-
Vehicle expense	3,775	3,575	200
Telephone	2,612	2,612	-
Fees and charges	20,354	20,354	-
Office supplies	297	297	-
Total source of supply	\$ 1,017,163	\$ 1,012,157	\$ 5,006
Wastewater treatment:			
Purchase of services - Lynchburg	\$ 336,586	\$ 336,586	\$ -
Chemicals	2,298	2,298	-
Electrical services	23,111	23,111	-
Maintenance	18,722	18,722	-
Equipment and supplies	10,994	10,994	-
Safety	605	605	-
Uniforms	991	991	-
Fuel	615	615	-
Vehicle expense	1,511	1,511	-
Landfill disposal	4,401	4,401	-
Fees and charges	6,919	6,919	-
Office supplies	178	178	-
Telephone	3,642	3,642	-
Total wastewater treatment	\$ 410,573	\$ 410,573	\$ -

Schedule of Revenues and Expenses

For the Year Ended June 30, 2018 (Continued)

	<u>Total</u>	<u>Central/ Rustburg</u>	<u>Naruna</u>
Operating expenses: (Continued)			
Maintenance and inspection:			
Electrical services	\$ 159,695	\$ 159,695	\$ -
Maintenance	474,066	474,066	-
Rustburg Elementary School pump station	1,065	1,065	-
Miss Utility fees	3,843	3,843	-
Equipment and supplies	62,368	62,368	-
Fire hydrants	9,625	9,625	-
Safety	1,890	1,890	-
Uniforms	2,813	2,813	-
Fuel	5,096	5,096	-
Vehicle expense	17,225	17,225	-
Fees and charges	3,228	3,228	-
Telephone	2,062	2,062	-
Total maintenance and inspection	\$ <u>742,976</u>	\$ <u>742,976</u>	\$ <u>-</u>
Personnel:			
Salaries	\$ 1,384,753	\$ 1,384,753	\$ -
Unemployment insurance	10	10	-
Health insurance	225,177	225,177	-
Disability insurance	6,087	6,087	-
Retirement benefits	90,950	90,950	-
FICA	100,770	100,770	-
Workmen's compensation	16,248	16,248	-
Total personnel	\$ <u>1,823,995</u>	\$ <u>1,823,995</u>	\$ <u>-</u>
Administrative and general:			
Legal fees	\$ 8,152	\$ 8,152	\$ -
Engineering fees	37,161	37,161	-
Auditing fees	23,240	23,240	-
Recording fees	147	147	-
Insurance general	37,475	35,223	2,252
Postage	35,180	35,180	-
Office and billing supplies	23,129	23,129	-
Service charge (over and short)	(63)	(63)	-
Bank fees	189	189	-
Office equipment contracts	101,046	101,046	-
Safety	215	215	-
Telephone	22,038	22,038	-
Electrical services	9,794	9,794	-

Schedule of Revenues and Expenses

For the Year Ended June 30, 2018 (Continued)

	<u>Total</u>	<u>Central/ Rustburg</u>	<u>Naruna</u>
Operating expenses: (Continued)			
Administrative and general: (Continued)			
Advertising	\$ 654	\$ 654	\$ -
Travel, mileage, and education	14,992	14,992	-
Dues, subscriptions, and donations	8,727	8,727	-
Janitorial supplies	1,054	1,054	-
Landfill fees	1,469	1,469	-
Maintenance office	18,026	18,026	-
Trustee fees	7,343	7,343	-
Miscellaneous	(23,963)	(23,963)	-
Fees and charges	<u>24,040</u>	<u>23,828</u>	<u>212</u>
Total administrative and general	\$ <u>350,045</u>	\$ <u>347,581</u>	\$ <u>2,464</u>
Operating expenses before depreciation	\$ <u>4,344,752</u>	\$ <u>4,337,282</u>	\$ <u>7,470</u>
Depreciation	\$ <u>1,633,583</u>	\$ <u>1,610,470</u>	\$ <u>23,113</u>
Total operating expenses	\$ <u>5,978,335</u>	\$ <u>5,947,752</u>	\$ <u>30,583</u>
Net income from operations	\$ <u>466,428</u>	\$ <u>408,860</u>	\$ <u>57,568</u>
Nonoperating revenues (expenses):			
Capital recovery fees water	\$ 115,900	\$ 115,900	\$ -
Capital recover fees wastewater	67,196	67,196	-
Connection fees water	60,078	60,078	-
Connection fees wastewater	5,700	5,700	-
Sewer capacity fee	47,250	47,250	-
Interest income	7,926	7,926	-
Grant from Campbell County	98,343	98,343	-
Capital contributions	1,828,415	1,828,415	-
Interest expense	(242,707)	(242,707)	-
Other nonoperating expenses	<u>(39,028)</u>	<u>(39,028)</u>	<u>-</u>
Total nonoperating revenues (expenses)	\$ <u>1,949,073</u>	\$ <u>1,949,073</u>	\$ <u>-</u>
Net income	\$ <u><u>2,415,501</u></u>	\$ <u><u>2,357,933</u></u>	\$ <u><u>57,568</u></u>

