



*Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended  
June 30, 2017*

*Charlottesville, Virginia*



**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**CHARLOTTESVILLE, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*For the Fiscal Year Ended  
June 30, 2017*

Prepared by:

Department of Finance  
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Charlottesville, Virginia 22911  
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**ALBEMARLE COUNTY SERVICE AUTHORITY**

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**ALBEMARLE COUNTY SERVICE AUTHORITY**

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# **INTRODUCTORY SECTION**

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October 13, 2017

Board of Directors  
Albemarle County Service Authority  
Charlottesville, Virginia

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) 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, 2017 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



## ***Organization and Function (continued)***

areas include the urbanized ring around the City of Charlottesville (City), the communities of Crozet and Scottsville, and the Village of Rivanna. A six-member Board of Directors, appointed by the County 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 County of Albemarle 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, 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<sup>(1)</sup> update, the Virginia Employment Commission's Economic Information Services Division (VEC) reported a slight decrease in the County's 2016 unemployment rate of 3.5% as compared to Virginia (4.0%) and to the Country (4.9%) as a whole. The total number of jobs in Albemarle County was 57,509. The relative stability of the local economy is attributed to positive trends in the unemployment rate and raises in a key economic indicator such as sales tax revenues (7.6% increase) and food and beverage (9.3% increase). It should be noted that the County's Consumer Utility Tax (CUT), a revenue stream that has historically correlated well with general economic activity, increased by 3.6%. This economic indicator has recently been flat-to-slightly declining, which likely reflects an ongoing shift away from landline telephones to cell phone and internet-based communication services. Albemarle County staff is reassessing the usefulness of the CUT revenue as an indicator of general economic activity.<sup>(2)</sup> The housing market is showing continued recovery, with home sales up 3.9% compared to a year earlier, and median home sale prices were up 4.3% from one year ago<sup>(3)</sup>.

<sup>(1)</sup> Virginia Community Profile – Albemarle County, Virginia Employment Commission, updated September 16, 2017

<sup>(2)</sup> The Albemarle Quarterly Economic Vitality Indicators, March 31, 2017 (comparison of 3rd quarters of fiscal years 2016 and 2017)

<sup>(3)</sup> CAAR (Charlottesville Area Association of REALTORS) 2017 2<sup>nd</sup> Quarter and Mid-Year Market Report

### ***Economic Conditions (continued)***

Residential and commercial growth within the Authority's Urban and Crozet service areas has historically mirrored the economic indicators of the County. In fact, the County's economic indicators play a large role in forecasting and projecting the Authority's revenues and expenses each year; the customer buy-in and connection fee revenues projected for fiscal year 2017 provided no exception. There has been a rebound in the number of new connections for the past three years (2015 – 334 connections, 2016 – 335 connections, 2017 – 483 connections), with growth continuing each year; averaging a 16.95% increase in connections in 2015, 2016 and 2017<sup>(4)</sup>. We continue to be conservative in the estimate of revenues derived from growth as both 2009 (204 new connections) and 2011 (233 new connections) showed a slowdown to indicate a need to be cautious in revenue projections. We believe though that future years will likely see continuing increases in the number of new Authority connections which would coincide with the Albemarle County Community Development Department's reported<sup>(5)</sup> increases in the issuance of building permits. The County reported 592 new residential building permits in 2016, with the total value of building permits growing from year 2014 (\$295,671,332), to 2015 (\$306,736,957) to 2016 (\$346,190,151). If the number of prepaid (unearned) connection fees, and the rise in the number of new connections are reliable indicators, as we believe them to be, we will continue to see growth each year in total new connections.

<sup>(4)</sup> Albemarle County Service Authority Annual Financial Report 2015, 2016, 2017, Table 11

<sup>(5)</sup> County of Albemarle, Community Development Department, 2016 Year End Building Report

### ***Major Initiatives and Accomplishments***

- ◆ Developed an operating and capital improvement budget for fiscal year 2017 that was both in keeping with our strategic plan and mindful of the area's economic recovery. To that end, our goals were 1) to meet anticipated operating and capital improvement expenses by responsibly increasing water and sewer volume charges which were based upon a formal rate study, and to ensure that current operating expenses will be paid with current operating revenues; 2) to keep customer buy-in and connection fees constant while maintaining our policy of "growth paying for growth;" and 3) to maintain, to improve, and to extend system infrastructure through capital investments.
  
- ◆ The Authority implemented a new compensation and classification plan which better aligned the Authority pay structure to market pay structures. The Authority also performed a comprehensive review and recommended updates of its Personnel Management Plan to ensure conditions of employment remain equitable, uniform, and current.

