



Annual Financial Report

FOR THE FISCAL YEAR
ENDING JUNE 30, 2021

CHARLOTTESVILLE, VIRGINIA

ALBEMARLE COUNTY SERVICE AUTHORITY

CHARLOTTESVILLE, VIRGINIA

ANNUAL FINANCIAL REPORT

*For the Fiscal Year Ended
June 30, 2021*

Prepared by:

Department of Finance
168 Spotnap Road
Charlottesville, Virginia 22911
(434) 977-4511

ALBEMARLE COUNTY SERVICE AUTHORITY

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INTRODUCTORY SECTION



October 27, 2021

Board of Directors
Albemarle County Service Authority
Charlottesville, Virginia

Ladies and Gentlemen:

The Annual Financial Report of the Albemarle County Service Authority (Authority) is submitted herewith. With such modifications as apply to our status as an enterprise fund of governmental units, and as an independently chartered corporation, this report has been prepared in conformity with the reporting and accounting standards promulgated by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association's (GFOA) *Governmental Accounting, Auditing, and Financial Reporting*.

Based upon a comprehensive framework of internal control that has been established for this purpose, the Authority management assumes full responsibility for the accuracy of the data and for the completeness and reliability of the information contained in this report. The information in this report is believed by Authority management to be sufficient to fully represent the financial result of the Authority's operations for the year ended June 30, 2021 and to provide an accurate and useful picture of the Authority's status as of that date.

State law and outstanding bond resolutions require an annual audit of the books and records of the Authority. This requirement has been satisfied by the engagement of independent certified public accountants, Brown, Edwards and Company, LLP, whose opinion is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A), which provides a narrative introduction, overview, and analysis of the basic financial statements immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Organization and Function

Located in central Virginia, 100 miles southwest of Washington, DC and less than 65 miles west of Richmond, the Authority was established in 1964, pursuant to the *Virginia Water and Waste Authorities Act*, to provide water and sewer service to those jurisdictional areas in the County of Albemarle (County) designated by the County's Board of Supervisors. The current service areas include the urbanized ring around the City of Charlottesville (City), the communities of

Organization and Function (continued)

Crozet and Scottsville, Red Hill, and the Village of Rivanna. A six-member Board of Directors, appointed by the Albemarle County Board of Supervisors for renewable four-year terms, appoints the Executive Director and governs Authority operations and policies. We have determined, after an examination of the factors involved in the Governmental Accounting Standards Board's definition of "component unit" for financial reporting purposes, that we are not a component unit of the Albemarle County and will not be included in their financial report. Justification for this decision is outlined in Note 1 to the financial statements.

In June 1973, the Authority and the City entered into a Service Agreement with the Rivanna Water and Sewer Authority (RWSA), which wholesales finished water and sewer treatment services to the Authority and to the City. In 1975, the Authority purchased from the City the facilities to serve all current water and sewer customers outside the City limits; since then, it has been the sole public retailer of these services in the County.

In addition to retailing finished water distribution and sewer collection services, the Authority constructs pumping stations and line extensions; purchases, connects to the system, and upgrades private water systems; installs water supply and sewage collector systems; inspects water delivery and sanitary sewage systems installed and contributed to it by developers; and maintains these constructed and contributed facilities.

Economic Conditions

In the Albemarle Community Profile⁽¹⁾ most recent update, the Virginia Employment Commission's Economic Information Services Division (VEC) reported a decrease in the County's 2021 unemployment rate of 3.3% as compared to Virginia 3.8% and to the Country 5.3% as a whole with the decrease being impacted by the continued recovery from COVID-19 pandemic. The total number of jobs in Albemarle County was 55,220. The relative stability of the local economy is attributed to positive trends in the unemployment rate compared to State and National percentages. The housing market has strengthened compared to last year, with home sales increasing 36% compared to a year earlier, and median home sale prices were up 9% from one year ago⁽²⁾.

Residential and commercial growth within the Authority's Urban and Crozet service areas remains robust. New connections to the Authority's system remain strong despite impacts from the COVID-19 Pandemic (2019 – 514 connections, 2020 – 535 connections, 2021 – 451 connections), with a three-year average of 500 new connections⁽³⁾.

⁽¹⁾ Virginia Community Profile – Albemarle County, Virginia Employment Commission, updated October 2, 2021;

⁽²⁾ CAAR (Charlottesville Area Association of REALTORS) 2021 2nd Quarter and Mid-Year Market Report

⁽³⁾ Albemarle County Service Authority Annual Financial Report 2018, 2019, 2020, Table 11

Economic Conditions (continued)

Like many other utilities across the State and Country, the Authority prepared for potential impacts from the COVID-19 pandemic both from an operational and financial perspective. Emergency response plans were enacted to ensure our customers continued to receive safe reliable water and wastewater services while mitigating the risk of virus contraction within the community. Similarly, proactive measures to ensure financial viability into the future were made to ensure the Authority remained financially viable. As our customer base is largely residential, in total we experienced lower than anticipated decreases in consumption but did observe shifts in consumption by customer type. The Authority noted considerable decreases in consumption by our commercial, industrial, and institutional accounts while single-family and multi-family consumptions increased.

Major Initiatives and Accomplishments

- ◆ Developed an operating and capital improvement budget for fiscal year 2021 that aligned with our strategic plan and considered current and future impacts of the COVID-19 pandemic. To that end, our goals were 1) to meet anticipated operating and capital improvement expenses by deferring increases to water and sewer volume charges to lessen customer impacts as the community recovers from the pandemic, and to ensure that current operating expenses will be paid with current operating revenues; 2) to keep customer buy-in and connection charges constant while maintaining our policy of “growth paying for growth;” and 3) to maintain, improve, and extend system infrastructure through capital investments.
- ◆ The Authority proactively manages its investment in infrastructure with many projects in various stages of completion. Major capital improvement projects completed during the fiscal year include:
 - Scottsville Phase 3 Water Main Replacement
 - Camelot Water Main Replacement
 - Ashcroft Capacity Project
 - Improvements to the ACSA administrative and operations complex
- ◆ Future projects of the Authority include deployment of an automated metering infrastructure (AMI) system to benefit Authority customers; a computerized maintenance management system (CMMS) which will automate and enhance the Authority’s ability to manage operating and maintenance responsibilities; deployment of an Enterprise Resources Planning (ERP) system; continued addition to system redundancy; and a facility master plan.

Operations

For Fiscal Year 2021, Operating Revenues (\$30,024,727) from water and sewer sales and service connection fees increased by 0.52% as compared to Fiscal Year 2020. Associated operating expenses (\$32,602,138) reflected an increase of 5.83% as compared to Fiscal Year 2020, primarily driven by an increase in water/sewer treatment expenses from the Rivanna Water and Sewer Authority and departmental increases.

Unlike the revenues derived from customer buy-in and connection fees, the difference in projected and actual operating revenues and expenses is more predictable except for treatment plant charges. While weather conditions can play a large role in discretionary use of water, such as irrigation usage, domestic usage is typically more predictable. Actual water, sewer and service charge revenues were nearly the same as the prior fiscal year as consumption and rates were comparable. Please refer to Page 14 for detailed information related to operating and non-operating revenues and expenses.

Accounting, Budgetary Controls, and Long-term Financial Planning

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 financial records for preparing financial statements and maintaining asset accountability are reliable. The concept of reasonable assurance recognizes that estimates and judgements made by management are required to assess the expected benefits and related costs of internal accounting control procedures and that the cost of the control should not exceed the benefits likely to be derived. Management reviews internal controls on a continuing basis.

The Authority is required by Trust Agreements for its Bond to prepare and adopt an annual operating budget. On a fiscal year basis, department heads prepare preliminary operating budgets and submit them to the Executive Director for consideration. Rates are established based upon required revenue projections and associated costs, which include operating expenses, debt service, capital projects, and reserves. An adequate operating reserve is important to furnish funds for unplanned minor or significant repairs; it can also be utilized during unusually wet years, when anticipated revenues are reduced due to lesser than anticipated consumption levels. An adequate repair, replacement, and rehabilitation reserve (3R) is important to furnish funds for unexpected major repairs, as well as planned replacement or rehabilitation of equipment or other major capital assets. The Executive Director submits a proposed budget and rate recommendation to the Board of Directors for adoption.

Accounting, Budgetary Controls, and Long-term Financial Planning (continued)

After adoption, increases or decreases to the budget are made only upon Board approval, and the budget lapses at the end of the fiscal year for all accounts except multi-year construction projects and specific re-appropriations for funds committed at year-end for which goods and/or services have not been received. Department heads and the Board of Directors receive monthly reports on revenues and expenses.

Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Albemarle County Service Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2020. This was the thirty-eighth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the help of the Authority staff and the Leadership and Management team at the ACSA; their dedication is very much appreciated. We would like to especially express our gratitude and appreciation to Ms. Deanna Davenport, Ms. Tonya Foster, Ms. Jennifer Bryant, and Ms. Theresa Whiting who have each made significant contributions to the Annual Financial Report, and to the Board of Directors for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Sincerely,



Gary B. O'Connell
Executive Director



Quin G Lunsford
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Albemarle County Service Authority
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

ALBEMARLE COUNTY SERVICE AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2021

BOARD MEMBERS

Mr. Clarence W. Roberts, Chairman

Ms. Jennifer Sulzberger, Vice-Chairman

Mr. Richard Armstrong

Mr. Nathan Moore

Mr. John Parcels

Mr. Charles Tolbert

EXECUTIVE DIRECTOR

Mr. Gary B. O'Connell

DIRECTOR OF FINANCE

Mr. Quin G Lunsford

TRUSTEE

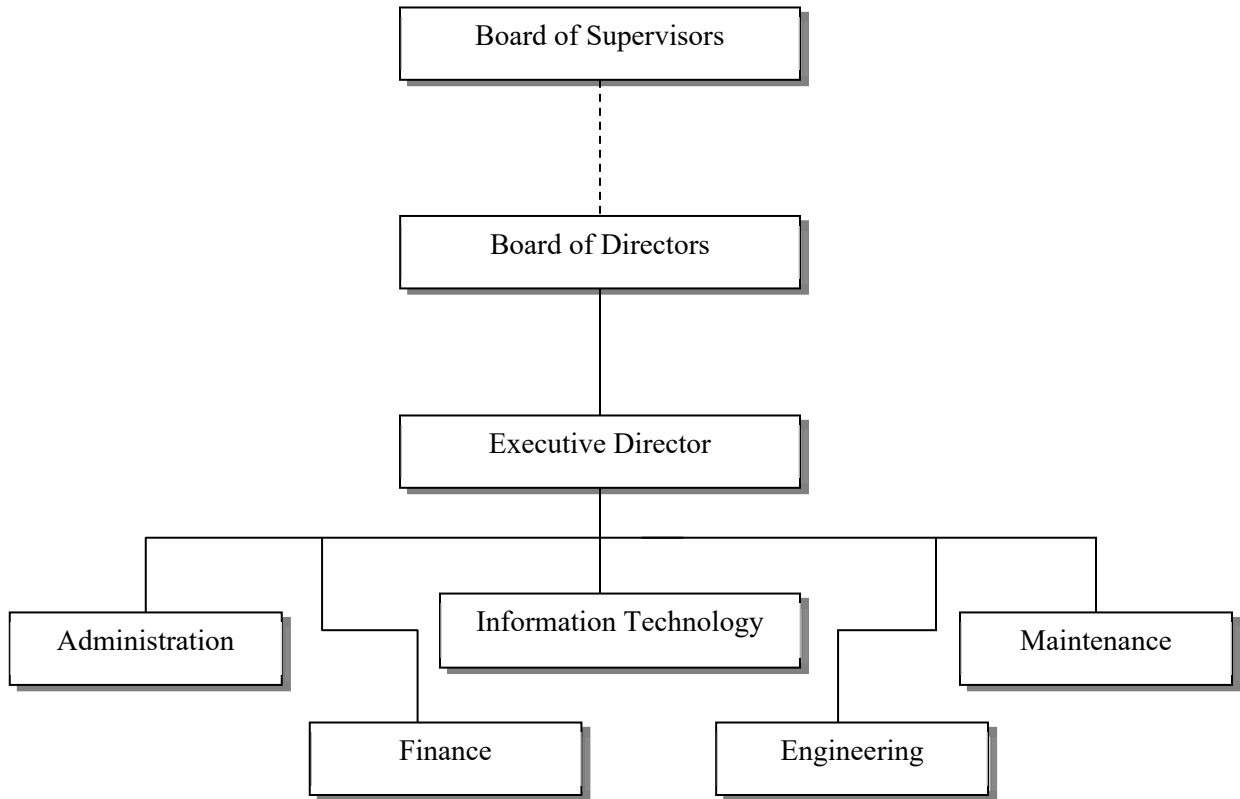
Bank of New York Mellon

INDEPENDENT AUDITORS

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

ALBEMARLE COUNTY SERVICE AUTHORITY

ORGANIZATIONAL CHART



FINANCIAL SECTION

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



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Albemarle County Service Authority
Charlottesville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Albemarle County Service Authority (the "Authority") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Auditor's Responsibility (Continued)

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 Authority, as of June 30, 2021, and the changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Report on Comparative Information

We have previously audited the Authority's 2020 financial statements, and our report dated October 26, 2020, expressed an unmodified opinion on those financial statements. The 2020 financial information is provided for comparative purposes only. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
October 27, 2021

Management's Discussion and Analysis

The management of the Albemarle County Service Authority (the "Authority") presents this analysis of the Authority's financial performance during the fiscal year ended June 30, 2021 as a supplement to the Authority's basic financial statements. This analysis should be read in conjunction with the basic financial statements that follow, as well as the Letter of Transmittal, which can be found on pages i through vi of this financial report.