Central/Rustburg Division

Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2018

			Variance Favorable (Unfavorable)
	Budget	Actual	
Operating revenues:			
Water fees	\$ 4,978,000	\$ 4,753,628	\$ (224,372)
Sewer fees	1,300,000	1,310,732	10,732
Account establishment fees	25,000	24,500	(500)
Reconnection fees	25,000	33,400	8,400
Meter tamper fee	300	300	-
Miscellaneous	178,000	234,052	56,052
Total operating revenues	\$ 6,506,300	\$ 6,356,612	\$ (149,688)
Nonoperating revenues:			
Capital recovery fees water	\$ 138,000	\$ 115,900	\$ (22,100)
Capital recovery fees wastewater	106,000	67,196	(38,804)
Connection fees water	-	60,078	60,078
Connection fees wastewater	-	5,700	5,700
Sewer capacity fee	-	47,250	47,250
System development fee	-	-	-
Interest income	3,000	7,926	4,926
Grant from Campbell County	98,343	98,343	-
Capital contributions	-	1,828,415	1,828,415
Total nonoperating revenues	\$ 345,343	\$ 2,230,808	\$ 1,885,465
Total revenues	\$ 6,851,643	\$ 8,587,420	\$ 1,735,777

Naruna Division

Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Water fees	\$ <u>90,000</u>	\$ <u>88,151</u>	\$ <u>(1,849)</u>
Total operating revenues	\$ <u><u>90,000</u></u>	\$ <u><u>88,151</u></u>	\$ <u><u>(1,849)</u></u>

Central/Rustburg Division

Schedule of Operating Expenses - Budget and Actual

For the Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Operating expenses:			
Source of supply:			
Purchase of water	\$ 68,500	\$ 55,492	\$ 13,008
Water charges (460 East)	555,000	539,941	15,059
Chemicals	146,949	158,015	(11,066)
Electrical services	190,000	179,460	10,540
Maintenance	32,700	14,584	18,116
Equipment and supplies	28,000	31,448	(3,448)
Safety	2,000	1,767	233
Uniforms	2,800	2,618	182
Fuel	2,500	1,091	1,409
Landfill fees	1,100	903	197
Vehicle expense	4,100	3,575	525
Telephone	3,200	2,612	588
Fees and charges	18,200	20,354	(2,154)
Office supplies	1,300	297	1,003
Total source of supply	\$ 1,056,349	\$ 1,012,157	\$ 44,192
Wastewater treatment:			
Purchase of services - Lynchburg	\$ 374,000	\$ 336,586	\$ 37,414
Chemicals	4,100	2,298	1,802
Electrical services	23,000	23,111	(111)
Maintenance	14,300	18,722	(4,422)
Equipment and supplies	14,400	10,994	3,406
Safety	1,000	605	395
Uniforms	950	991	(41)
Fuel	1,200	615	585
Vehicle expense	2,000	1,511	489
Landfill disposal	5,900	4,401	1,499
Fees and charges	7,300	6,919	381
Telephone	3,950	3,642	308
Office Supplies	400	178	222
Concord WWTP	500	-	500
Total wastewater treatment	\$ 453,000	\$ 410,573	\$ 42,427
Maintenance and inspection:			
Electrical services	\$ 176,500	\$ 159,695	\$ 16,805
Electrical repairs	8,500	-	8,500
Maintenance	278,100	474,066	(195,966)
Russell Woods pump station	-	-	-
Rustburg Elementary School pump station	3,850	1,065	2,785
Miss Utility fees	4,450	3,843	607
Equipment and supplies	68,200	62,368	5,832
Fire hydrants	3,500	9,625	(6,125)
Safety	2,300	1,890	410
Uniforms	3,200	2,813	387
Fuel	4,300	5,096	(796)
Vehicle Expense	19,260	17,225	2,035
Fees and charges	3,600	3,228	372
Telephone	2,600	2,062	538
Total maintenance and inspection	\$ 578,360	\$ 742,976	\$ (164,616)

Central/Rustburg Division

Schedule of Operating Expenses - Budget and Actual
For the Year Ended June 30, 2018 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Operating expenses: (Continued)			
Personnel:			
Salaries	\$ 1,354,409	\$ 1,384,753	\$ (30,344)
Unemployment insurance	250	10	240
Health insurance	227,900	225,177	2,723
Disability insurance	6,300	6,087	213
Retirement benefits	135,200	90,950	44,250
FICA	103,612	100,770	2,842
Workmen's compensation	19,450	16,248	3,202
Total personnel	\$ 1,847,121	\$ 1,823,995	\$ 23,126
Administrative and general:			
Legal fees	\$ 16,000	\$ 8,152	\$ 7,848
Engineering fees	20,000	37,161	(17,161)
Auditing fees	24,000	23,240	760
Recording fees	100	147	(47)
Insurance general	37,700	35,223	2,477
Postage	39,850	35,180	4,670
Office and billing supplies	29,025	23,129	5,896
Service charge (over and short)	-	(63)	63
Bank fees	600	189	411
Office equipment contracts	79,100	101,046	(21,946)
Safety	-	215	(215)
Telephone	21,025	22,038	(1,013)
Electrical services	11,200	9,794	1,406
Advertising	2,250	654	1,596
Travel, mileage, and education	16,550	14,992	1,558
Dues, subscriptions, and donations	11,680	8,727	2,953
Janitorial supplies	1,300	1,054	246
Landfill fees	1,850	1,469	381
Maintenance office	14,100	18,026	(3,926)
Trustee fees	7,600	7,343	257
Fees and charges	26,600	23,828	2,772
Miscellaneous	-	(23,963)	23,963
Total administrative and general	\$ 360,530	\$ 347,581	\$ 12,949
Total operating expenses before depreciation	\$ 4,295,360	\$ 4,337,282	\$ (41,922)
Depreciation	\$ -	\$ 1,610,470	\$ (1,610,470)
Total operating expenses	\$ 4,295,360	\$ 5,947,752	\$ (1,652,392)