## ***Major Initiatives and Accomplishments (continued)***

- ◆ 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:
  - Michie Tavern Water Main Replacement
  - Oak Hill Phase 2 Sanitary Sewer Project
  - Western Ridge/Foxchase Water Connection
  - Water Tank Inspection Project
  
- ◆ The Authority successfully implemented phase two of an Enterprise Resource Planning (ERP) solution for payroll during the fiscal year. The new system has allowed the ACSA to more efficiently and effectively capture human resource and payroll information.
  
- ◆ Future projects of the Authority include a feasibility study related to automated metering infrastructure (AMI) and how it may benefit Authority customers; a computerized maintenance management system (CMMS) which will automate and enhance the Authority's ability to manage operating and maintenance responsibilities; a formal rate study; design and implementation of a succession plan; a vulnerability and emergency response plan; a facility master plan; and a new strategic plan.

## ***Operations***

For Fiscal Year 2017, Operating Revenues (\$26,145,667) from water and sewer sales and service connection fees increased by 9.9% as compared to Fiscal Year 2016. Associated operating expenses (\$25,732,929) reflected an increase of 3.8% as compared to Fiscal Year 2016, primarily driven by an increase in the cost of bulk water purchases and an increase in general and administrative costs.

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 more than the prior year due to the planned increase in the water/sewer rate charged to customers in Fiscal Year 2017 (increase of water and sewer rate by 5.0% and 4.9%, respectively, effective for Fiscal Year 2017). 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 repairs or other 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.

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, 2016. This was the thirty-fifth 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.

*Awards and Acknowledgements (continued)*

The preparation of this report would not have been possible without the help of the entire staff of the Finance Department 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 Accounting Technicians, Tonya Foster and Jennifer Bryant, Accountants Barbara Hermann and Amy Rankin, who have each made significant contributions to the CAFR, and to the Board of Directors for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary O'Connell". The signature is fluid and cursive, with a large initial "G" and "O".

Gary B. O'Connell  
Executive Director

A handwritten signature in black ink, appearing to read "Quin Lunsford". The signature is cursive and stylized, with a large initial "Q" and "L".

Quin G Lunsford  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Albermarle County Service Authority**  
**Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