Overview of the Financial Statements

The annual financial report is presented in four sections: introductory, financial, statistical, and compliance.

The introductory section includes a letter of transmittal submitted by the Authority's Executive Director and Director of Finance, a listing of the Authority's Board of Directors and organizational chart as of the end of the past fiscal year, and a copy of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting that has been awarded to the Authority for the fiscal year ended June 30, 2020.

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

The *Statement of Net Position* reports the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, providing information about the nature and amounts of investments in resources (assets), consumption of net position applicable to future periods (deferred outflows), obligations to creditors (liabilities), and acquisition of net position applicable to future periods (deferred inflows). These statements may be used to evaluate the capital structure, liquidity, and financial flexibility of the Authority. The *Statement of Revenues, Expenses and Changes in Fund Net Position* reflect revenue and expense activity of the Authority for the fiscal year. This statement allows the user to measure the Authority's profitability and credit worthiness by the financial performance of the Authority's operations, and to determine whether the Authority has successfully recovered its operating costs through user fees and other charges. The *Statement of Cash Flows* presents the Authority's inflows and outflows of cash during the financial reporting period, by reporting cash receipts, cash payments, and the net changes in cash. Cash flows are categorized by operating, non-capital financing, capital and related financing, and investing activities. The *Notes to the Financial Statements* and the *Required Supplementary Information* provide necessary disclosures that are essential to a full understanding of the data provided in the aforementioned basic financial statements.

The statistical section includes selected financial, operational, and demographic information presented on a multi-year basis.

The Authority operates as an enterprise fund. Enterprise funds are a type of proprietary fund and function similar to a private business in that user charges and fees are expected to cover costs. The Authority's basic financial statements are presented using the accrual basis of accounting, which provides for revenue recognition in the period in which water and reclamation services are provided and expense recognition when goods and services are received. Additionally, the Authority's basic financial statements utilize the flow of economic resources measurement focus, in which all assets and liabilities are reflected on the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position includes all transactions, such as revenues and expenses that increase or decrease net position.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$211,960,707 (*net position*). Of this amount \$46,047,071 (*unrestricted net position*) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's total liabilities as a percentage of net position slightly increased from 8.00% at June 30, 2020 to 8.01% at June 30, 2021.
- Fiscal year 2021 operating revenues increased 0.52% to \$30,024,727 as compared to fiscal year 2020 while operating expenses increased 5.83% to \$32,602,138 during the same period.
- System development and capacity charges were robust during the fiscal year and totaled \$10,067,913 for fiscal year 2021. This is a decrease of \$835,517 or a decrease of 7.7% compared to the prior fiscal year. The Authority's service area continues to develop, and this activity is the main driver even through the COVID-19 Pandemic.
- The Authority realized returns on investments in the current fiscal year, totaling \$82,900. This is a considerable decrease in comparison to the prior fiscal year, with returns on investments down 88.7% or \$650,485.

Financial Analysis

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information about the Authority's activities to determine if, overall, the financial position improved over the year. These two statements report the net position of the Authority and changes in them. Analyzing the Authority's net position is one way to measure financial health. Non-financial factors such as economic conditions, COVID-19 impacts, population growth and new or changed government legislation need to be considered as well. The Authority improved its financial position in fiscal year 2021.

Net Position

The Authority's net position increased by \$11,685,597 during fiscal year 2021, which represents a 5.83% increase from the beginning of the fiscal year net position. At June 30, 2021, total net position was \$211,960,707 as compared to the prior year net position of \$200,275,110.

FINANCIAL ANALYSIS (continued)

The following table depicts the Authority's condensed summary of net position at June 30, 2021 and 2020.

Condensed Statement of Net Position	2021	2020
Current Assets	\$ 27,255,685	\$ 49,709,783
Investments	29,436,196	4,106,210
Capital assets, net	170,984,482	162,460,661
Total Assets	227,676,363	216,276,654
Deferred Outflows of Resources	1,856,772	982,227
Current Liabilities	5,834,132	5,977,251
Long-term Liabilities	11,154,160	10,054,439
Total Liabilities	16,988,292	16,031,690
Deferred Inflows of Resources	584,136	952,081
Net investment in capital assets	165,640,741	156,610,823
Restricted for debt service	272,895	269,790
Unrestricted	46,047,071	43,394,497
Total Net Position	\$ 211,960,707	\$ 200,275,110

FINANCIAL ANALYSIS (continued)

The following table summarizes changes in revenues and expenses between fiscal year 2021 and 2020.

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position

	<u>2021</u>	<u>2020</u>
Revenues:		
Operating Revenues:		
Water Sales	\$ 15,919,103	\$ 15,839,848
Sewer Service	13,964,581	13,662,193
Other	141,043	367,451
Non-operating Revenue:		
Investment income	82,900	733,385
Rental income	15,539	16,603
Miscellaneous revenues	278,560	317,149
Fed. Grant – CARES Act	159,657	-
Fed. Subsidy, Build America Bonds	94,730	102,356
Total Revenues	<u>\$ 30,656,113</u>	<u>\$ 31,038,985</u>
Expenses:		
Operating Expenses:		
Purchase of bulk water	\$ 10,667,369	\$ 10,288,757
Purchase of sewer treatment	9,191,140	8,405,824
Depreciation	3,898,244	3,669,899
Administration	993,444	906,470
Engineering	1,948,316	1,739,017
Finance	1,823,867	1,729,470
Information Technology	909,556	752,223
Maintenance	3,170,202	3,314,547
Non-operating Expenses:		
Interest Expense	287,044	309,946
Miscellaneous expenses	161,972	7,553
Total Expenses	<u>\$ 33,051,154</u>	<u>\$ 31,123,706</u>
Loss before capital contributions	\$ (2,395,041)	\$ (84,721)
Capital Contributions	14,080,638	14,334,718
Change in net position	11,685,597	14,249,997
Net position – beginning of year	200,275,110	186,025,113
Net position – end of year	<u>\$ 211,960,707</u>	<u>\$ 200,275,110</u>

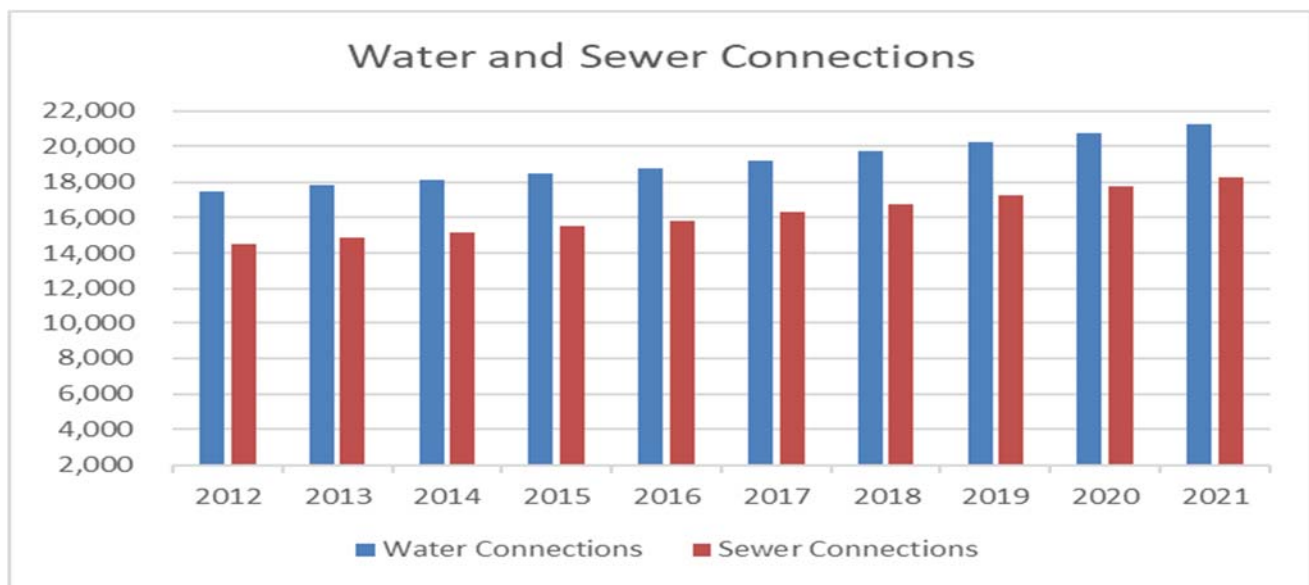
Operating Revenues and Expenses

Operating revenues totaled \$30,024,727 in fiscal year 2021, a slight increase of \$155,235 from 2020. Operating expenses totaled \$32,602,138 in 2021, an increase of \$1,795,931 mainly due to increases in purchased water and sewer treatment costs from the Rivanna Water and Sewer Authority (RWSA).

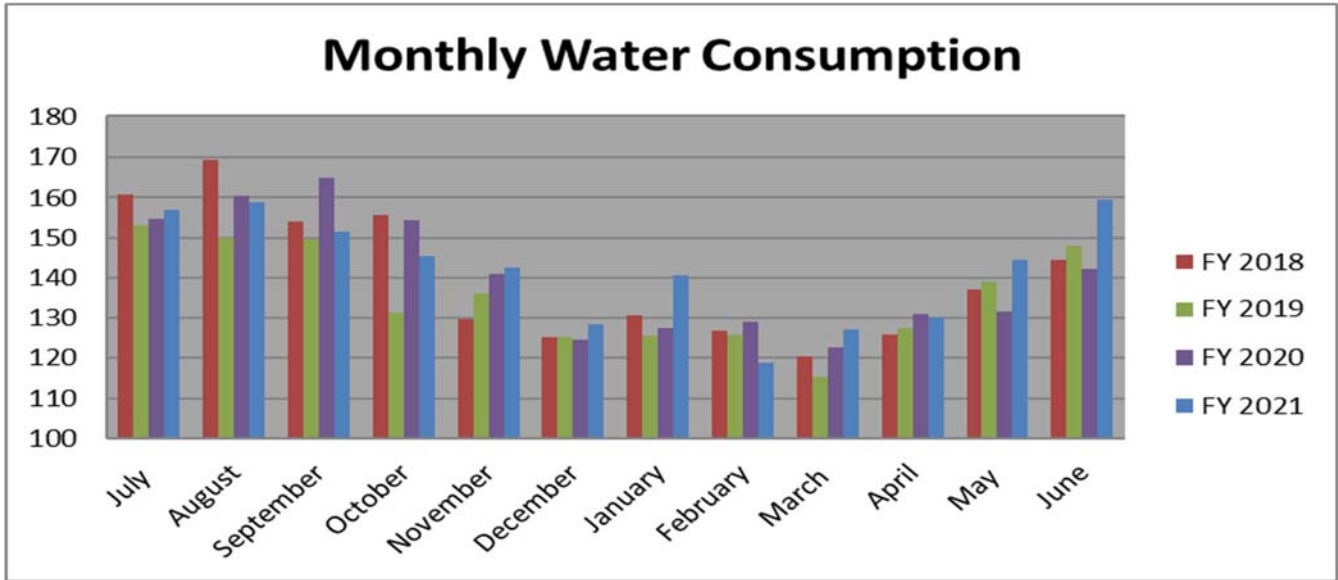
Review of Operations

The Authority's water customer base grew to 21,238 accounts by the end of the 2021 fiscal year, an increase from the prior year total of 20,787. Considering multiple units behind master meters, as in apartment complexes, the Authority now serves approximately 34,257 housing units, businesses, industries and institutions, which is an increase of 2.45%.