Naruna Division

Schedule of Operating Expenses - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating expenses:			
Source of supply:			
Chemicals	\$ 1,400	\$ -	\$ 1,400
Electrical services	4,200	4,257	(57)
Maintenance	5,400	549	4,851
Equipment and supplies	1,800	-	1,800
Vehicle expense	350	200	150
	<u>13,150</u>	<u>5,006</u>	<u>8,144</u>
Total source of supply	\$	\$	\$
Administrative and general:			
Insurance general	\$ 2,350	\$ 2,252	\$ 98
Fees and charges	600	212	388
	<u>2,950</u>	<u>2,464</u>	<u>486</u>
Total administrative and general	\$	\$	\$
Total operating expenses before depreciation	\$ 16,100	\$ 7,470	\$ 8,630
Depreciation	\$ -	\$ 23,113	\$ (23,113)
Total operating expenses	\$ 16,100	\$ 30,583	\$ (14,483)

Capital Improvement Division
Central/Rustburg Division

Schedule of Expenses
For the Year Ended June 30, 2018

Other nonoperating expenses:

New water services	\$	11,318
Replacement radio read		13,859
New service laterals - Central/Rustburg Wastewater		<u>13,851</u>
Total other nonoperating expenses	\$	<u><u>39,028</u></u>

Revenue Bond Compliance
 Section 602 of Agreement of Trust
 At June 30, 2018

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

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

Central and Rustburg Operating Income (Schedule 2)	\$	6,356,612
Availability Fees - Water		115,900
Availability Fees - Sewage		67,196
Interest ¹		
Water and Wastewater Loans (Central & Rustburg)		48
Revenue Fund		4,732
Principal Account (Bonds)		-
Interest Account (Bonds)		-
Debt Service Reserve Account		-
	\$	<u>6,544,488</u>
LESS Revenues (Net) transferred to Improvement Fund		(728,783)
SUB-TOTAL	\$	<u>5,815,705</u>

ADD FOR COVENANT CALCULATION PER SECTION 602

Equity Account Interest ¹	\$	-
Operating Account Interest ¹		3,146
Improvement Fund @ June 30 in excess of \$500,000		4,338,762
SUB-TOTAL	\$	<u>4,341,908</u>

TOTAL SOURCES AVAILABLE \$ 10,157,613

REVENUE COVENANT REQUIREMENT:

Operating expenses (Schedule 4)	\$	5,947,752
Amount required to be paid in Improvement Fund		-
115% of amount required to be paid into Bond Fund ²		1,746,026
115% of amount of all other debt service scheduled for FY		-
Amount to be paid into the Debt Service Reserve Fund		<u>-</u>

TOTAL REVENUE COVENANT REQUIREMENTS \$ 7,693,778

EXCESS OF SOURCES AVAILABLE OVER REVENUE COVENANT REQUIREMENT \$ 2,463,835

Revenue Bond Compliance
Section 602 of Agreement of Trust
At June 30, 2018 (Continued)

1 - Reconcile Interest to Audit	
Interest shown on worksheet	\$ 7,926
Improvement Fund Interest (In Fund Balance)	-
General Construction Fund Interest	-
Restricted Interest (5400-70)	-
Unrealized gain/(loss) on investments reported as interest	-
	<u>\$ 7,926</u>
2 - July through September, 2017	\$ 417,251
October, 2017	97,546
November, 2017 through March, 2018	616,145
April through June, 2018	387,341
	<u>\$ 1,518,283</u>
15% Coverage Factor	1.15
	<u>\$ 1,746,025</u>

Percent Debt Coverage Achieved

Revenue by Covenant	\$ 10,157,613
Expenses	(5,947,752)
Payment to Debt Service Reserve	-
Actual Debt Payments Made	<u>(1,518,283)</u>
EXCESS	\$ 2,691,578

15% Required Debt Coverage (Excess)	\$ 1,518,283
	15%
	<u>\$ 227,742</u>

Actual Debt Coverage Achieved - Excess/Actual Debt Payment	
EXCESS	\$ 2,691,578
ACTUAL DEBT PAYMENT	\$ 1,518,283
COVERAGE	177%

- Statistical Section -

Contents

Tables

Financial Trends

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

1-2

Revenue, Rates and Usage Information

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

3-6

Expenses

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

7

Debt Capacity

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

8-9

Demographic and Economic Information

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

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Operating Information

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

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Sources

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Net Position by Component Last Ten Fiscal Years

	Fiscal Years Ended June 30,			
	2018	2017	2016	2015
Net investment in capital assets	\$ 56,520,688	\$ 53,966,111	51,032,599	\$ 49,559,813
Restricted	500,000	500,000	500,000	500,000
Unrestricted	7,289,466	7,535,542	8,378,671	7,900,282
Total net position	<u>\$ 64,310,154</u>	<u>\$ 62,001,653</u>	<u>59,911,270</u>	<u>\$ 57,960,095</u>