**ALBEMARLE COUNTY SERVICE AUTHORITY**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2017**

**BOARD MEMBERS**

Mr. Clarence W. Roberts, Chairman

Ms. Jennifer Sulzberger, Vice-Chairman

Mr. Richard Armstrong

Mr. Bill Kittrell

Ms. Kimberly Swanson

Mr. Charles Tolbert

**EXECUTIVE DIRECTOR**

Mr. Gary B. O'Connell

**DIRECTOR OF FINANCE**

Mr. Quin G Lunsford

**TRUSTEE**

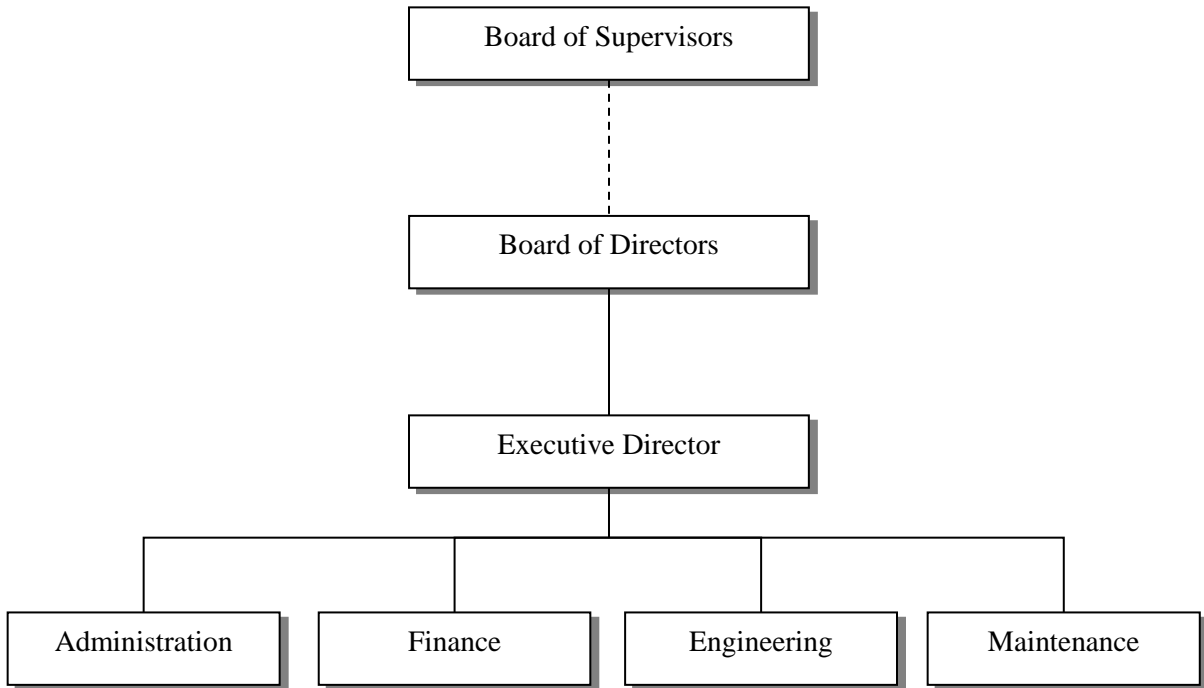
Bank of New York Mellon

**INDEPENDENT AUDITORS**

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

**ALBEMARLE COUNTY SERVICE AUTHORITY**

**ORGANIZATIONAL CHART**





## **FINANCIAL SECTION**

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**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, 2017, 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 the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Authority's 2016 financial statements, on which, in our report dated October 17, 2016, we expressed an unmodified opinion. The 2016 financial information is provided for comparative purposes only.

## **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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017, 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 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

Lynchburg, Virginia  
October 13, 2017

## Management's Discussion and Analysis

The management of the Albemarle County Service Authority presents this analysis of the Authority's financial performance during the fiscal year ended June 30, 2017 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 CAFR 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, 2016.

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 \$161,321,374 (*net position*). Of this amount \$29,324,354 (*unrestricted net position*) may be used to meet the ACSA's ongoing obligations to customers and creditors.
- The Authority's total net position increased during the fiscal year by \$10,345,193, which represents a 6.85% increase over the prior year ending balance.
- The Authority's total liabilities as a percentage of net position decreased from 9.94% at June 30, 2016 to 9.86% at June 30, 2017. The decrease is attributable to changes in reductions in long-term debt.
- Fiscal year 2017 operating revenues increased 9.90% to \$26,145,667 as compared to fiscal year 2016 while operating expenses increased 3.77% to \$25,732,929 during the same period.

## 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, population growth and new or changed government legislation need to be considered as well. The Authority improved its financial position in 2017.

### Net Position

The Authority's net position increased by \$10,345,193 during fiscal year 2017, which represents a 6.85% increase from the prior fiscal year ending net position. At June 30, 2017, total net position was \$161,321,374 as compared to \$150,976,181 the previous year.

## FINANCIAL ANALYSIS (continued)

The following table depicts the Authority's condensed summary of net position at June 30, 2017 and 2016.

<b>Condensed Statement of Net Position</b>	<b>2017</b>	<b>2016</b>
Current Assets	\$ 33,651,073	\$ 28,084,341
Investments	4,019,590	4,161,070
Capital assets, net	<u>139,302,086</u>	<u>134,066,366</u>
<b>Total Assets</b>	<u>176,972,749</u>	<u>166,311,777</u>
<b>Deferred Outflows of Resources</b>	<u>582,589</u>	<u>337,705</u>
Current Liabilities	5,114,073	4,276,743
Long-term Liabilities	<u>10,788,945</u>	<u>10,725,411</u>
<b>Total Liabilities</b>	<u>15,903,018</u>	<u>15,002,154</u>
<b>Deferred Inflows of Resources</b>	<u>330,946</u>	<u>671,147</u>
Net investment in capital assets	131,997,020	126,311,674
Unrestricted	<u>29,324,354</u>	<u>24,664,507</u>
<b>Total Net Position</b>	<u>\$ 161,321,374</u>	<u>\$ 150,976,181</u>

**FINANCIAL ANALYSIS (continued)**

The following table summarizes changes in revenues and expenses between fiscal year 2017 and 2016.