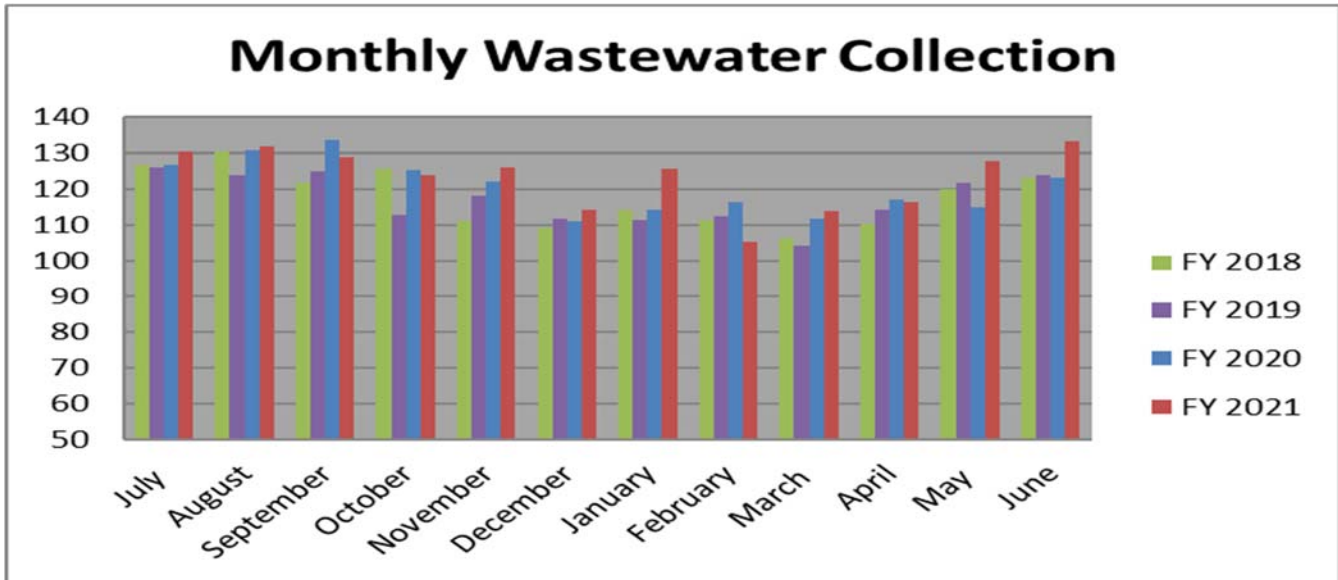
The Authority had significant growth in water connections for 2021 of 451 new connections. The connections for 2021 are 18% higher than the Authority's ten-year average annual increase in new connections. This growth is attributable to the continued expansion of existing residential neighborhoods and continued commercial and multi-family development.



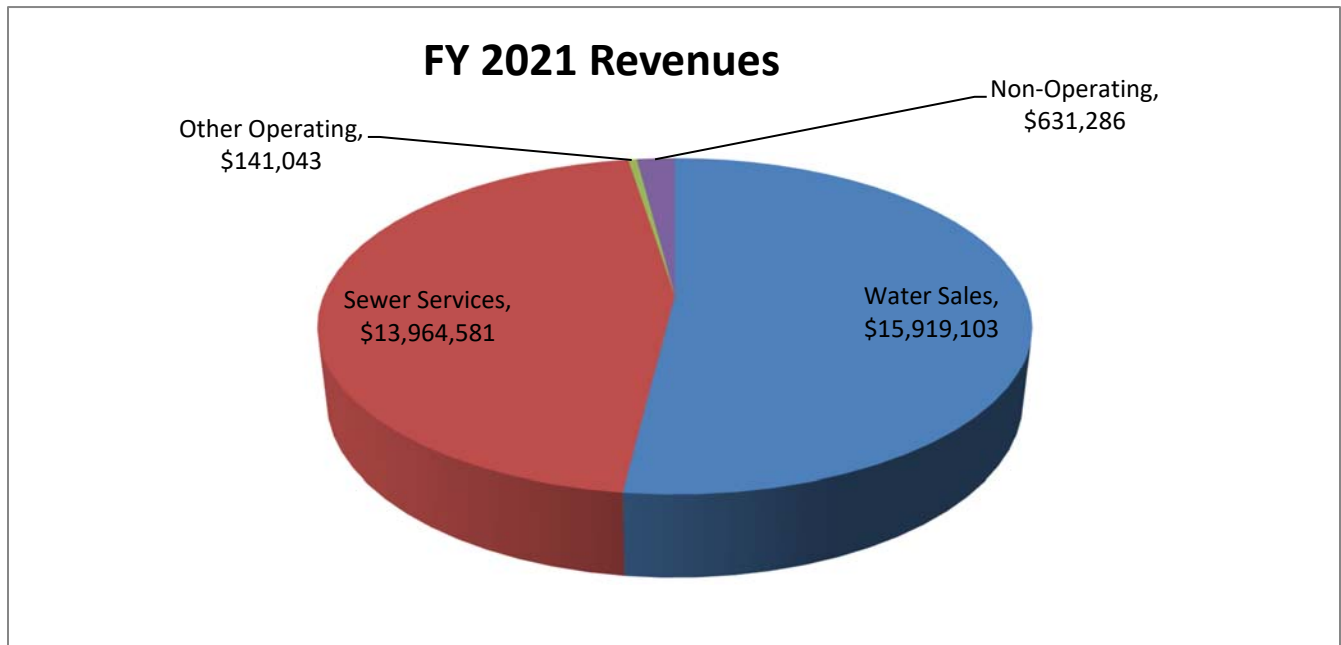
Billed water usage in fiscal year 2021 increased by 21 million gallons as compared to fiscal year 2020. Billed water usage in fiscal year 2021 was 1.70 billion gallons and was 1.23% more than billed water usage in fiscal year 2020 (1.68 billion gallons). Seasonal variations in water consumption can be seen in the chart below.



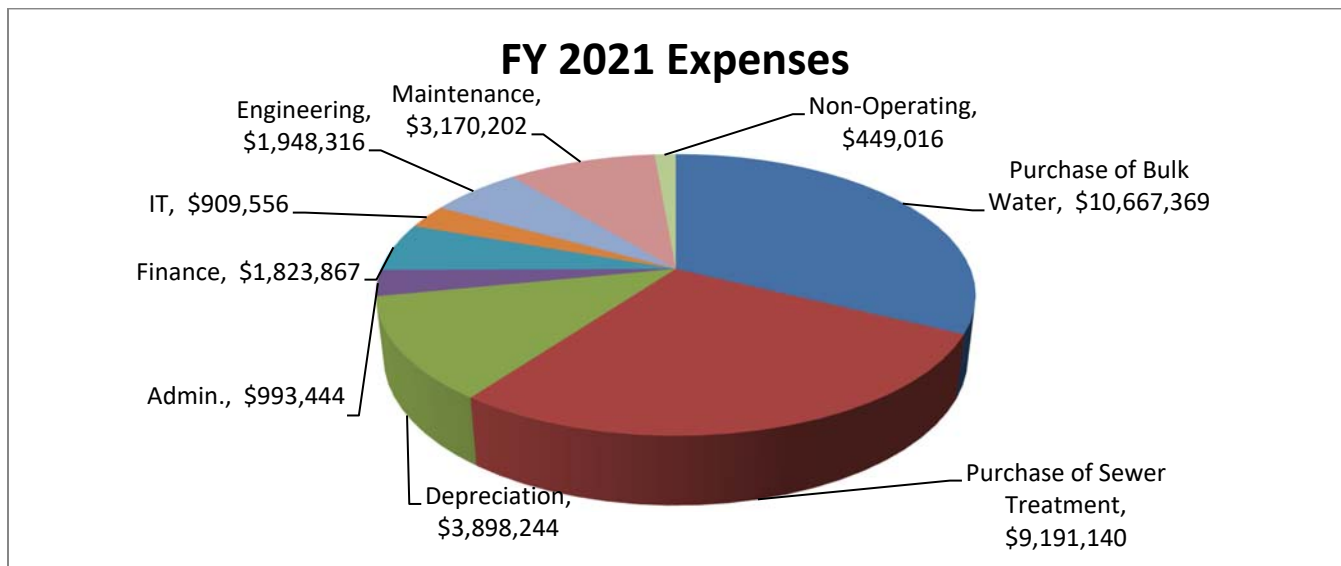
The Authority’s wastewater customer base grew to 18,257 by the end of the fiscal year, up from 17,803 connections at the end of the fiscal year 2020. Billed wastewater collections increased by nearly 30 million gallons as compared to fiscal year 2020. Billed wastewater collections in fiscal year 2021 was 1.48 billion gallons and 2.13% more than billed wastewater collections in fiscal year 2020 (1.45 billion gallons). Seasonal variations in wastewater collections can be seen in the chart below.



Revenues. Revenues for fiscal year 2021 increased in comparison with fiscal year 2020. Total revenues for 2021 were \$30,656,113 as compared to \$31,038,985 in 2020, a 1.23% decrease year to year. This decrease is due largely to major reductions in earnings on Authority investments in fiscal year 2021 compared to fiscal year 2020.



Expenses. Total expenses for fiscal year 2021 were \$33,051,154 as compared to \$31,123,706 in 2020, a 6.19% increase, which was primarily due to increases in the cost of purchased water/wastewater treatment from the Rivanna Water and Sewer Authority and increases in departmental expenses. In 2021, the total cost of purchased water was \$10,667,369, which is 3.68% greater than the 2020 total of \$10,288,757. The total cost of sewer treatment in fiscal year 2021 was \$9,191,140 and increased 9.34% in comparison to fiscal year 2020. These costs are based on a variety of factors and can vary significantly based upon Authority consumption for a given period and the Authority’s proportional allocation of costs based on our flow in comparison to the Authority’s water/wastewater treatment provider’s other customer. The increases in RWSA expenses were largely driven by RWSA’s cost allocation which is calculated using Authority and the City’s of Charlottesville billed consumption. While the Authority saw changes in consumption due to the Pandemic, the City’s billed consumption was considerably lower than prior periods, driving an increase in the Authority’s allocation of water and wastewater treatment costs.



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority’s investment in capital assets as of June 30, 2021 amounted to \$170,984,482 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, equipment, and construction in progress. The total increase in the Authority’s investment in capital assets for the current fiscal year was 5.3%. Additional information related to capital assets can be located in Note 4.

Capital Assets

	<u>2021</u>	<u>2020</u>
Land (including easements)	\$ 1,914,876	\$ 1,914,876
Structures and improvements	215,920,750	204,497,981
Equipment	5,944,839	5,400,731
Construction in progress	<u>8,639,796</u>	<u>8,448,320</u>
Total book value	232,420,261	220,261,908
Less accumulated depreciation	<u>(61,435,779)</u>	<u>(57,801,247)</u>
Net capital assets	<u>\$ 170,984,482</u>	<u>\$ 162,460,661</u>

Long-Term Debt. Outstanding debt includes one Water and Sewer System Revenue Bond (Taxable – Build America Bond) that was issued in November of 2010 for \$10,357,000. Revenue bond coverage, the ratio of gross revenues less direct operational expenses to debt service requirements, was 20.22 in fiscal year 2021. The minimum coverage required by outstanding bond indentures is 1.20. At June 30, 2021, outstanding long-term debt, including the current amount payable, totaled \$5,966,000. Details of this indebtedness may be found in Note 5 of the financial statements. Additionally, the Authority refunded this bond issuance in August 2021 to realize a net budgetary savings of \$1,242,262.

RESERVES

Operating Reserve. The Authority has established an operating reserve to provide funds for unplanned minor repairs or significant cash outlays. This type of reserve is also valuable when less than anticipated water consumption occurs, during unusually wet years (less outdoor watering occurs), which generally results in less revenue. As part of the budgeting process, a review of the reserve is performed. This reserve, combined with the 3R Reserve, the Capacity/System Development Reserve and unrestricted cash and investments is to maintain a days cash on hand floor of 270 days of operating expenses as calculated from the previous fiscal year. Water and wastewater rates are to be set accordingly to ensure these reserves maintain this 270 day target.

Capital Costs and 3R Reserve. The Authority has established a Repair, Replacement and Rehabilitation (3R) Reserve to provide funds to pay for unexpected major repairs and planned replacement or rehabilitation of equipment or other major capital assets. This reserve is calculated based on the estimated useful life and replacement cost of equipment held by the Authority. For fiscal year 2021, the Authority budgeted \$350,000 for this purpose.

Capacity and System Development Reserve. The Authority has established a Capacity and System Development Reserve to provide funds for capacity or growth-related system development costs or charges. These reserves are funded by the RWSA Capacity Charge and the ACSA System Development Charge which have been designed to offset growth related capital costs of backbone capacity in the ACSA water and sewer system and costs associated with the RWSA’s charges to the ACSA that are related to increases in capacity.

LONG-TERM TRENDS

Operations. Careful planning and budgeting in combination with the use of established reserves has been a stabilizing factor in our rate-setting process for many years. This process has allowed our customers (through the years) to realize relatively low rates for the provision of their water and sewer service, particularly as compared to other regional utilities.

With new development, in combination with aging infrastructure, comes the challenge of meeting both the water supply and the sewer treatment needs and requirements of the growing Albemarle community. Since the Authority employs a “pay-as-you-go” methodology of recovering the costs of operations and most capital projects, increased costs will be passed on to our customers through higher rates and fees. Current customers bear the current cost of operations, while future customers, through new development, bear the cost of expansion through connection, development, and capacity fees.

The Authority team is actively engaged in the development of a long-term financial plan which will focus on financial sustainability and affordability for our customers while continuing to address infrastructure and operational needs.