Table 1

2014	2013	2012	2011	2010	2009
\$ 47,822,657	\$ 45,751,532	\$ 45,190,445	\$ 43,134,844	\$ 39,835,523	\$ 37,731,391
500,000	500,000	500,000	500,000	503,842	503,842
7,543,198	6,953,688	6,155,652	5,070,599	5,678,259	5,953,572
<u>\$ 55,865,855</u>	<u>\$ 53,205,220</u>	<u>\$ 51,846,097</u>	<u>\$ 48,705,443</u>	<u>\$ 46,017,624</u>	<u>\$ 44,188,805</u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Changes in Net Position Last Ten Fiscal Years

	Fiscal Years Ended June 30,			
	2018	2017	2016	2015
Operating revenues:				
Water sales, charges and sewer charges	\$ 6,444,763	\$ 6,493,231	\$ 6,216,155	\$ 6,106,067
Operating expenses:				
Source of supply	\$ 1,017,163	\$ 963,997	\$ 971,798	\$ 945,314
Wastewater treatment	410,573	479,189	373,047	297,071
Maintenance and inspection	742,976	520,287	689,437	506,247
Personnel	1,823,995	1,772,105	1,604,052	1,541,147
Administrative and general	350,045	330,036	306,142	268,306
Depreciation and amortization	1,633,583	1,639,133	1,568,618	1,908,543
Total operating expenses	\$ 5,978,335	\$ 5,704,747	\$ 5,513,094	\$ 5,466,628
Operating income	\$ 466,428	\$ 788,484	\$ 703,061	\$ 639,439
Nonoperating revenues (expenses):				
Interest income	\$ 7,926	\$ 3,902	\$ 4,289	\$ 5,066
Interest expense	(242,707)	(283,783)	(323,607)	(362,239)
Capital recovery fees	183,096	289,378	239,100	878,725
Connection fees	65,778	42,834	63,225	60,270
Sewer capacity fee	47,250	99,197	66,500	332,500
System development fee	-	700	-	46,900
Grant from Campbell County	98,343	65,144	121,269	98,668
Payment to Campbell County	-	-	-	-
Reimbursement of prior year availability fee	-	-	-	-
Other nonoperating expenses	(39,028)	(83,415)	(37,682)	(55,626)
Total nonoperating revenues (expenses)	\$ 120,658	\$ 133,957	\$ 133,094	\$ 1,004,264
Income before capital grants and contributions	\$ 587,086	\$ 922,441	\$ 836,155	\$ 1,643,703
Capital contributions	1,828,415	1,167,942	1,115,020	1,216,360
Change in net position	\$ 2,415,501	\$ 2,090,383	\$ 1,951,175	\$ 2,860,063

Table 2

2014	2013	2012	2011	2010	2009
\$ 5,923,311	\$ 5,708,387	\$ 5,537,066	\$ 5,053,381	\$ 4,629,864	\$ 4,552,307
\$ 927,580	\$ 942,914	\$ 928,754	\$ 967,096	\$ 868,653	\$ 937,394
291,115	267,650	299,838	229,077	227,986	206,374
400,525	426,625	394,358	335,035	340,886	433,396
1,495,566	1,595,327	1,498,082	1,469,652	1,442,454	1,420,630
317,424	316,351	284,210	273,194	244,330	287,245
1,491,463	1,505,456	1,240,752	1,324,268	1,184,683	1,140,359
\$ 4,923,673	\$ 5,054,323	\$ 4,645,994	\$ 4,598,322	\$ 4,308,992	\$ 4,425,398
\$ 999,638	\$ 654,064	\$ 891,072	\$ 455,059	\$ 320,872	\$ 126,909
\$ 14,354	\$ 17,979	\$ 19,939	\$ 21,982	\$ 25,303	\$ 34,625
(421,280)	(469,778)	(489,059)	(510,503)	(551,613)	(584,472)
305,150	419,075	779,200	141,125	340,509	185,620
54,650	87,030	93,150	34,070	102,163	99,777
99,750	129,450	310,237	26,250	31,500	99,400
14,700	30,100	700	(52,859)	62,300	27,300
212,417	260,070	283,052	282,503	280,997	281,820
-	-	-	-	-	(1,478)
-	-	-	-	(127,775)	-
(123,689)	(181,196)	(147,427)	(114,292)	(163,499)	(227,114)
\$ 156,052	\$ 292,730	\$ 849,792	\$ (171,724)	\$ (115)	\$ (84,522)
\$ 1,155,690	\$ 946,794	\$ 1,740,864	\$ 283,335	\$ 320,757	\$ 42,387
1,504,945	412,329	1,399,790	2,404,484	1,508,062	6,914,337
\$ 2,660,635	\$ 1,359,123	\$ 3,140,654	\$ 2,687,819	\$ 1,828,819	\$ 6,956,724

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Revenues by Source
Last Ten Fiscal Years