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

	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>		
Operating Revenues:		
Water Sales	\$ 13,916,547	\$ 12,564,711
Sewer Service	11,869,460	10,895,970
Other	359,660	329,384
Non-operating Revenue:		
Investment income	59,576	215,035
Rental income	17,213	27,645
Miscellaneous revenues	395,731	335,384
Fed. Subsidy, Build America Bonds	122,110	128,838
<b>Total Revenues</b>	<u>\$ 26,740,297</u>	<u>\$ 24,496,967</u>
<b>Expenses:</b>		
Operating Expenses:		
Purchase of bulk water	\$ 8,530,098	\$ 8,117,962
Purchase of sewer treatment	6,398,471	6,677,681
Depreciation	3,302,779	3,158,144
Administration	1,439,659	1,410,202
Finance	1,701,464	1,556,550
Engineering	1,410,203	1,382,882
Maintenance	2,950,255	2,494,025
Non-operating Expenses:		
Interest Expense	374,726	395,056
Miscellaneous expenses	4,761	22,163
<b>Total Expenses</b>	<u>\$ 26,112,416</u>	<u>\$ 25,214,665</u>
Income (Loss) before capital contributions	\$ 627,881	\$ (717,698)
Capital Contributions	<u>9,717,312</u>	<u>9,468,629</u>
Change in net position	10,345,193	8,750,931
Net position – beginning of year, as restated	<u>150,976,181</u>	<u>142,225,250</u>
Net position – end of year	<u>\$ 161,321,374</u>	<u>\$ 150,976,181</u>



## Operating Revenues

Operating revenues totaled \$26,145,667 in fiscal year 2017, an increase of \$2,355,602 from 2016. This change can be attributed to an increase in the water and sewer rates that took effect July 2016 and an increase in consumption by customers. Operating expenses totaled \$25,732,929 in 2017, an increase of \$935,483 mainly due to an increase in purchased water cost and an increase in general and administrative costs.