Capital Program. Water capital improvement project cost projections per year for the next five years range from \$6,900,000 to \$9,625,250 and sewer capital improvement project cost projections per year for the next five years range from \$3,700,000 to \$4,500,000. The Authority intends to fund these projects through the use of established reserves while evaluating possible debt funding opportunities.

Requests for Information. This financial report is designed to provide a general overview of the Albemarle County Service Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department at 168 Spotnap Road, Charlottesville, Virginia 22911, through our website www.serviceauthority.org or by telephone (434) 977-4511.

**BASIC
FINANCIAL STATEMENTS**

ALBEMARLE COUNTY SERVICE AUTHORITY

Exhibit 1

STATEMENT OF NET POSITION
June 30, 2021

	2021	(For Comparative Purposes Only) 2020
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 20,380,198	\$ 43,579,826
Accounts receivable (Note 3)	4,865,169	4,000,736
Inventory	461,178	453,247
Prepays	179,887	184,193
Cash and cash equivalents, restricted (Notes 1,2)	1,369,253	1,491,781
Total current assets	27,255,685	49,709,783
Noncurrent assets		
Investments (Note 2)	29,436,196	4,106,210
Capital assets: (Note 4)		
Nondepreciable	10,554,672	10,363,196
Depreciable, net	160,429,810	152,097,465
Total noncurrent assets	200,420,678	166,566,871
Total assets	227,676,363	216,276,654
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 7)	1,620,172	745,164
Deferred outflows related to other postemployment benefits (Notes 8,9)	236,600	237,063
Total deferred outflows of resources	1,856,772	982,227
LIABILITIES		
Current liabilities		
Accounts payable	3,198,339	2,851,703
Accrued liabilities	86,166	66,081
Customer deposits	318,047	433,176
Interest payable	125,783	136,451
Compensated absences (Note 5)	92,807	84,524
Unearned revenues	1,491,990	1,899,316
Current maturities of long-term debt (Note 5)	521,000	506,000
Total current liabilities	5,834,132	5,977,251
Long-term liabilities		
Compensated absences (Note 5)	600,464	556,611
Net pension liability (Note 7)	3,659,743	2,185,637
Net other post-employment benefits liability (Notes 8,9)	1,448,953	1,346,191
Long-term debt – due in more than one year (Note 5)	5,445,000	5,966,000
Total long-term liabilities	11,154,160	10,054,439
Total liabilities	16,988,292	16,031,690
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 7)	18,843	230,124
Deferred inflows related to other postemployment benefits (Notes 8,9)	565,293	721,957
Total deferred inflows of resources	584,136	952,081
NET POSITION		
Net investment in capital assets	165,640,741	156,610,823
Restricted for debt service	272,895	269,790
Unrestricted	46,047,071	43,394,497
Total net position	\$ 211,960,707	\$ 200,275,110

ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2021

	2021	(For Comparative Purposes Only) 2020
OPERATING REVENUES		
Water sales	\$ 15,919,103	\$ 15,839,848
Sewer service	13,964,581	13,662,193
Other	-	219,575
Water and sewer connection fees	141,043	147,876
	<u>30,024,727</u>	<u>29,869,492</u>
OPERATING EXPENSES		
Purchase of bulk water	10,667,369	10,288,757
Purchase of sewer treatment	9,191,140	8,405,824
Depreciation	3,898,244	3,669,899
Administration	993,444	906,470
Engineering	1,948,316	1,739,017
Finance	1,823,867	1,729,470
Information Technology	909,556	752,223
Maintenance	3,170,202	3,314,547
	<u>32,602,138</u>	<u>30,806,207</u>
Operating loss	<u>(2,577,411)</u>	<u>(936,715)</u>
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous revenues	278,560	317,149
Federal Grant Revenue - CARES Act	159,657	-
Federal subsidy, Build America Bonds	94,730	102,356
Investment income	82,900	733,385
Rental income	15,539	16,603
Miscellaneous expenses	(161,972)	(7,553)
Bond interest charges	(287,044)	(309,946)
	<u>182,370</u>	<u>851,994</u>
Total nonoperating revenues (expenses)	<u>182,370</u>	<u>851,994</u>
Loss before capital contributions	(2,395,041)	(84,721)
CAPITAL CONTRIBUTIONS (Note 6)	<u>14,080,638</u>	<u>14,334,718</u>
Change in net position	11,685,597	14,249,997
NET POSITION – BEGINNING AT JULY 1	<u>200,275,110</u>	<u>186,025,113</u>
NET POSITION – ENDING AT JUNE 30	<u>\$ 211,960,707</u>	<u>\$ 200,275,110</u>

ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

	2021	(For Comparative Purposes Only) 2020
OPERATING ACTIVITIES		
Cash received from customers	\$ 29,073,524	\$ 29,841,211
Cash paid for goods and services	(21,398,529)	(20,780,701)
Cash paid to employees	(6,820,008)	(6,100,832)
Other receipts	244,616	337,062
Net cash provided by operating activities	1,099,603	3,296,740
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributed by developers, customers, and local governments	9,632,228	9,998,740
Acquisition of capital assets	(8,343,637)	(8,443,331)
Principal paid on long-term borrowings	(506,000)	(491,000)
Interest paid on long-term borrowings	(297,712)	(320,298)
Federal Grant, CARES Act	180,223	-
Federal subsidy, Build America Bonds	94,730	102,356
Proceeds from sale of capital assets	65,495	97
Net cash provided by capital and related financing activities	825,327	846,564
INVESTING ACTIVITIES		
Purchase of investment securities	(41,024,575)	-
Proceeds from sale and maturity of investment securities	14,878,927	-
Interest received	898,562	652,825
Net cash provided by (used in) investing activities	(25,247,086)	652,825
Net increase (decrease) in cash and cash equivalents	(23,322,156)	4,796,129
CASH AND CASH EQUIVALENTS		
Beginning at July 1	45,071,607	40,275,478
Ending at June 30	\$ 21,749,451	\$ 45,071,607
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 20,380,198	\$ 43,579,826
Cash and cash equivalents, restricted	1,369,253	1,491,781
	\$ 21,749,451	\$ 45,071,607

(Continued)

ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

	<u>2021</u>	<u>(For Comparative Purposes Only) 2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (2,577,411)	\$ (936,715)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	3,898,244	3,669,899
Excess of employer contributions over pension expense	387,817	16,023
Excess of employer contributions over other postemployment benefits expense	(53,439)	(90,522)
Other nonoperating revenues/expenses	83,791	336,962
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(864,433)	4,934
Inventory	(7,931)	6,079
Prepays	4,306	(36,135)
Increase (decrease) in:		
Accounts payable	243,208	248,743
Accrued liabilities	20,085	6,522
Customer deposits	(115,129)	(25,002)
Compensated absences	52,136	104,165
Unearned connection fees	28,359	(8,213)
Net cash provided by operating activities	<u>\$ 1,099,603</u>	<u>\$ 3,296,740</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions of capital assets	<u>\$ 4,012,725</u>	<u>\$ 3,431,288</u>
Capital asset additions financed by accounts payable	<u>\$ 963,430</u>	<u>\$ 880,568</u>
(Decrease) Increase in fair value of investments	<u>\$ (815,662)</u>	<u>\$ 80,560</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Albemarle County Service Authority (the Authority) was created by a resolution of the Board of Supervisors (BOS) of Albemarle County, Virginia (the County) in April 1964. The Authority is chartered by the State Corporation Commission and is an independent public body responsible for undertaking projects as may be specified for the distribution and sale of potable water to retail customers and for the collection of wastewater from retail customers and delivery of such wastewater to the Rivanna Water and Sewer Authority (RWSA). The management of the Authority is vested in a board of six members appointed by the County's BOS.

To determine the appropriate reporting entity for the Authority, its relationship with the County was considered. Although the members of the Authority's Board of Directors are appointed by the Board of County Supervisors, the County is not financially accountable for the Authority. In addition, there is no potential for the Authority to provide specific financial benefits to, or impose specific financial burdens on, the County, and the Authority is not fiscally dependent on the County. Accordingly, based on these criteria, the Authority is not included as a component unit in the County's financial statements.

The following is a summary of the Authority's significant accounting policies:

(b) Basis of Presentation and Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises. The Authority's intent is that the costs of providing goods or services to customers on a continuing basis be financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control and accountability.

The Authority follows the accrual basis of accounting. Under this basis of accounting, revenue is recognized when earned and expenses are recorded when incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for water consumption and wastewater treatment. Operating expenses consist of bulk water purchases, sewer treatment, administrative expenses, and depreciation of capital assets. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from non-exchange transactions or ancillary services.

When an expense is incurred for purposes in which both restricted and unrestricted net assets are available, it is the Authority's policy to first apply restricted resources.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

(c) Cash and Investments

Cash and temporary investments include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Restricted cash and temporary investments include amounts held in money market funds as well as short-term investments with an original maturity of three months or less. These amounts consist of reserves for debt service and deposits from customers for service.

Investments include United States government, agency obligations of the Commonwealth of Virginia and its subdivisions, municipal bonds, and commercial paper. All investments are stated at fair value. Interest income from investments is recorded in the year earned.

(d) Fair Value Measurements

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 and are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

(e) Accounts Receivable

All continuing service receivables are recognized when earned with no allowance for uncollectibles, as delinquent accounts attach as an enforceable lien on property if not collected within a certain period of time once notification has been given to the owner. Therefore, the Authority does not require an allowance for uncollectible account.

An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year.

(f) Inventory

Inventory is valued using the weighted-average method. Inventories are recorded as an operating expense when consumed rather than when purchased.

(g) Restricted Assets

Restricted assets represent resources designated for specific purposes and include developers' advances and customer deposits.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

(h) Capital Assets

The Authority capitalizes all property and permanent right-of-way easements, equipment, and infrastructure assets with a cost greater than \$5,000 and an estimated useful life of more than one year.

Capital assets are stated at historical cost. Donated assets are recorded at acquisition value at the time received. Expenses for repairs and upgrading which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are expensed as incurred.

Depreciation and amortization for both purchased and contributed assets is recorded as depreciation and amortization expense on a straight-line basis over the following estimated useful lives:

Land improvements	10-20 years
Structures and improvements	10-60 years
Equipment	3-10 years

(i) Construction in Progress

Construction in progress includes design and construction costs that accumulate until completion of the respective project, at which time the total cost is transferred to depreciable capital assets.

(j) Compensated Absences

Authority employees are granted annual leave in varying amounts based on years of service. In the event of termination, an employee is reimbursed for accumulated annual leave in full. Annual leave is considered a liability and is accrued as earned. The Authority does not accrue sick pay when earned since its employees do not have vested rights to receive such pay except to the extent of time not worked due to sickness.

(k) Unearned Revenues

Unearned connection fees consist of advances to the Authority under prescribed conditions by developers in exchange for credit vouchers to be used to pay facility fees (both water and sewer) in order to connect to the Authority's system. The Authority recognizes the revenue when the credit voucher is redeemed. Also included in unearned revenues are over payments by customers that will be recognized as revenue as charges for water/sewer treatment are incurred.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

(l) Deferred outflows/inflows of resources

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

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

The Authority has the following items that qualify for reporting as deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportionate share that will be recognized in the pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or deferred inflow as appropriate.

(m) Pensions and Other Postemployment Benefits (OPEB)

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

(n) Net Position

Net position is the difference between assets and deferred outflows of resources and 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. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

(o) Capital Contributions

Capital contributions are recorded for the receipt of funds, property, lines and improvements by developers, customers or other governments.

(p) Comparative Information

The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the prior year from which the summarized information was derived.

(q) Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) Accounting Pronouncements

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

In June 2017, The GASB issued **Statement No. 87, *Leases***. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

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

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued **Statement No. 91**, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92**, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

literature by addressing practice issues that that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

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

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

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

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

Note 2. Deposits and Investments

Deposits

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

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2. Deposits and Investments (Continued)

Investments

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

The fair value of the position in LGIP is the same as the value of the pool shares. As the pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with GASB Statement No. 79. Due to the nature of LGIP, it is considered a cash and cash equivalent on the Statement of Net Position.

The Authority’s investments are subject to interest rate, credit, concentration of credit, and custodial credit risk as described herein.

The Authority has recurring fair value measurements as of June 30, 2021. Those include U. S. Bonds, Municipal Notes, and Commercial Paper classified in Level 2 of the fair value hierarchy and valued using prices quoted in active markets for those bonds.

Interest rate risk: Interest rate risk is the risk that the fair value of the securities in the portfolio will decline due to rising interest rates. Investments are limited to a maximum maturity of five (5) years from the transaction settlement date (with the exception of Agency Mortgage-Backed Securities (“MBS”) which must have a weighted average life (“WAL”) of no more than five (5) years). To manage the volatility of the Investment Portfolio, the Director of Finance shall determine an appropriate duration or weighted average maturity (“WAM”) target for each component of the Investment Portfolio. At no time shall the duration or WAM of any component of the Investment Portfolio exceed three (3) years.