Fiscal Years Ended June 30,	Operating Revenues		Nonoperating Revenues			
	Water Sales Charges and Sewer Charges	Interest Income	Capital Recovery Fees	Connection Fees	Sewer Capacity Fee	
2009	\$ 4,552,307	\$ 34,625	\$ 185,620	\$ 99,777	\$ 99,400	
2010	4,629,864	25,303	340,509	102,163	31,500	
2011	5,053,381	21,982	141,125	34,070	26,250	
2012	5,537,066	19,939	779,200	93,150	310,237	
2013	5,708,387	17,979	419,075	87,030	129,450	
2014	5,923,311	14,354	305,150	54,650	99,750	
2015	6,106,067	5,066	878,725	60,270	332,500	
2016	6,216,155	4,289	239,100	63,225	66,500	
2017	6,493,231	3,902	289,378	42,834	99,197	
2018	6,444,763	7,926	183,096	65,778	47,250	

Table 3

			Other		
System Development Fee	Grant from Campbell County	Total Nonoperating Revenues	Capital Grants and Contributions	Total Revenues	
\$ 27,300	\$ 281,820	\$ 728,542	\$ 6,914,337	\$ 12,195,186	
62,300	280,997	842,772	1,508,062	6,980,698	
(52,859)	282,503	453,071	2,404,484	7,910,936	
700	283,052	1,486,278	1,399,790	8,423,134	
30,100	260,070	943,704	412,329	7,064,420	
14,700	212,417	701,021	1,504,945	8,129,277	
46,900	98,668	1,422,129	1,216,360	8,744,556	
-	121,269	494,383	1,115,020	7,825,558	
700	65,144	501,155	1,167,942	8,162,328	
-	98,343	402,393	1,828,415	8,675,571	

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Schedule of Water and Sewer Rates
Last Ten Fiscal Years

		Fiscal Years Ended June 30,				
		2018	2017	2016	2015	2014
Rates						
Base Fee						
Meter Size						
3/4 x 5/8"	\$	16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00
1"	\$	22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00
1 1/2"	\$	35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
2"	\$	53.00	\$ 53.00	\$ 53.00	\$ 53.00	\$ 53.00
3"	\$	104.00	\$ 104.00	\$ 104.00	\$ 104.00	\$ 104.00
4"	\$	154.00	\$ 154.00	\$ 154.00	\$ 154.00	\$ 154.00
6"	\$	254.00	\$ 254.00	\$ 254.00	\$ 254.00	\$ 254.00
8"	\$	379.00	\$ 379.00	\$ 379.00	\$ 379.00	\$ 379.00
Sewer Service						
4"	\$	12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00
6"	\$	28.00	\$ 28.00	\$ 28.00	\$ 28.00	\$ 28.00
8"	\$	47.00	\$ 47.00	\$ 47.00	\$ 47.00	\$ 47.00
10"	\$	54.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00
12"	\$	77.00	\$ 77.00	\$ 77.00	\$ 77.00	\$ 77.00
Commodity and Disposal Charges						
Water (per 100 cubic feet)	\$	4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65
Sewer (per 100 cubic feet)	\$	4.90	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90
Service Connection Charges						
Water						
Meter Size						
3/4 x 5/8"	\$	1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
1"	\$	2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100
Over 1"		Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100
Sewage						
Meter Size						
4" service lateral	\$	1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900
Others		Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900
Sewer Capacity Fee	\$	1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750
Capital Recovery Fees						
Water						
Single Family Dwelling	\$	1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900
Multi-Family, per unit	\$	1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425
Motels, per unit	\$	475	\$ 475	\$ 475	\$ 475	\$ 475
Sewage						
Single Family Dwelling	\$	2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200
Multi-Family, per unit	\$	1,650	\$ 1,650	\$ 1,650	\$ 1,650	\$ 1,650
Motels, per unit	\$	550	\$ 550	\$ 550	\$ 550	\$ 550
Construction Fee (per acre) in Spring Hill billing district	\$	1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Leesville Road Aid-to-Construction Fee (per application)	\$	2,975	\$ 2,900	\$ 2,825	\$ 2,750	\$ 2,675

Table 4

2013	2012	2011	2010	2009
\$ 16.00	\$ 15.00	\$ 13.00	\$ 13.00	\$ 13.00
\$ 22.00	\$ 21.00	\$ 18.00	\$ 18.00	\$ 18.00
\$ 35.00	\$ 33.00	\$ 28.00	\$ 28.00	\$ 28.00
\$ 53.00	\$ 50.00	\$ 43.00	\$ 43.00	\$ 43.00
\$ 104.00	\$ 97.00	\$ 83.00	\$ 83.00	\$ 83.00
\$ 154.00	\$ 144.00	\$ 123.00	\$ 123.00	\$ 123.00
\$ 254.00	\$ 237.00	\$ 203.00	\$ 203.00	\$ 203.00
\$ 379.00	\$ 354.00	\$ 303.00	\$ 303.00	\$ 303.00
\$ 12.00	\$ 10.00	n/a	n/a	n/a
\$ 28.00	\$ 23.00	n/a	n/a	n/a
\$ 47.00	\$ 39.00	n/a	n/a	n/a
\$ 54.00	\$ 45.00	n/a	n/a	n/a
\$ 77.00	\$ 64.00	n/a	n/a	n/a
\$ 4.65	\$ 4.50	\$ 4.20	\$ 3.80	\$ 3.80
\$ 4.90	\$ 4.75	\$ 4.75	\$ 4.45	\$ 4.45
\$ 1,500	\$ 1,500	\$ 1,500	\$950 / \$1,500	\$ 950
\$ 2,100	\$ 2,100	\$ 2,100	\$1,100 / \$2,100	\$ 1,100
Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$1,100/\$2,100	Actual cost plus 15%, minimum \$1,100
\$ 1,900	\$ 1,900	\$ 1,900	\$750 / \$1,900	\$ 750
Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$900/\$1,900	Actual cost plus 15%, minimum \$900
\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750
\$ 1,900	\$ 1,900	\$ 1,900	\$1,500/\$1,900	\$ 1,500
\$ 1,425	\$ 1,425	\$ 1,425	\$1,125/\$1,425	\$ 1,125
\$ 475	\$ 475	\$ 475	\$560/\$475	\$ 560
\$ 2,200	\$ 2,200	\$ 2,200	\$1,900/\$2,200	\$ 1,900
\$ 1,650	\$ 1,650	\$ 1,650	\$1,425/\$1,650	\$ 1,425
\$ 550	\$ 550	\$ 550	\$725/\$550	\$ 725
\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
\$ 2,600	\$ 2,525	\$ 2,450	\$ 2,450	\$ 2,300