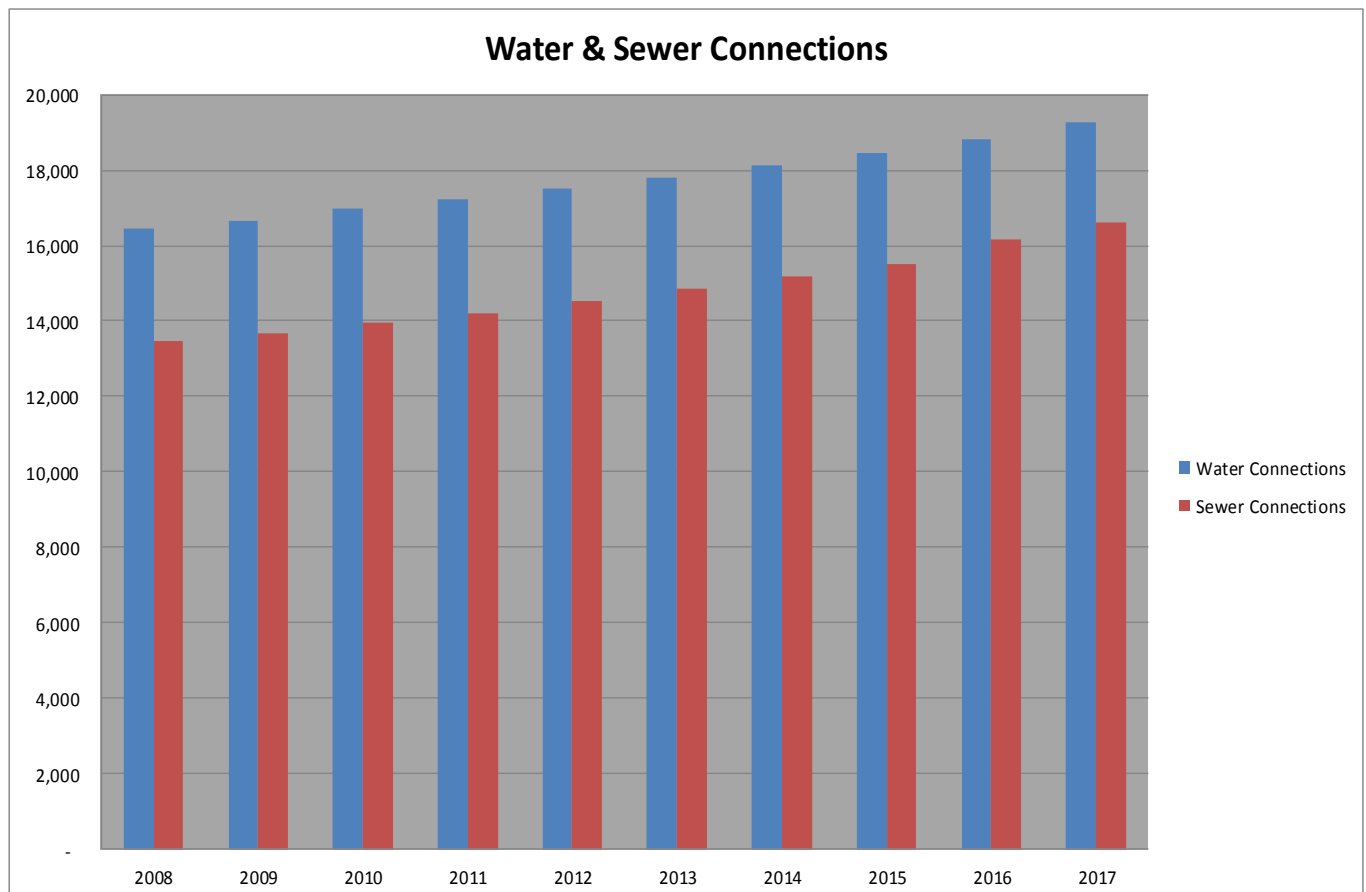
## Income Before Capital Contributions

The net gain before capital contributions increased by \$1,345,579 mainly due to an increase in customer consumption and a lower than expected wastewater treatment costs in the current year. These two components can be attributed to multiple dry summer months, specifically, July through October.

## Review of Operations

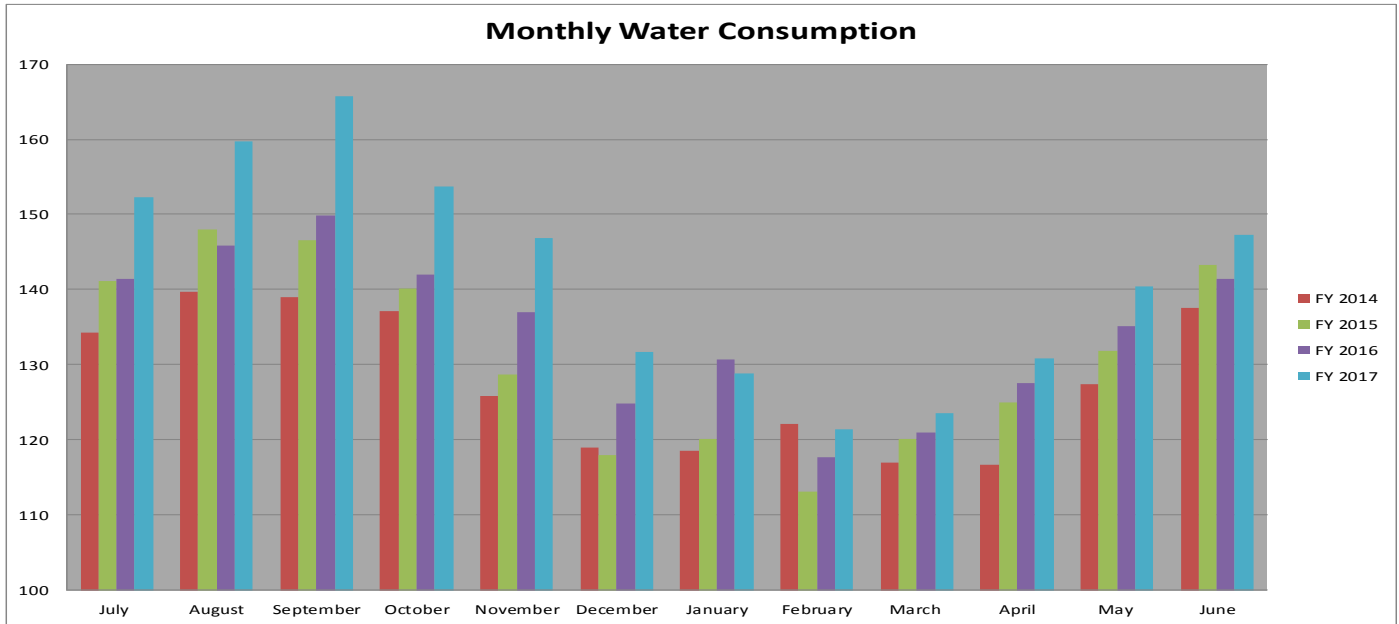
The Authority's water customer base grew to 19,284 accounts by the end of the 2017 fiscal year, an increase from the prior year total of 18,801. Considering multiple units behind master meters, as in apartment complexes, the Authority now serves approximately 30,631 housing units, businesses, industries and institutions, which is an increase of 1.54%.

The Authority had significant growth in our water connections for 2017 of 483 new connections. The connections for 2017 are 51% higher than the Authority's ten-year average annual increase in new connections. This growth is attributable to the expansion of existing residential neighborhoods and continued commercial and multi-family development.