Credit risk: Credit risk is the risk of loss due to the failure of the security issuer or backer to repay its obligations and may also apply where there is a loss of fair value of the investment due to a deterioration of an issuer’s credit rating.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investments held from a single issuer. The Authority’s investment portfolio as of June 30, 2021 is concentrated in securities issued by the U.S. Treasury (42%), Federal Agencies (31%), Federal Agency Mortgage-Backed Securities (1%), Federal Agency Collateralized Mortgage Obligations (1%), Municipal Notes (3%), and Commercial Paper (20%).

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2. Deposits and Investments (Continued)

The table below details the fair value and rating as determined by Standard & Poor's for each issuer of the Authority's investments as well as deposits, as of June 30, 2021:

Deposits and Investments								
	<u>AAA</u>	<u>A-1+</u>	<u>AA+</u>	<u>AA</u>	<u>A-1</u>	<u>AAAm</u>	<u>Deposits</u>	<u>Total</u>
U.S. Treasury	\$ -	\$ -	\$12,762,187	\$ -	\$ -	\$ -	\$ -	\$12,762,187
Local Government Investment Pool	-	-	-	-	-	13,362,385	-	13,362,385
Federal Agency	-	-	9,436,660	-	-	-	-	9,436,660
Fed. Agency MBS	-	-	249,156	-	-	-	-	249,156
Fed. Agency CMO	-	-	230,858	-	-	-	-	230,858
Municipal	251,349	-	300,955	249,653	-	-	-	801,957
Commercial Paper	-	599,801	-	-	5,396,744	-	-	5,996,545
Money Market Fund	-	-	-	-	-	624,084	-	624,084
Cash	-	-	-	-	-	-	7,721,815	7,721,815
Tot. Cash and Invst.	<u>\$ 251,349</u>	<u>\$599,801</u>	<u>\$22,979,816</u>	<u>\$249,653</u>	<u>\$5,396,744</u>	<u>\$13,986,469</u>	<u>\$7,721,815</u>	<u>\$51,185,647</u>

Reconciliation of deposits and investments to Exhibit 1:

Cash and cash equivalents, unrestricted	\$20,380,198
Cash and cash equivalents, restricted	1,369,253
Investments	<u>29,436,196</u>
Total Deposits and Investments:	<u>\$51,185,647</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2. Deposits and Investments (Continued)

Investment Type	<u>Investment Maturities</u>					
	<u>1 Year</u>	<u>2 Years</u>	<u>3 Years</u>	<u>4 Years</u>	<u>5 Years</u>	<u>≥5 Years</u>
U.S. Treasury	\$5,043,481	\$3,658,160	\$3,207,164	\$853,382	\$ -	\$ -
Federal Agency	-	6,076,209	3,360,451	-	-	-
Fed. Agency MBS	-	-	-	-	-	249,156
Fed. Agency CMO	-	-	-	102,461	128,397	-
Municipal	-	249,653	552,304	-	-	-
Commercial Paper	5,996,545	-	-	-	-	-
Money Market/LGIP	13,986,469	-	-	-	-	-
Total Investments	<u>\$ 25,026,495</u>	<u>\$9,984,022</u>	<u>\$7,119,919</u>	<u>\$955,843</u>	<u>\$128,397</u>	<u>\$249,156</u>

Custodial credit risk: Custodial credit risk is the risk that the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside custodial party. All of the securities purchased by the Authority are held in safekeeping by a third party custodial bank or institution in the Authority's name, and therefore, the Authority is not exposed to custodial credit risk.

Note 3. Accounts Receivable

Accounts receivable consist of the following:

	<u>Billed</u>	<u>Unbilled</u>	<u>Total</u>
Receivables, current:			
Water	\$ 1,555,545	\$ 1,072,796	\$ 2,628,341
Sewer	1,265,480	863,493	2,128,973
Other	107,855	-	107,855
	<u>\$ 2,928,880</u>	<u>\$ 1,936,289</u>	<u>\$ 4,865,169</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 4. Capital Assets

Changes in capital assets for the year are as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions/ Reclassifications</u>	<u>Balance June 30, 2021</u>
Capital assets, not being depreciated				
Land and land rights	\$ 1,914,876	\$ -	\$ -	\$ 1,914,876
Construction in progress	8,448,320	7,607,628	(7,416,152)	8,639,796
Total capital assets, not being depreciated	<u>10,363,196</u>	<u>7,607,628</u>	<u>(7,416,152)</u>	<u>10,554,672</u>
Capital assets, being depreciated				
Structures and improvements	204,497,981	4,012,725	7,410,044	215,920,750
Equipment	5,400,731	818,871	(274,763)	5,944,839
Total capital assets, being depreciated	<u>209,898,712</u>	<u>4,831,596</u>	<u>7,135,281</u>	<u>221,865,589</u>
Less accumulated depreciation for:				
Structures and improvements	(53,906,380)	(3,574,865)	-	(57,481,245)
Equipment	(3,894,867)	(323,379)	263,712	(3,954,534)
Total accumulated depreciation	<u>(57,801,247)</u>	<u>(3,898,244)</u>	<u>263,712</u>	<u>(61,435,779)</u>
Total capital assets being depreciated, net	<u>152,097,465</u>	<u>933,352</u>	<u>7,398,933</u>	<u>160,429,810</u>
Total capital assets, net	<u>\$ 162,460,661</u>	<u>\$ 8,540,980</u>	<u>\$ (17,159)</u>	<u>\$ 170,984,482</u>

Construction commitments:

The Authority's active construction projects as of June 30, 2021 are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Wastewater line rehabilitations or re-linings	\$ 416,522	\$ 3,398,210
Water line replacements	1,409,571	3,354,478
Other	1,360,934	1,844,781
	<u>\$ 3,187,027</u>	<u>\$ 8,597,469</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Revenue bond	\$ 6,472,000	\$ -	\$ (506,000)	\$ 5,966,000	\$ 521,000
Compensated absences	641,135	439,681	(387,545)	693,271	92,807
	<u>\$ 7,113,135</u>	<u>\$ 439,681</u>	<u>\$ (893,545)</u>	<u>\$ 6,659,271</u>	<u>\$ 613,807</u>

A single revenue bond for \$10,357,000 was issued as a Build America Bond (BAB) on November 1, 2010. Proceeds from the sale were used to (1) provide new money funding for the North Fork Regional Pump Station project and to (2) pay the cost of issuance. All water and sewer revenues are pledged equally and ratably to secure payment of the principal and interest on the revenue bond. This Bond bears interest at the rate of 4.6%, payable semiannually. The true interest cost, after application of the BAB subsidy, is 2.98%.

The revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Anticipated BAB Subsidy	Net Interest
2022	\$ 521,000	\$ 274,436	\$ (96,053)	\$ 178,383
2023	536,000	250,470	(87,665)	162,805
2024	552,000	225,814	(79,035)	146,779
2025	569,000	200,422	(70,148)	130,274
2026	586,000	174,248	(60,987)	113,261
2027-2031	3,202,000	450,616	(157,716)	292,900
	<u>\$ 5,966,000</u>	<u>\$ 1,576,006</u>	<u>\$ (551,604)</u>	<u>\$ 1,024,402</u>

Debt covenants and Federal arbitrage regulations:

The Authority is required to deliver to the Trustee for deposit both interest and principal amounts as prescribed in the Agreement of Trust. The Authority is in compliance with these covenants.

The Authority is required to adhere to the rebate and reporting requirements of the federal tax code pertaining to arbitrage. The Authority is in compliance with federal arbitrage regulations. Any potential liabilities arising from arbitrage have been deemed immaterial in relation to the financial statements.

**ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 6. Capital Contributions

Capital contributions for the year are summarized as follows:

Developer and customer contributions of capital assets	\$ 4,012,725
Crozet water and sewer – System/capacity fees	3,054,705
Urban water and sewer – System/capacity fees	6,912,988
North Fork Regional Pump Station -- Special Rate District Fee	<u>100,220</u>
	<u><u>\$ 14,080,638</u></u>

Note 7. Defined Benefit Pension Plan

Plan Description

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

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

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

**ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 7. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	38
Inactive members:	
Vested inactive members	8
Non-vested inactive members	26
Inactive members active elsewhere in VRS	15
Total inactive members	49
Active members	77
Total covered employees	164

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2021 was 7.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$313,643 and \$245,110 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

**ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

*Administrative expenses as a percent of the 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 rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment returned assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

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

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 7. Defined Benefit Pension Plan (Continued)

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	4.65 %	1.58 %
Fixed Income	15.00	0.46	0.07
Credit Strategies	14.00	5.38	0.75
Real Assets	14.00	5.01	0.70
Private Equity	14.00	8.34	1.17
MAPS – Multi-Asset Public Strategies	6.00	3.04	0.18
PIP – Private Investment Partnership	3.00	6.49	0.19
Total	100.00 %		<u>4.64 %</u>
	Inflation		<u>2.50 %</u>
	* Expected arithmetic nominal return		<u>7.14 %</u>

*The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.5%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 7. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2019	\$ 17,727,312	\$ 15,541,675	\$ 2,185,637
Changes for the year:			
Service cost	334,646	-	334,646
Interest	1,177,200	-	1,177,200
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	713,793	-	713,793
Contributions – employer	-	245,116	(245,116)
Contributions – employee	-	219,505	(219,505)
Net investment income	-	297,306	(297,306)
Benefit payments, including refunds of employee contributions	(574,638)	(574,638)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(10,040)	10,040
Other changes	-	(354)	354
Net changes	1,651,001	176,895	1,474,106
Balances at June 30, 2020	\$ 19,378,313	\$ 15,718,570	\$ 3,659,743

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 7. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	\$ 6,184,334	\$ 3,659,743	\$ 1,568,124

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

For the year ended June 30, 2021, the political subdivision recognized pension expense of \$701,467. At June 30, 2021, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 599,205	\$ -
Change of assumptions	239,934	18,843
Net difference between projected and actual earnings on pension plan investments	467,390	-
Employer contributions subsequent to the measurement date	313,643	-
Total	\$ 1,620,172	\$ 18,843

**ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 7. Defined Benefit Pension Plan (Continued)

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

The \$313,643 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2022	\$ 361,603
2023	462,812
2024	313,733
2025	149,538
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Annual Financial Report. A copy of the 2020 VRS Annual Financial Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan

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

Plan Descriptions

Group Life Insurance Program

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

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members’ paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program,

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

it is not included as part of the GLI Program OPEB.

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

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

Contributions

Contributions to the VRS OPEB program was based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB program is as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution	\$25,130
June 30, 2020 Contribution	\$23,898

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

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer’s proportion of the net OPEB liabilities were based on the covered employer’s actuarially determined employer contributions for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2021 proportionate share of liability	\$ 372,651
June 30, 2020 proportion	.02233%
June 30, 2019 proportion	.02206%
June 30, 2021 expense	\$ 19,396

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

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

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,902	\$ 3,348
Change of assumptions	18,637	7,781
Net difference between projected and actual earnings on OPEB plan investments	11,194	-
Changes in proportionate share	20,828	-
Employer contributions subsequent to the measurement date	25,130	-
Total	\$ 99,691	\$ 11,129

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2022	\$ 10,798
2023	13,959
2024	16,845
2025	16,625
2026	4,844
Thereafter	361

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

* 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

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

**ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent the total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,523,938
Plan fiduciary net position	1,855,102
Employers' net OPEB liability (asset)	\$ 1,668,836
Plan fiduciary net position as a percentage of total OPEB liability	52.64%

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

Long-Term Expected Rate of Return

Group Life Insurance

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

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	4.65 %	1.58 %
Fixed Income	15.00	0.46	0.07
Credit Strategies	14.00	5.38	0.75
Real Assets	14.00	5.01	0.70
Private Equity	14.00	8.34	1.17
MAPS – Multi-Asset Public Strategies	6.00	3.04	0.18
PIP – Private Investment Partnership	3.00	6.49	0.19
Total	100.00 %		<u>4.64 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.14 %</u>

* The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations provide a median return of 6.81%

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the OPEB liability will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

**ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
GLI Net OPEB liability	\$ <u>489,879</u>	\$ <u>372,651</u>	\$ <u>277,452</u>

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Annual Financial Report. A copy of the 2020 VRS Annual Financial Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 9. Other Post-Employment Benefits Liability – Local Plan

Plan description:

The Authority offers other post-employment benefits (OPEB) under a single employer plan by allowing qualifying retirees to continue to participate in the Authority’s health insurance plan. Retirees must pay the cost of the premium but receive an implicit rate subsidy by virtue of participating in the Authority’s plan.

The Authority’s Voluntary Early Retirement Incentive Program (VERIP) provides an additional health insurance subsidy for up to five years for employees who retire and meet the requirements of the plan. VERIP participants may choose to apply this subsidy to Authority sponsored health insurance premiums or to purchase other insurance. For fiscal year 2021, the Authority’s health and benefit contribution was \$523 per month. VERIP benefits are paid monthly for a period of five years after retirement or until age 65, whichever comes first.

Participants in the Authority’s VERIP must meet the following requirements: employees must be eligible for early or full retirement under the provisions of the VRS, must have been employed by the Authority for 10 years prior to retirement, and must be at least 50 years of age. Any employees retiring under the disability provisions of VRS and/or Social Security will not be eligible for VERIP.

**ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

Employees Covered by Benefit Terms:

As of the June 30, 2021 measurement date, the following employees were covered by the benefit terms of the plan:

	Number
Inactive employees or beneficiaries:	
Currently receiving benefits	2
Entitled to but not yet receiving benefits	-
Total inactive employees	2
Active plan members	76
Total employees covered by benefit terms	\$ 78

Total OPEB Liability:

The Authority’s total OPEB liability of \$1,076,302 was measured as of June 30, 2021 and was determined based on an actual valuation performed as of July 1, 2020.

Actuarial Assumptions and other inputs:

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

Inflation	2.5% per year
Salary increases, including inflation	3.50% plus the salary merit increases, which are based on the VRS actuarial valuation as of June 30, 2019
Healthcare cost trend rates	4.5% - 7.5%
Retirees’ share of benefit-related costs	Retirees are responsible for the full cost of coverage less the VERIP subsidy for those who qualify
Mortality rates	Healthy retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019; Surviving spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019; Disabled retirees: SOA Pub-2010 Non-Safety Disability Headcount Weighted Mortality Table fully generational using Scale MP-2019

**ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2021. There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2020.

Changes in assumptions and other inputs:

- The Discount rate as of the Measurement Date has been updated from 2.66% as of July 1, 2020 to 2.19% as of June 30, 2021 based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). This change has caused an increase in the Authority’s liabilities. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.
- Health care trend rates have been reset to an initial trend of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5% according to the schedule in the Health Care Trend Rates section of the Actuarial Methods and Assumptions.

Changes in the Total OPEB Liability:

Balance at June 30, 2020		
Changes for the year:	\$	987,216
Service Cost		57,968
Interest		27,390
Benefit Changes		-
Assumptions or other input changes		39,416
Differences between expected and actual experience		(4,522)
Benefit payments		(31,166)
Balance at June 30, 2021	\$	<u>1,076,302</u>

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

The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.19%) or one percentage point higher (3.19%) than the current discount rate:

	<u>1.00% Decrease (1.19%)</u>	<u>Current Discount Rate (2.19%)</u>	<u>1.00% Increase (3.19%)</u>
Total OPEB liability	\$ <u>1,163,601</u>	\$ <u>1,076,302</u>	\$ <u>993,894</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

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

The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current healthcare cost trend rates:

	1.00% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1.00% Increase (8.50%)
Total OPEB liability	\$ 935,924	\$ 1,076,302	\$ 1,245,535

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

For the year ended June 30, 2021, the Authority recognized OPEB expense of (\$16,488). At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,833	\$ 550,978
Change in assumptions	79,076	3,186
Employer contributions subsequent to the measurement date	N/A	N/A
Total	\$ 136,909	\$ 554,164

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

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

Year Ending June 30,	Increase (Decrease) to OPEB Expense
2022	\$ (101,846)
2023	(101,849)
2024	(129,167)
2025	(94,362)
2026	4,985
Thereafter	4,984

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

Summary of Other Postemployment Benefit Elements

Deferred outflows of resources - OPEB	
Differences between expected and actual experience	
VRS- Group Life Insurance	\$ 23,902
Local Plan	57,833
Changes in proportion	
VRS- Group Life Insurance	20,828
Employer contributions subsequent to the measurement date	
VRS- Group Life Insurance	25,130
Changes of assumptions	
VRS- Group Life Insurance	18,637
Local Plan	79,076
Net difference between projected and actual earnings on plan investments	
VRS- Group Life Insurance	11,194
Total deferred outflows of resources - OPEB	<u>\$ 236,600</u>
Net OPEB liability	
VRS- Group Life Insurance	\$ 372,651
Local Plan	1,076,302
Total net OPEB liability	<u>\$ 1,448,953</u>
Deferred inflows of resources - OPEB	
Differences between expected and actual experience	
VRS- Group Life Insurance	\$ 3,348
Local Plan	550,978
Changes of assumptions	
VRS- Group Life Insurance	7,781
Local Plan	3,186
Net difference between projected and actual earnings on plan investments	
Total deferred inflows of resources – OPEB	<u>\$ 565,293</u>
OPEB Expense	
VRS- Group Life Insurance	\$ 19,396
Local Plan	(16,488)
Total OPEB Expense	<u>\$ 2,908</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 10. Service Contracts

The Authority purchases all water and sewage treatment services from RWSA. These purchases amounted to \$10,667,369 for water and \$9,191,140 for sewage treatment services for the current year.

RWSA was formed in 1972 as a joint venture of the City of Charlottesville, the County of Albemarle, and the Authority. The RWSA operates under the terms of a Service Agreement which was signed in 1973 and is expected to continue indefinitely. Under the terms of the agreement, as well as several supplemental agreements since that time, the City of Charlottesville and the Authority have covenanted to purchase water and sewer services from RWSA. RWSA constructs and maintains the capital assets necessary to provide these water and sewer services and has issued debt to fund these projects. RWSA's charges to the Authority included a component for operations as well as a component for current and future estimated debt service.

In the current year, the charges that were associated with debt service were \$8,647,008.

Note 11. Risk Management

The Risk Management Programs of the Authority are as follows:

The Authority is a member of the Virginia Risk Sharing Association (V.R.S.A.). The liability coverage includes: local government liability, auto, property, boiler/machinery, Cyber Liability, fidelity/crime, workers compensation and general liability coverages. VML Insurance program is a self-administered risk pool which, for premiums paid, protects Virginia State and local government entities. Settlement amount under these policies have not exceeded insurance coverage for the last three fiscal years.

The limits of the pools' liability to the Authority are as follows:

- Local Government Liability – \$1,000,000
- Auto – \$1,000,000
- Property – \$21,150,070
- Boiler/Machinery – \$15,000,000
- Cyber Liability - \$2,000,000
- Fidelity/Crime – \$250,000
- General Liability – \$1,000,000 (plus Excess of \$4,000,000)
- Workers Compensation – Specific excess limits as per statute, aggregate excess limits up to the limits of the Aggregate Excess Loss Fund. Employers' Liability: \$1,000,000 for each bodily injury accident for each employee.

The Authority continues to carry commercial insurance for all other risks of loss, namely employee health insurance. Claims have not exceeded coverage for the last three fiscal years.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 12. Deferred Compensation Plan

Since 1988 the Authority has offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a maximum of 100% of their salary or \$19,500 per year, whichever is less. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 13. Contingency – Off-Site Extensions

Off-site extensions of water and/or sanitary sewer lines to serve new developments shall be the responsibility of the developer. An off-site extension is defined as an extension of a water and/or sanitary sewer line by a developer from the developer's property boundary as determined by the Authority to existing Authority facilities. Under specific circumstances, upon completion of the project and acceptance into the Authority's system, the Authority shall enter into a written agreement granting the developer credit against future water and/or sewer system development charges. The credit can only be used for the property for which the off-site extension is constructed. The credit does not constitute a priority for water or sewer service. As water and/or sewer connections are made, the developer must use its existing credit first. The credit shall expire ten years after acceptance of the off-site water and/or sewer line extension into the Authority's system. If all requirements for use of credits are met, the total amount of unrecorded but potential credits is \$18,393 at June 30, 2021.

Note 14. COVID-19 Impact

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, the Authority's financial condition, liquidity, and results of operations for Fiscal Year 2021 were largely similar to those in Fiscal Year 2020. Management continues to actively monitor the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Note 15. Subsequent Event – Bond Refunding

On July 21, 2021, the Virginia Resources Authority (VRA) sold its 2021B Pooled Bond issuance in the public market to assist with refunding the ACSA's 2010 Build America Bond for debt service savings. The 2010 Build America Bond was redeemed on August 4, 2021 resulting in a net budgetary savings of \$1,242,262 or a Net Present Value Percent Savings of 9.68%.

**REQUIRED SUPPLEMENTARY
INFORMATION**

ALBEMARLE COUNTY SERVICE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability							
Service cost	\$ 334,646	\$ 288,386	\$ 282,089	\$ 302,117	\$ 306,250	\$ 319,994	\$ 303,515
Interest on total pension liability	1,177,200	1,117,629	1,062,604	1,021,852	971,270	945,438	891,399
Changes in benefit terms	-	-	-	-	-	-	-
Changes in assumptions	-	511,046	-	(261,995)	-	-	-
Difference between expected and actual experience	713,793	132,308	19,186	57,961	(77,660)	(456,292)	-
Benefit payments, including refunds of employee contributions	(574,638)	(576,372)	(579,237)	(496,301)	(458,221)	(421,994)	(423,861)
Net change in total pension liability	1,651,001	1,472,997	784,642	623,634	741,639	387,146	771,053
Total pension liability – beginning	<u>17,727,312</u>	<u>16,254,315</u>	<u>15,469,673</u>	<u>14,846,039</u>	<u>14,104,400</u>	<u>13,717,254</u>	<u>12,946,201</u>
Total pension liability – ending	<u>19,378,313</u>	<u>17,727,312</u>	<u>16,254,315</u>	<u>15,469,673</u>	<u>14,846,039</u>	<u>14,104,400</u>	<u>13,717,254</u>
Plan Fiduciary Net Position							
Contributions – employer	245,116	234,877	244,563	235,653	330,458	317,575	326,450
Contributions – employee	219,505	207,077	188,757	181,895	177,386	171,283	170,882
Net investment income	297,306	983,842	1,024,636	1,516,452	217,142	535,330	1,576,735
Benefit payments, including refunds of employee contributions	(574,638)	(576,372)	(579,237)	(496,301)	(458,221)	(421,994)	(423,861)
Administrative expenses	(10,040)	(9,615)	(8,793)	(8,670)	(7,476)	(7,154)	(8,347)
Other	(354)	(620)	(913)	(1,352)	(91)	(110)	84
Net change in plan fiduciary net position	176,895	839,189	869,013	1,427,677	259,198	594,930	1,641,943
Plan fiduciary net position – beginning	<u>15,541,675</u>	<u>14,702,486</u>	<u>13,833,473</u>	<u>12,405,796</u>	<u>12,146,598</u>	<u>11,551,668</u>	<u>9,909,725</u>
Plan fiduciary net position – ending	<u>15,718,570</u>	<u>15,541,675</u>	<u>14,702,486</u>	<u>13,833,473</u>	<u>12,405,796</u>	<u>12,146,598</u>	<u>11,551,668</u>
Net pension liability – ending	<u>\$ 3,659,743</u>	<u>\$ 2,185,637</u>	<u>\$ 1,551,829</u>	<u>\$ 1,636,200</u>	<u>\$ 2,440,243</u>	<u>\$ 1,957,802</u>	<u>\$ 2,165,586</u>
Plan fiduciary net position as a percentage of total pension liability	<u>81%</u>	<u>88%</u>	<u>90%</u>	<u>89%</u>	<u>84%</u>	<u>86%</u>	<u>84%</u>
Covered payroll	<u>\$ 4,596,106</u>	<u>\$ 4,325,421</u>	<u>\$ 3,922,995</u>	<u>\$ 3,757,862</u>	<u>\$ 3,635,900</u>	<u>\$ 3,474,178</u>	<u>\$ 3,355,469</u>
Net pension liability as a percentage of covered payroll	<u>80%</u>	<u>51%</u>	<u>40%</u>	<u>44%</u>	<u>67%</u>	<u>56%</u>	<u>65%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

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

ALBEMARLE COUNTY SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2021

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
2015	\$ 311,615	\$ 311,615	\$ -	\$ 3,474,178	8.97%
2016	330,458	330,458	-	3,635,900	9.09%
2017	235,653	235,653	-	3,757,862	6.27%
2018	244,561	244,561	-	3,922,995	6.23%
2019	234,877	234,877	-	4,325,421	5.43%
2020	245,110	245,110	-	4,596,106	5.33%
2021	313,643	313,643	-	4,653,342	6.74%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

ALBEMARLE COUNTY SERVICE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS - LOCAL PLAN
June 30, 2021

	<u>Plan Year 2021</u>	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>	<u>Plan Year 2018</u>
Total OPEB Liability				
Service cost	\$ 57,968	\$ 74,812	\$ 68,079	\$ 69,786
Interest on total OPEB liability	27,390	55,438	67,654	56,003
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(4,522)	(632,618)	(250,714)	173,501
Changes in assumptions	39,416	36,551	41,846	(9,554)
Benefit payments	(31,166)	(102,307)	(102,268)	(106,141)
	<u>89,086</u>	<u>(568,124)</u>	<u>(175,403)</u>	<u>183,595</u>
Net change in total OPEB liability	89,086	(568,124)	(175,403)	183,595
Total OPEB liability - beginning	987,216	1,555,340	1,730,743	1,547,148
Total OPEB liability - ending	<u>\$ 1,076,302</u>	<u>\$ 987,216</u>	<u>\$ 1,555,340</u>	<u>\$ 1,730,743</u>
Covered employee payroll	<u>\$ 4,686,463</u>	<u>\$ 4,583,540</u>	<u>\$ 4,404,509</u>	<u>\$ 3,899,735</u>
Total OPEB liability as a percentage of covered payroll	<u>23.0%</u>	<u>21.5%</u>	<u>35.3%</u>	<u>44.4%</u>

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

ALBEMARLE COUNTY SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS

June 30, 2021

Fiscal Year Ended June 30	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
VRS - Group Life Insurance - General Employees					
2018	\$ 20,401	\$ 20,401	\$ -	\$ 3,922,995	0.52%
2019	22,492	22,492	-	4,325,421	0.52%
2020	23,898	23,898	-	4,596,106	0.52%
2021	25,130	25,130	-	4,653,342	0.54%

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

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

ALBEMARLE COUNTY SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY

June 30, 2021

<u>Entity Fiscal Year Ended June 30</u>	<u>Employer's Proportion of the Net OPEB Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
VRS - Group Life Insurance - General Employees					
2018	0.02038%	\$ 307,000	\$ 3,757,862	8.17%	48.86%
2019	0.02063%	313,000	3,922,995	7.98%	51.22%
2020	0.02206%	358,975	4,325,421	8.30%	52.00%
2021	0.02233%	372,651	4,596,106	8.11%	52.64%

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

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

ALBEMARLE COUNTY SERVICE AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

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

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

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

STATISTICAL SECTION

The statistical section of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the Authority's overall financial health. This information has not been audited by the independent auditor.