Water and Wastewater Flows

Gallons In Thousands

Last Ten Fiscal Years

Fiscal Year	Water	Wastewater
2009	560,901	121,105
2010	646,863	132,886
2011	664,578	132,294
2012	679,010	133,881
2013	769,007	136,104
2014	781,705	146,265
2015	773,239	179,367
2016	761,614	182,708
2017	772,950	202,446
2018	840,933	194,037

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

Water							
2018				2009			
Customer Name	Units	Amount Billed	Percent Billed	Customer Name	Units	Amount Billed	Percent Billed
Willow Brook Apartments	17,079	\$ 84,505	2.03%	Clayton Estate (Mobile Home Park)	15,474	\$ 60,055	2.76%
Clayton Estate (Mobile Home Park)	15,090	71,735	1.79%	Willow Brook Apartments	12,393	51,221	2.21%
37 West	6,142	29,655	0.73%	Whitestone Village	7,799	30,824	1.39%
Whitestone Village	5,691	27,915	0.68%	Locust Gardens (Mobile Home Park)	5,390	20,740	0.96%
Locust Gardens (Mobile Home Park)	5,812	27,344	0.69%	Buffalo Creek (Mobile Home Park)	5,140	19,700	0.92%
Blue Ridge Regional Jail	5,485	26,759	0.65%	Woodside Associates	4,915	18,935	0.88%
Hampton Inn & Suites	4,240	20,796	0.50%	Gene R. Falwell (Mobile Home Park)	4,040	15,568	0.72%
Runk & Pratt	4,031	20,049	0.48%	Blue Ridge Regional Jail	3,642	14,968	0.65%
Deal Properties (Apartments)	4,457	21,043	0.53%	Lynchburg Partners (Shopping Center)	3,195	12,507	0.57%
Briarwood Village (Mobile Home Park)	3,678	17,313	0.44%	Tall Tree Investments	2,951	11,472	0.53%

Volume and billing data are for period from July 1, 2017 through June 30, 2018. The ten largest customers together account for approximately 7.30% of total consumption and billings for retail water service.

Wastewater							
2018				2009			
Customer Name	Units	Amount Billed	Percent Billed	Customer Name	Units	Amount Billed	Percent Billed
Willow Brook Apartments	17,079	\$ 84,839	8.80%	Willow Brook Apartments	11,607	\$ 51,651	9.58%
37 West	6,142	30,168	3.17%	Whitestone Village	7,799	34,706	6.44%
Whitestone Village	5,691	28,678	2.93%	Blue Ridge Regional Jail	3,642	16,207	3.01%
Blue Ridge Regional Jail	5,485	26,949	2.83%	Lynchburg Partners (Shopping Center)	3,195	14,218	2.64%
Hampton Inn & Suites	4,240	20,848	2.19%	Runk & Pratt	2,461	10,951	2.03%
Runk & Pratt	4,031	19,824	2.08%	Wards Crossing West	2,325	10,346	1.92%
Spring Hill Suites	3,397	16,717	1.75%	LCS Trust (Apartments)	2,199	9,786	1.82%
Wards Crossing West	2,471	12,324	1.27%	Five Flags Car Wash	1,618	7,200	1.34%
Lynchburg Partners (Shopping Center)	2,286	11,345	1.18%	Progress Printing	1,453	6,466	1.20%
LCS Trust (Apartments)	2,004	10,108	1.03%	Brookville High School	1,147	5,104	0.95%

Volume and billing data are for period from July 1, 2017 through June 30, 2018. The ten largest customers together account for approximately 19.97% of total consumption and billings for sewage service.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Expenses by Type
Last Ten Fiscal Years

<u>Fiscal Years Ended June 30,</u>	<u>Source of Supply</u>	<u>Wastewater Treatment</u>	<u>Maintenance and Inspection</u>	<u>Personnel</u>	<u>Administrative and General</u>
2009	\$ 937,394	\$ 206,374	\$ 433,396	\$ 1,420,630	\$ 287,245
2010	868,653	227,986	340,886	1,442,454	244,330
2011	967,096	229,077	335,035	1,469,652	273,194
2012	928,754	299,838	394,358	1,498,082	284,210
2013	942,914	267,650	426,625	1,595,327	316,351
2014	927,580	291,115	400,525	1,495,566	317,424
2015	945,314	297,071	506,247	1,541,147	268,306
2016	971,798	373,047	689,437	1,604,052	306,142
2017	963,997	479,189	520,287	1,772,105	330,036
2018	1,017,163	410,573	742,976	1,823,995	350,045