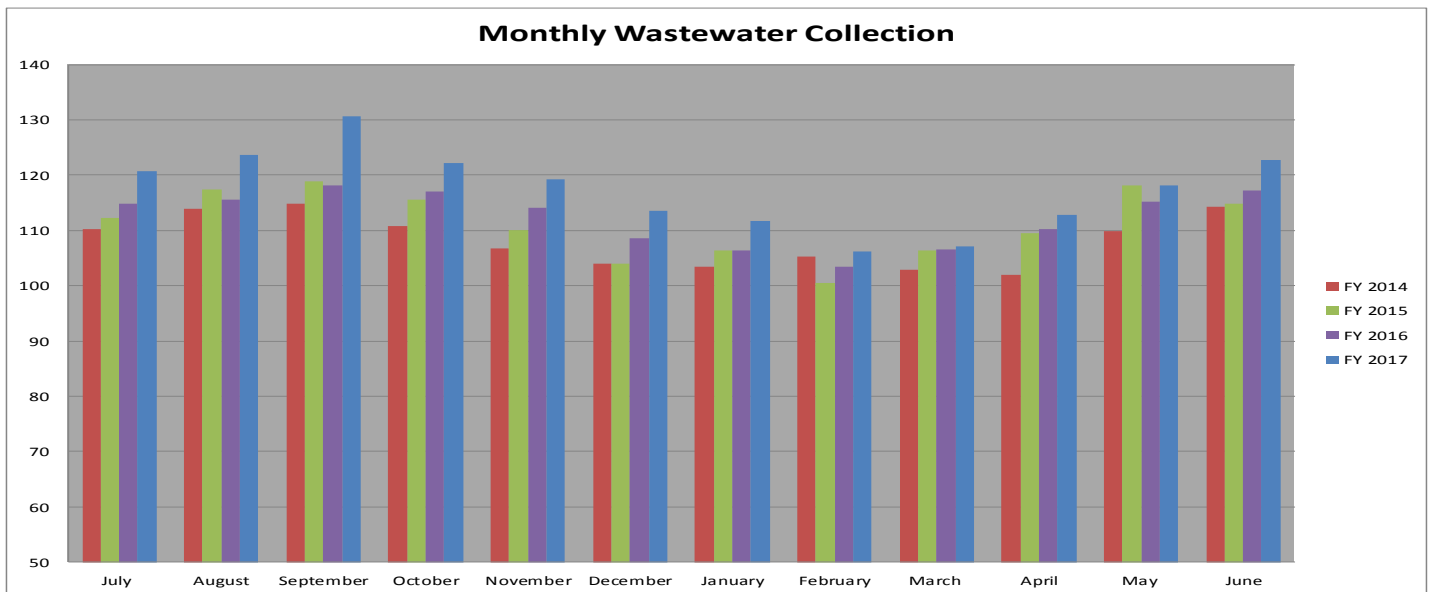


**Review of Operations (Continued)**

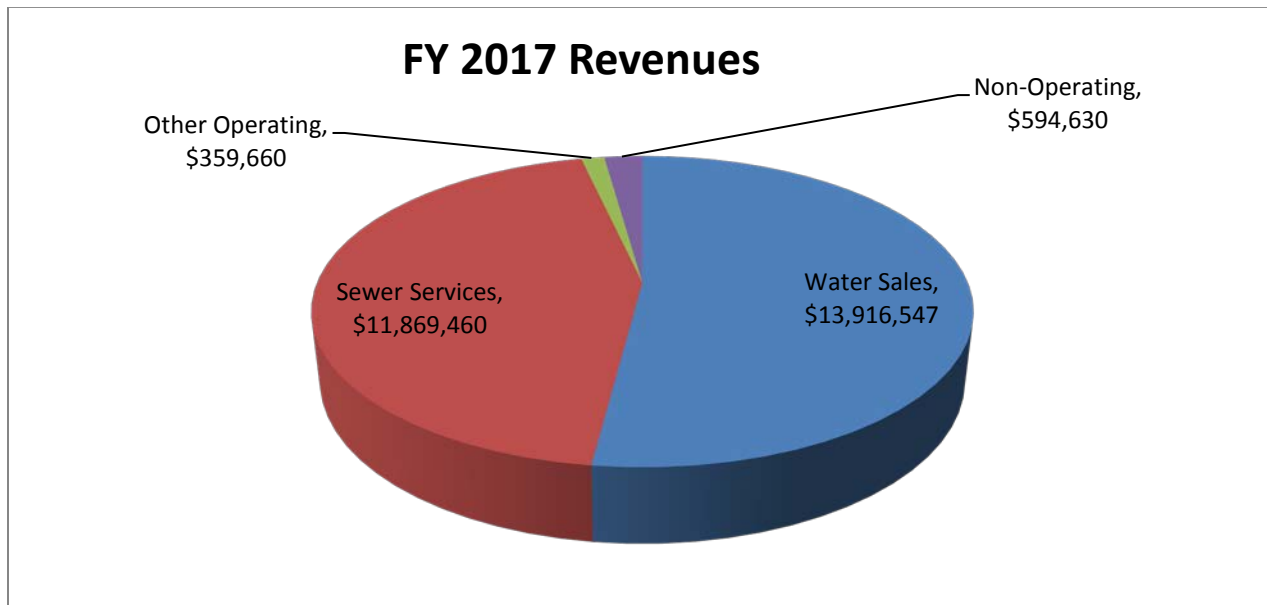
Billed water usage in fiscal year 2017 increased by 91 million gallons as compared to fiscal year 2016. Billed water usage in fiscal year 2017 was 1.70 billion gallons, and was 5.68% greater than billed water usage in fiscal year 2016 (1.61 billion gallons), and is 8.03% greater than 2015 (1.58 billion gallons). The seasonal variations can be seen in the chart below.