Contents

Financial Trends

Tables 1-4

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

Revenue Capacity

Tables 5-6

These schedules contain information to help the reader assess the Authority's most significant revenue sources.

Debt Capacity

Table 7

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

Demographic and Economic Information

Tables 8-9

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

Operating Information

Tables 10-17

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Table 1

**ALBEMARLE COUNTY SERVICE AUTHORITY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018**</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Business-type activities										
Net investment in capital assets	\$ 105,620,650	\$ 108,233,265	\$ 115,617,250	\$ 119,714,145	\$ 126,311,674	\$ 131,997,020	\$ 140,238,885	\$ 148,180,254	\$ 156,610,823	\$ 165,640,741
Restricted for debt service	218,724	223,963	229,688	234,890	240,591	247,015	255,835	264,343	269,790	272,895
Unrestricted	19,210,751	21,876,992	22,782,549	22,276,215	24,423,916	29,077,339	36,007,519	37,580,516	43,394,497	46,047,071
Total business-type activities net position	<u>\$ 125,050,125</u>	<u>\$ 130,334,220</u>	<u>\$ 138,629,487</u>	<u>\$ 142,225,250</u>	<u>\$ 150,976,181</u>	<u>\$ 161,321,374</u>	<u>\$ 176,502,239</u>	<u>\$ 186,025,113</u>	<u>\$ 200,275,110</u>	<u>\$ 211,960,707</u>

* GASB Statement No. 68 was adopted in fiscal year 2015. Information from previous years presented is unavailable

** GASB Statement No. 75 was adopted in fiscal year 2018. Information from previous years presented is unavailable

Table 2

**ALBEMARLE COUNTY SERVICE AUTHORITY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating expenses										
Operating expenses:										
Water	\$ 9,981,754	\$ 10,686,931	\$ 10,262,354	\$ 11,204,103	\$ 11,872,889	\$ 12,816,458	\$ 13,029,366	\$ 13,762,043	\$ 14,934,749	\$ 15,418,833
Sewer	8,822,189	9,490,588	10,111,833	9,130,743	9,766,413	9,613,692	9,664,393	12,468,623	12,201,559	13,285,061
Other	2,501,718	2,556,232	2,819,633	3,026,916	3,158,144	3,302,779	3,336,765	3,625,254	3,669,899	3,898,244
Total operating expenses	\$ 21,305,661	\$ 22,733,751	\$ 23,193,820	\$ 23,361,762	\$ 24,797,446	\$ 25,732,929	\$ 26,030,524	\$ 29,855,920	\$ 30,806,207	\$ 32,602,138
Operating revenues										
Charges for services:										
Water	\$ 10,651,869	\$ 10,701,103	\$ 10,665,192	\$ 12,173,073	\$ 12,564,711	\$ 13,916,547	\$ 14,221,088	\$ 14,365,666	\$ 15,839,848	\$ 15,919,103
Sewer	9,280,346	9,611,718	9,588,948	10,468,470	10,895,970	11,869,460	12,232,244	12,688,282	13,662,193	13,964,581
Connection	94,442	550,967	296,724	328,862	329,384	359,660	331,838	356,398	367,451	141,043
Total operating revenues	\$ 20,026,657	\$ 20,863,788	\$ 20,550,864	\$ 22,970,405	\$ 23,790,065	\$ 26,145,667	\$ 26,785,170	\$ 27,410,346	\$ 29,869,492	\$ 30,024,727
Net (expense) revenue	\$ (1,279,004)	\$ (1,869,963)	\$ (2,642,956)	\$ (391,357)	\$ (1,007,381)	\$ 412,738	\$ 754,646	\$ (2,445,574)	\$ (936,715)	\$ (2,577,411)
Nonoperating revenues and expenses										
Investment earnings	\$ 68,431	\$ 19,745	\$ 110,135	\$ 102,469	\$ 215,035	\$ 59,576	\$ 348,572	\$ 946,599	\$ 733,385	\$ 82,900
Miscellaneous revenues	565,472	218,389	310,340	347,692	363,029	412,944	552,586	51,050	333,752	548,486
Capital contributions	9,036,424	7,680,924	10,739,627	7,466,312	9,468,629	9,717,312	15,173,477	11,632,967	14,334,718	14,080,638
Other expenses	(310,417)	(765,000)	(221,879)	(473,424)	(288,381)	(257,377)	(293,343)	(662,168)	(215,143)	(449,016)
Total nonoperating revenues and expenses	\$ 9,359,910	\$ 7,154,058	\$ 10,938,223	\$ 7,443,049	\$ 9,758,312	\$ 9,932,455	\$ 15,781,292	\$ 11,968,448	\$ 15,186,712	\$ 14,263,008
Change in net position	\$ 8,080,906	\$ 5,284,095	\$ 8,295,267	\$ 7,051,692	\$ 8,750,931	\$ 10,345,193	\$ 16,535,938	\$ 9,522,874	\$ 14,249,997	\$ 11,685,597

Table 3

**ALBEMARLE COUNTY SERVICE AUTHORITY
WATER AND SEWER SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS
(IN MILLIONS OF GALLONS)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Type of Water Customer										
Single-family residential	710.70	709.20	704.40	715.80	714.07	747.21	751.98	736.24	802.07	841.10
Multi-family residential	354.10	360.10	370.00	376.30	379.59	393.56	392.13	398.38	407.54	439.01
Commercial (Offices)	51.10	49.10	47.40	49.20	64.97	51.50	45.65	44.48	42.05	36.94
Commercial (Other)	245.40	246.40	238.10	246.40	240.93	283.17	269.28	264.36	254.80	224.13
Industrial	17.50	18.30	20.30	16.20	21.59	19.68	17.28	18.41	17.16	11.27
Institutional	179.90	164.80	154.40	172.10	189.99	207.49	203.02	164.35	159.91	151.73
TOTAL WATER SOLD	1,558.70	1,547.90	1,534.60	1,576.00	1,611.14	1,702.61	1,679.34	1,626.22	1,683.53	1,704.18
Residential & irrigation 0-3,000	\$3.31	\$3.44	\$3.33	\$3.69	\$3.80	\$3.99	\$4.11	\$4.27	\$4.48	\$4.48
3,001-6,000	\$6.62	\$6.88	\$6.66	\$7.38	\$7.60	\$7.98	\$8.22	\$8.55	\$8.98	\$8.98
6,001-9,000	\$9.93	\$10.32	\$9.99	\$11.07	\$11.40	\$11.97	\$12.33	\$12.82	\$13.46	\$13.46
Over 9,000	\$13.24	\$13.76	\$13.32	\$14.76	\$15.20	\$15.96	\$16.44	\$17.10	\$17.96	\$17.96
Multi-family & non-residential	\$6.19	\$6.43	\$6.43	\$7.12	\$7.33	\$7.70	\$7.93	\$8.25	\$8.66	\$8.66
Type of Sewer Customer										
Single-family residential	548.90	553.00	556.90	565.35	570.61	600.29	604.03	600.17	650.95	689.17
Multi-family residential	324.60	332.90	339.80	347.75	355.89	366.04	366.63	375.80	390.51	418.86
Commercial (Offices)	44.40	41.90	41.40	42.53	58.43	47.37	41.32	39.78	36.40	31.90
Commercial (Other)	203.00	202.40	202.60	209.61	204.30	236.26	239.30	233.57	217.44	195.02
Industrial	14.70	16.70	15.40	15.49	17.45	15.19	15.97	13.60	13.32	10.22
Institutional	157.40	148.00	141.80	152.28	140.99	143.41	144.23	144.03	138.98	133.31
TOTAL SEWER SOLD	1,293.00	1,294.90	1,297.90	1,333.01	1,347.67	1,408.56	1,411.48	1,406.95	1,447.60	1,478.48
Rate per 1,000 gallons	\$7.21	\$7.49	\$7.49	\$7.86	\$8.10	\$8.50	\$8.67	\$8.93	\$9.47	\$9.47

Table 4

**ALBEMARLE COUNTY SERVICE AUTHORITY
WATER AND SEWER RATES
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Monthly Service Charge¹	\$ 6.15	\$ 6.15	\$ 6.15	\$ 7.18	\$ 7.40	\$ 7.73	\$ 7.92	\$ 8.16	\$ 8.57	\$ 8.57
Water Volume										
Single-family/Non-Residential										
0 - 3,000	3.31	3.44	3.33	3.69	3.80	3.99	4.11	4.27	4.48	4.48
3,001 - 6,000	6.62	6.88	6.66	7.38	7.60	7.98	8.22	8.55	8.98	8.98
6,000 - 9,000	9.93	10.32	9.99	11.07	11.40	11.97	12.33	12.82	13.46	13.46
Over 9,000	13.24	13.76	13.32	14.76	15.20	15.96	16.44	17.10	17.96	17.96
Multi-family/Non-Residential										
All Metered Consumption	6.19	6.43	6.43	7.12	7.33	7.70	7.93	8.25	8.66	8.66
Sewer Volume	7.21	7.49	7.49	7.86	8.10	8.50	8.67	8.93	9.47	9.47

¹ Monthly Service charge varies based on meter size. The amount represented here is for our standard 5/8 in meters.

Table 5

**ALBEMARLE COUNTY SERVICE AUTHORITY
TOP TEN REVENUE PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Customer	Fiscal Year 2021			Fiscal Year 2012		
	Water Billed (in gallons)	Rank	Percent of Total Water Sales	Water Billed (in gallons)	Rank	Percent of Total Water Sales
SEMF Charleston	25,370,000	1	1.49 %	-	-	- %
University of Virginia	24,154,124	2	1.42	20,403,300	5	1.31
Abbingtion Crossing	23,461,700	3	1.38	19,976,746	6	1.28
Southwood Mobile Homes	23,024,000	4	1.35	23,100,000	3	1.48
Turtle Creek Apartments	19,478,600	5	1.14	17,434,200	8	1.12
Martha Jefferson Hospital	19,186,588	6	1.13	22,160,100	4	1.42
Old Salem Apts.	18,885,900	7	1.11	16,136,300	10	1.04
Four Seasons Apts.	18,828,000	8	1.10	16,384,100	9	1.05
ACRJ	18,768,680	9	1.10	25,660,000	2	1.65
Westminster Canterbury	16,368,290	10	0.96	-	-	-
County of Albemarle	-	-	-	25,867,100	1	1.66
Trophy Chase Apts.	-	-	-	17,665,175	7	1.13
	<u>207,525,882</u>		<u>12.18%</u>	<u>204,787,021</u>		<u>13.14%</u>
Total water consumption:	<u>1,704,270,000</u>			<u>1,558,700,000</u>		

Customer	Fiscal Year 2021			Fiscal Year 2012		
	Sewer Billed (in gallons)	Rank	Percent of Total Sewer Sales	Sewer Billed (in gallons)	Rank	Percent of Total Sewer Sales
SEMF Charleston	25,370,000	1	1.72 %	-	-	- %
Southwood Mobile Homes	24,128,002	2	1.63	-	-	-
University of Virginia	23,589,900	3	1.60	19,860,100	4	1.54
Abbingtion Crossing	23,461,700	4	1.59	19,976,746	3	1.54
Turtle Creek Apts.	19,465,000	5	1.32	17,434,200	6	1.35
Old Salem Apts.	18,885,900	6	1.28	16,136,300	8	1.25
Four Seasons Apts.	18,828,000	7	1.27	16,384,100	7	1.27
ACRJ	17,719,680	8	1.20	25,660,000	1	1.98
Westminster Canterbury	15,814,705	9	1.07	14,050,000	10	1.09
Westgate Apts.	14,466,800	10	0.98	-	-	-
Martha Jefferson Hospital	-	-	-	20,341,100	2	1.57
Trophy Chase Apts.	-	-	-	17,665,175	5	1.37
County of Albemarle	-	-	-	15,378,000	9	1.19
	<u>201,729,687</u>		<u>13.64%</u>	<u>182,885,721</u>		<u>14.14%</u>
Total sewer usage:	<u>1,478,480,000</u>			<u>1,293,000,000</u>		