Table 7

	Depreciation and Amortization		Interest Expense		Other Nonoperating Expenses		Total
\$	1,140,359	\$	584,472	\$	228,592	\$	5,238,462
	1,184,683		551,613		291,274		5,151,879
	1,324,268		510,503		114,292		5,223,117
	1,240,752		489,059		147,427		5,282,480
	1,505,456		469,778		181,196		5,705,297
	1,491,463		421,280		123,689		5,468,642
	1,908,543		362,239		55,626		5,884,493
	1,568,618		323,607		37,682		5,874,383
	1,639,133		283,783		83,415		6,071,945
	1,633,583		242,707		39,028		6,260,070

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Outstanding Debt by Type Last Ten Fiscal Years

	Fiscal Years Ended June 30,			
	2018	2017	2016	2015
Revenue bonds payable	\$ 5,786,400	\$ 7,171,600	\$ 8,513,300	\$ 9,814,200
Notes payable	714,106	769,624	825,142	880,661
Total outstanding debt	<u>\$ 6,500,506</u>	<u>\$ 7,941,224</u>	<u>\$ 9,338,442</u>	<u>\$ 10,694,861</u>
Debt per capita	\$ 117.12	\$ 142.93	\$ 166.26	\$ 190.19
Debt as a percentage of personal income	0.13%	0.16%	0.19%	0.23%

Notes:

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

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

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

Table 8

	2014	2013	2012	2011	2010	2009
\$	11,198,400	\$ 12,492,500	\$ 13,216,261	\$ 11,319,406	\$ 12,372,525	\$ 13,387,934
	<u>1,304,456</u>	<u>989,080</u>	<u>1,077,443</u>	<u>993,182</u>	<u>1,022,550</u>	<u>970,342</u>
\$	<u><u>12,502,856</u></u>	<u><u>13,481,580</u></u>	<u><u>14,293,704</u></u>	<u><u>12,312,588</u></u>	<u><u>13,395,075</u></u>	<u><u>14,358,276</u></u>
\$	226.36	\$ 244.99	\$ 261.03	\$ 224.51	\$ 256.43	\$ 273.00
	0.28%	0.31%	0.34%	0.30%	0.34%	0.36%

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Revenue Bond Debt Service Coverage
Last Ten Fiscal Years

<u>Fiscal Years Ended June 30,</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expense (1)</u>	<u>Net Available</u>	<u>Required Debt Service Payments (2)</u>	<u>Coverage</u>
2009	\$ 7,985,927	\$ 4,846,140	\$ 3,139,787	\$ 1,573,895	1.99
2010	7,556,768	4,692,514	2,864,254	1,574,809	1.82
2011	7,007,511	4,709,479	2,298,032	1,443,668	1.59
2012	11,247,408	6,209,457	5,037,951	1,582,990	3.18
2013	8,865,387	6,378,807	2,486,580	1,344,059	1.85
2014	9,306,738	6,509,351	2,797,387	1,622,923	1.72
2015	10,622,437	7,039,327	3,583,110	1,591,616	2.25
2016	11,859,549	7,065,088	4,794,461	1,588,732	3.02
2017	10,468,015	7,258,930	3,209,085	1,590,444	2.02
2018	10,157,613	7,466,035	2,691,578	1,518,283	1.77

(1) Amounts per Schedule 7 - Revenue Bond Compliance

(2) Including payments on revenue bonds and contracts payable

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

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

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (thousands of \$) (3)</u>	<u>Per Capita Personal Income (\$) (3)</u>	<u>Unemployment Rate (2)</u>
2017	55,503	4,944,611	36,356	4.20%
2016	55,562	4,841,243	35,818	4.40%
2015	56,167	4,796,786	35,559	4.80%
2014	56,232	4,613,912	34,450	5.30%
2013	55,235	4,468,968	33,538	5.47%
2012	55,030	4,371,387	33,053	6.00%
2011	54,759	4,227,599	32,161	6.70%
2010	54,842	4,063,813	33,046	6.20%
2009	52,237	3,962,812	32,698	7.20%
2008	52,595	4,022,605	33,297	4.00%

(1) Weldon Cooper Center, University of Virginia

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

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

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

Employer	Industry	2018		
		Employees	Rank	% of Total Employment
BWX	Nuclear	1,000 +	1	4% +
Campbell County Schools	Public Education	1,000 +	2	4% +
Abbott Industries	Pharmaceuticals	500-999	3	2%-4%
BGF Industries	Fiberglass fabric	500-999	4	2%-4%
Campbell County	Government	250-499	5	1%-2%
Moore's Electrical and Mech.	Electric/Mechanical Services	250-499	6	1%-2%
Wal Mart	General Merchandise Stores	250-499	7	1%-2%
Food Lion	Grocery	250-499	8	1%-2%
Sensata Technologies	Electrical Manufacturing	100-249	9	0.3%-1%
M.H Masonry & Associates, Inc.	Masonry Services	100-249	10	0.3%-1%
Totals		4,250 +		17% +