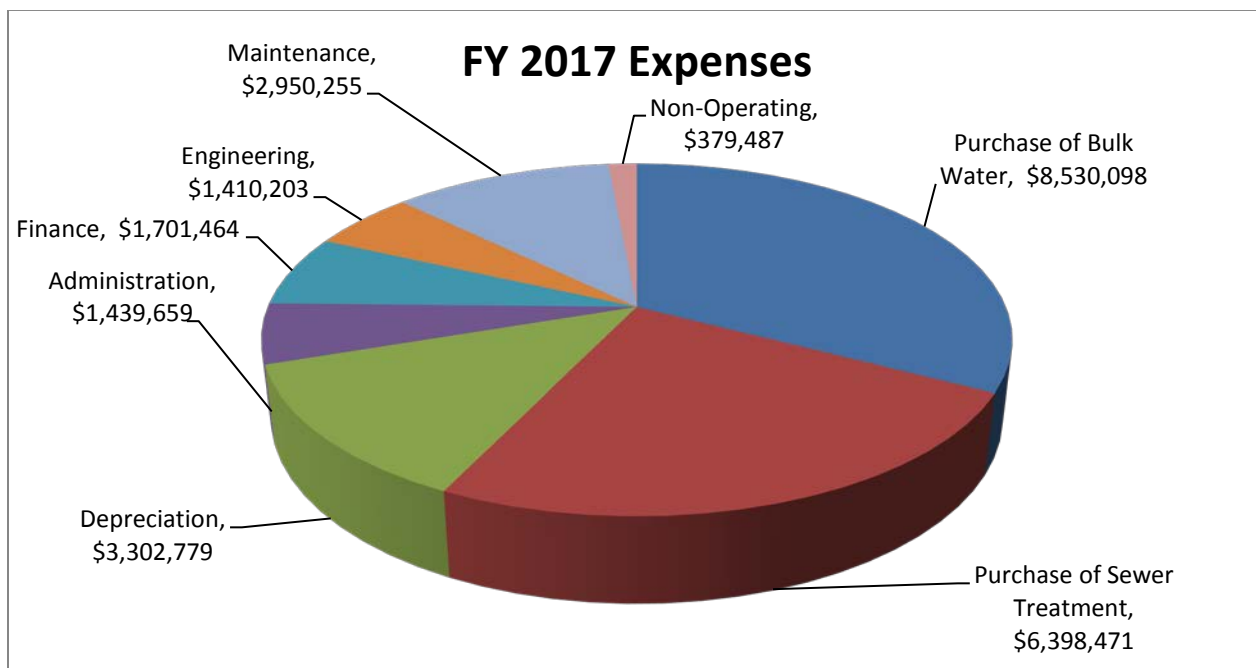
The Authority’s wastewater customer base grew to 16,619 by the end of the fiscal year, up from 16,168 connections at the end of the fiscal year 2016. Billed wastewater collections increased to 1.41 billion gallons for fiscal year 2017 which is comparable with both fiscal years 2016 and 2015 (1.35 and 1.33 billion gallons respectively).



**Revenues.** Revenues for fiscal year 2017 increased in comparison with fiscal year 2016. Total revenues for 2017 were \$26,740,297 as compared to \$24,496,967 in 2016, a 9.16% increase year to year. This increase is due in part to the increased consumption of 1.70 billion gallons and an increase in the customer base.