Table 6

**ALBEMARLE COUNTY SERVICE AUTHORITY
OUTSTANDING DEBT PER CONNECTION, PER CAPITA,
AND DEBT PER CAPITA AS A PERCENTAGE OF INCOME PER CAPITA
LAST TEN FISCAL YEARS**

Fiscal Year	Outstanding Revenue Bond	Number of¹ Connections	Debt per Connection (3) = (1)/(2)	Estimated² Population Served (4) = (2) * 2.5	Debt per Capita (5) = (1)/(4)	Income³ per Capita (6)	Debt per Capita as a % Income per Capita (7) = (5)/(6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2012	\$ 10,022,000	17,512	\$ 572.29	43,780	\$ 228.92	\$ 52,687	0.4345 %
2013	9,623,000	17,818	540.07	44,545	216.03	56,979	0.3791
2014	9,212,000	18,132	508.05	45,330	203.22	56,851	0.3575
2015	8,788,000	18,466	475.90	46,165	190.36	58,603	0.3248
2016	8,352,000	18,764	445.11	46,910	178.04	60,294	0.2953
2017	7,903,000	19,257	410.40	48,143	164.16	60,964	0.2693
2018	7,440,000	19,738	376.94	49,345	150.78	67,630	0.2229
2019	6,963,000	20,252	343.82	50,630	137.53	74,613	0.1843
2020	6,472,000	20,787	311.35	51,968	124.54	74,613	0.1669
2021	5,966,000	21,238	280.91	53,095	112.36	77,657	0.1447

¹ Connections from Table 12

² The Virginia Department of Health estimates 2.5 residents per connection; this number is used in lieu of the population data in Table 8 which is representative of the entire county.

³ Per capita income data from Table 8 (Source: U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area)

Note: The Authority is not subject to legal debt limitations, and has issued no debt which is overlapping with other jurisdictions during the last ten fiscal years.

Table 7

**ALBEMARLE COUNTY SERVICE AUTHORITY
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue	Direct Operating Expense¹	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2012	\$ 29,649,584	\$ 18,803,943	\$ 10,845,641	\$ 335,000	\$ 476,307	\$ 811,307	13.37
2013	28,935,078	20,177,519	8,757,559	399,000	452,600	851,600	10.28
2014	31,851,830	20,374,187	11,477,643	411,000	443,993	854,993	13.42
2015	31,021,470	20,334,846	10,686,624	424,000	414,813	838,813	12.74
2016	33,965,596	21,639,302	12,326,294	436,000	395,056	831,056	14.83
2017	36,457,609	22,430,150	14,027,459	449,000	374,726	823,726	17.03
2018	42,975,439	22,693,759	20,281,680	463,000	353,776	816,776	24.83
2019	40,149,708	26,230,666	13,919,042	477,000	332,183	809,183	17.20
2020	45,373,703	27,136,308	18,237,395	491,000	309,946	800,946	22.77
2021	44,736,751	28,703,894	16,032,857	506,000	287,044	793,044	20.22

¹Excluding depreciation and amortization

Table 8

**ALBEMARLE COUNTY SERVICE AUTHORITY
COUNTY DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Calendar Year	Population ¹	Personal Income ²	Per Capita Income ²	Per Capita Income as Percent (%) of U.S. Average ²	School Enrollment ³	Unemployment Rate ⁴
2012	102,251	\$ 7,609,998,000	\$ 52,687	124 %	13,122	5.2 %
2013	103,000	8,350,340,000	56,979	129	13,263	5.4
2014	104,489	8,420,079,000	56,851	128	13,677	4.7
2015	105,703	8,795,194,000	58,603	127	13,737	3.7
2016	106,878	9,182,721,000	60,294	125	13,792	3.5
2017	107,702	9,375,633,000	60,964	124	13,910	3.3
2018	108,718	10,531,351,000	67,630	131	14,013	2.7
2019	109,330	11,702,008,000	74,613	137	14,435	2.5
2020	112,395	12,160,701,000	77,657	138	13,532	5.4

¹ U.S. Census Bureau (estimates based on July 1)

² U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area, Personal Income, Population, Per Capita Personal Income

³ County of Albemarle, Department of Education

⁴ Virginia Labor Market Information, www.virginialmi.com

Calendar year 2021 statistics for the table above are not yet available.

Table 9

**ALBEMARLE COUNTY SERVICE AUTHORITY
TEN LARGEST EMPLOYERS (ALBEMARLE COUNTY)
CURRENT YEAR AND NINE YEARS AGO**

Employer	Estimated Product/Service	(1) Estimated Employment in 2021	Rank in 2021	(1) Estimated Employment in 2012	Rank in 2012
University of Virginia/Blue Ridge Hospital	Higher education	1,000 - over	1	1,000 - over	1
County of Albemarle	Local government	1,000 - over	2	1,000 - over	2
Sentara Healthcare/Martha Jefferson Hospital	Health care	1,000 - over	3	-	-
U.S. Department of Defense	National security	1,000 - over	4	500 - 999	6
State Farm Mutual Automobile Insurance	Insurance services	500 - 999	5	1,000 - over	4
Crutchfield Corporation	Electronic retailers	500 - 999	6	-	-
Northrop Grumman Corporation	Computer & electronic mfg.	500 - 999	7	500 - 999	5
Piedmont Virginia Community College	Higher education	250 - 499	8	250 - 499	8
Wal-Mart	Deparment stores	250 - 499	9	250 - 499	7
Pharmaceutical Research Association	Health care research	250 - 499	10	-	-
UVA Health Services Foundation	Health care	-	-	1,000 - over	3
State Farm Fire and Casualty Insurance	Insurance services	-	-	250-499	9
Atlantic Coast Athletic Club	Athletic facility	-	-	250 - 499	10

Source: Virginia Employment Commission

(1) Actual number of employees not available

Table 10

**ALBEMARLE COUNTY SERVICE AUTHORITY
FULL-TIME EMPLOYEES
LAST TEN FISCAL YEARS**

Department	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration/I.T.	9	9	10	10	10	10	10	10	10	11
Finance	14	15	15	16	16	17	17	17	17	17
Engineering	15	16	16	16	16	16	17	17	17	17
Maintenance	30	28	31	32	33	33	33	33	34	34
Total	68	68	72	74	75	76	77	77	78	79

Table 11

**ALBEMARLE COUNTY SERVICE AUTHORITY
OPERATING INDICATORS
LAST TEN FISCAL YEARS**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
New connections	305	306	314	334	298	493	481	514	535	451
Water meters read ¹	217,029	219,483	223,195	227,435	231,275	235,879	241,978	248,182	254,786	260,699
Service orders processed ²	11,925	11,707	11,823	12,116	12,405	16,988	12,055	8,179	11,091	10,640
Water main breaks	8	14	14	16	6	5	11	12	6	9
Sewer overflows	3	-	11	2	3	2	4	7	2	6
Sewer blockages	5	5	7	5	3	2	5	8	2	5

¹ Number of meters read for billing.

² Includes new service requests, requests for disconnection, meter installations & exchanges, investigations, and miscellaneous customer requests.

Table 12

**ALBEMARLE COUNTY SERVICE AUTHORITY
CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of water connections	17,512	17,818	18,132	18,466	18,764	19,257	19,738	20,252	20,787	21,238
Number of sewer connections	14,549	14,840	15,168	15,508	15,805	16,299	16,764	17,273	17,803	18,257
Miles of water lines	341.90	346.55	351.76	355.00	338.52	344.76	349.40	353.10	357.81	363.79
Miles of sewer lines	248.48	252.81	258.40	261.10	281.67	288.17	292.70	297.60	301.12	316.06
Fire hydrants	2,230	2,302	2,330	2,375	2,511	2,590	2,650	2,747	2,818	3,023
Water pumping stations	11	10	9	9	9	8	8	9	9	9
Sewer pumping stations	11	12	12	12	12	12	12	12	12	11
Water storage tanks	9	8	7	7	8	8	8	8	8	8

Table 13

**ALBEMARLE COUNTY SERVICE AUTHORITY
REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Service Charges	Connection Charges	Rental Income	Interest Earnings	Other	Total
2012	\$ 19,932,215	\$ 94,442	\$ 32,294	\$ 68,431	\$ 699,885	\$ 20,827,267
2013	20,312,821	102,275	43,656	19,745	836,157	21,314,654
2014	20,254,140	92,788	33,810	110,135	621,330	21,112,203
2015	22,641,543	96,992	33,437	102,469	680,717	23,555,158
2016	23,460,681	117,728	27,645	215,035	675,878	24,496,967
2017	25,786,007	138,553	17,213	59,576	738,948	26,740,297
2018	26,453,332	140,451	16,603	348,572	843,004	27,801,962
2019	27,053,948	135,007	16,603	946,599	364,584	28,516,741
2020	29,502,041	147,876	16,603	733,385	639,080	31,038,985
2021	29,883,684	141,043	15,539	82,900	532,947	30,656,113

Table 14

**ALBEMARLE COUNTY SERVICE AUTHORITY
EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

Fiscal Year	Water & Sewer Costs	Departmental Operating Expenses	Bond Interest Charges	Depreciation	Other	Total
2012	\$ 12,824,548	\$ 5,979,395	\$ 275,791	\$ 2,501,718	\$ 201,333	\$ 21,782,785
2013	14,027,324	6,150,195	152,232	2,556,232	825,500	23,711,483
2014	13,849,536	6,524,651	360,711	2,819,633	2,032	23,556,563
2015	13,901,732	6,433,114	414,813	3,026,916	193,203	23,969,778
2016	14,795,643	6,843,659	395,056	3,158,144	22,163	25,214,665
2017	14,928,569	7,501,581	374,726	3,302,779	4,761	26,112,416
2018	15,289,280	7,404,479	353,776	3,336,765	55,201	26,439,501
2019	18,154,657	8,076,009	332,183	3,625,254	438,731	30,626,834
2020	18,694,581	8,441,727	309,946	3,669,899	7,553	31,123,706
2021	19,858,509	8,845,385	287,044	3,898,244	161,972	33,051,154

Table 15

**ALBEMARLE COUNTY SERVICE AUTHORITY
SCHEDULE OF INSURANCE IN FORCE
June 30, 2021**

Insurer	Type of Coverage	Policy Number	Policy Period		Annual Premium
			From	To	
Virginia Risk Sharing Association	Local Government Liability Boiler & Machinery Cyber Liability General Business Policy: Auto General Liability/Excess Property Fidelity & Crime Workers' Compensation	P-2020-2021-VML-0107-1	7/1/2020	6/30/2021	\$106,142

Table 16

**ALBEMARLE COUNTY SERVICE AUTHORITY
BILLED SERVICES AND CONNECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Water Connections	Water Billions Gallons	Consumption Ratio Water/Sewer	Sewer Billions Gallons	Sewer Connections
2012	17,512	1.56	1.2	1.29	14,549
2013	17,818	1.55	1.2	1.30	14,840
2014	18,132	1.53	1.2	1.30	15,168
2015	18,466	1.57	1.2	1.33	15,508
2016	18,764	1.61	1.2	1.35	15,805
2017	19,257	1.70	1.2	1.41	16,299
2018	19,738	1.68	1.2	1.41	16,764
2019	20,252	1.63	1.2	1.41	17,273
2020	20,787	1.68	1.2	1.45	17,803
2021	21,238	1.70	1.1	1.48	18,257

Table 17

**ALBEMARLE COUNTY SERVICE AUTHORITY
CONSTRUCTION ACTIVITY, PROPERTY VALUE, AND CASH EQUIVALENTS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Construction</u>	<u>Property Value</u>	<u>Cash & Cash Equivalents</u>
2012	\$ 20,811,567	\$ 92,313,712	\$ 22,953,823
2013	19,677,628	97,096,463	21,163,973
2014	5,832,585	118,282,983	20,896,235
2015	8,531,307	120,017,051	23,466,968
2016	8,420,418	125,645,948	24,367,711
2017	11,673,410	127,628,676	30,010,727
2018	6,325,642	140,750,579	38,385,906
2019	9,392,718	145,137,081	40,275,478
2020	8,448,320	154,012,341	45,071,607
2021	8,639,796	162,344,686	21,749,451

COMPLIANCE SECTION

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

To the Honorable Members of the Board of Directors
Albemarle County Service Authority
Charlottesville, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Albemarle County Service Authority (the “Authority”), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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, 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 the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
October 27, 2021

ALBEMARLE COUNTY SERVICE AUTHORITY

**SUMMARY OF COMPLIANCE MATTERS
Year Ended June 30, 2021**

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

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Conflicts of Interest