Total employed 25,031

Employer	Industry	2009		
		Employees	Rank	% of Total Employment
BWX	Nuclear	1,000 +	1	4% +
Campbell County Schools	Public Education	1,000 +	2	4% +
BGF Industries	Fiberglass fabric	500-999	3	2%-4%
Abbott Industries	Pharmaceuticals	500-999	4	2%-4%
Schrader International	Transportation Equipment Manufacturing	250-499	5	1%-2%
Intermet		250-499	6	1%-2%
Campbell County Govt	Local Government	250-499	7	1%-2%
Timken Company	Automotive Parts	250-499	8	1%-2%
Progress Printing		250-499	9	1%-2%
Moore's Electric & Mech.	Contractor/Electrical	250-499	10	1%-2%
Totals		4,500 +		19% +

Total employed 27,811

Source: Employer data; Virginia Employment Commission - as of 4th Quarter, 2017 and 2008

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Number of Employees by Identifiable Activity Last Ten Fiscal Years

	Fiscal Years Ended June 30,				
	2018	2017	2016	2015	2014
Number of budgeted full-time equivalent positions:					
Administration (1)	4.0	4.0	4.0	4.0	4.0
Water Treatment (2)	5.0	5.0	5.0	5.0	5.0
Wastewater Treatment (3)	3.0	2.0	2.0	2.0	2.0
Maintenance/Inspection/Inventory (4)	7.0	7.0	7.0	7.0	7.0
Customer Service FT	2.0	2.0	2.0	2.0	2.0
Customer Service PT	1.0	1.0	1.0	1.0	0.0
Part Time or Temp	0.0	0.0	0.0	0.0	0.0
Total	22.0	21.0	21.0	21.0	20.0

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

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

(3) As of FY11, a small wastewater treatment facility was constructed to serve Concord Elementary School. Wastewater employees work approximately 4% for the new Concord Wastewater Treatment Facility. To prepare for the Chief Wastewater Operator's retirement, the Authority promoted from within, moving a Maintenance Technician to the Wastewater Plant to train. Once the existing Chief Wastewater Operator retires, this employee will be promoted to Chief Wastewater Operator and the employee count for Wastewater Treatment will return to (2). A new employee was hired to fill the Maintenance Technician position that was opened when the employee moved to the Wastewater Plant.

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

Table 12

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
4.0	5.0	5.0	5.0	6.0
5.0	5.0	5.0	5.0	5.0
2.0	2.0	2.0	2.0	2.0
7.0	8.0	7.0	7.0	7.0
2.0	2.0	2.0	2.0	2.0
0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0
<u>20.0</u>	<u>22.0</u>	<u>22.0</u>	<u>22.0</u>	<u>22.0</u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Operating and Capital Indicators Last Ten Fiscal Years

	Fiscal Years Ended June 30,				
	2018	2017	2016	2015	2014
Water					
Size of watershed (square miles)	315	315	315	315	315
Raw water safe yield (mgd)					
Urban system	13.82	13.82	13.82	13.82	13.82
Miles of pipelines	184.00	184.00	184.00	184.00	180.00
Number of treatment plants	1	1	1	1	1
Number of pumping stations	3	3	3	3	3
Number of reservoirs	1	1	1	1	1
Number of finished water storage tanks	10	10	10	10	10
Maximum treatment capacity (mgd)	4.100	4.100	4.100	4.100	4.000
Water treated (mgd)	2.200	2.200	2.200	2.200	2.100
Unused capacity (mgd)	1.900	1.900	1.900	1.900	1.900
Percentage of capacity utilized	53.00%	53.00%	53.00%	53.00%	52.50%
Wastewater					
Miles of pipelines	48.20	48.20	48.20	48.20	48.20
Number of treatment plants	1	1	1	1	1
Number of pumping stations	15	15	15	15	15
Maximum treatment capacity (mgd)	0.200	0.200	0.200	0.200	0.200
Wastewater treated (mgd)	0.073	0.073	0.073	0.073	0.073
Unused capacity (mgd)	0.127	0.127	0.127	0.127	0.127
Percentage of capacity utilized	36.50%	36.50%	36.50%	36.50%	36.50%

Notes: mgd = millions of gallons per day
Safe yield is a measure of raw water resources during a drought of record.

Table 13

2013	2012	2011	2010	2009
315	315	315	315	315
13.82	13.82	13.82	13.82	13.82
179.00	179.00	179.00	179.00	179.00
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
9	9	9	9	9
4.000	4.120	4.120	4.120	4.120
2.100	1.862	1.823	1.762	1.604
1.900	2.258	2.297	2.358	2.516
52.50%	45.19%	44.25%	42.77%	38.93%
48.20	48.20	48.20	48.20	48.20
1	1	1	1	1
15	15	14	14	14
0.200	0.200	0.200	0.200	0.200
0.073	0.073	0.074	0.088	0.086
0.127	0.127	0.126	0.112	0.114
36.50%	36.50%	37.00%	44.00%	43.00%

Water and Wastewater System Connections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water</u>	<u>Wastewater</u>
2009	7,313	2,033
2010	7,399	2,066
2011	7,464	2,086
2012	7,558	2,155
2013	7,669	2,216
2014	7,780	2,285
2015	7,866	2,327
2016	7,958	2,379
2017	8,036	2,421
2018	8,111	2,464

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Campbell County Utilities and Service Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 27, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

December 27, 2018