**Expenses.** Total expenses for fiscal year 2017 were \$26,112,416 as compared to \$25,214,665 in 2016, a 3.56% increase, which was primarily due to increases in purchased water from the Rivanna Water and Sewer Authority, and an increase in general and administrative functions. In 2017, the total cost of purchased water was \$8,530,098, which is 5.08% greater than the 2016 total of \$8,117,962. These costs are based on a variety of factors and can vary significantly based upon these factors including 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.



## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The Authority's investment in capital assets as of June 30, 2017 amounted to \$139,302,086 (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 3.91%. Additional information related to capital assets can be located in Note 4.

### Capital Assets

	<u>2017</u>	<u>2016</u>
Land (including easements)	\$ 1,914,876	\$ 1,914,876
Structures and improvements	168,735,776	163,940,474
Equipment	4,582,221	4,266,450
Construction in progress	<u>11,673,410</u>	<u>8,420,418</u>
Total book value	186,906,283	178,542,218
Less accumulated depreciation	<u>(47,604,197)</u>	<u>(44,475,852)</u>
Net capital assets	<u>\$ 139,302,086</u>	<u>\$ 134,066,366</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 17.03 in fiscal year 2017. The minimum coverage required by outstanding bond indentures is 1.20. At June 30, 2017, outstanding long-term debt, including the current amount payable, totaled \$7,903,000. Details of this indebtedness may be found in Note 5 of the financial statements.

### 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 is to maintain a minimum equal to three months of operating expenses as calculated from the previous fiscal year. Water and wastewater rates are to be set accordingly to ensure the Operating and Maintenance reserve fund maintains the three month 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 2017, the Authority budgeted \$300,000 for this purpose.

## **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 enjoy 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, with future customers, through new development, bearing the cost of expansion through connection, development, and capacity fees.

**Capital Program.** Water capital improvement project cost projections per year for the next five years range from \$3,000,000 to \$5,000,000 and sewer capital improvement project cost projections per year for the next five years range from \$600,000 to \$2,000,000. The Authority intends to fund these projects through the use of established reserves.

**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](http://www.serviceauthority.org) or by telephone (434) 977-4511.



**BASIC  
FINANCIAL STATEMENTS**

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## ALBEMARLE COUNTY SERVICE AUTHORITY

## STATEMENT OF NET POSITION

June 30, 2017

	2017	(For Comparative Purposes Only) 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 2)	\$ 28,508,989	\$ 22,911,297
Accounts receivable (Note 3)	3,089,376	3,239,258
Inventory	416,980	348,713
Prepays	133,990	128,659
Cash and cash equivalents, restricted (Note 1)	1,501,738	1,456,414
Total current assets	33,651,073	28,084,341
<b>Noncurrent assets</b>		
Investments (Note 2)	4,019,590	4,161,070
Capital assets: (Note 4)		
Nondepreciable	13,588,286	10,335,294
Depreciable, net	125,713,800	123,731,072
Total noncurrent assets	143,321,676	138,227,436
Total assets	176,972,749	166,311,777
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflows (Note 7)	582,589	337,705
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	2,231,599	2,242,788
Accrued liabilities	35,480	58,312
Customer deposits	462,967	416,822
Interest payable	166,622	176,088
Compensated absences (Note 5)	67,198	61,836
Unearned connection fees (Note 5)	1,687,207	871,897
Current maturities of long-term debt (Note 5)	463,000	449,000
Total current liabilities	5,114,073	4,276,743
<b>Long-term liabilities</b>		
Compensated absences (Note 5)	348,149	321,754
Unearned connection fees (Note 5)	34,022	47,465
Net pension liability (Note 7)	2,440,243	1,957,802
Other post-employment benefits (Note 8)	526,531	495,390
Long-term debt – due in more than one year (Note 5)	7,440,000	7,903,000
Total long-term liabilities	10,788,945	10,725,411
Total liabilities	15,903,018	15,002,154
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferred inflows (Note 7)	330,946	671,147
<b>NET POSITION</b>		
Net investment in capital assets	131,997,020	126,311,674
Unrestricted	29,324,354	24,664,507
Total net position	\$ 161,321,374	\$ 150,976,181



## ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
Year Ended June 30, 2017

	<b>2017</b>	<b>(For Comparative Purposes Only) 2016</b>
<b>OPERATING REVENUES</b>		
Water sales	\$ 13,916,547	\$ 12,564,711
Sewer service	11,869,460	10,895,970
Other	221,107	211,656
Water and sewer connection fees	138,553	117,728
	<u>26,145,667</u>	<u>23,790,065</u>
<b>OPERATING EXPENSES</b>		
Purchase of bulk water	8,530,098	8,117,962
Purchase of sewer treatment	6,398,471	6,677,681
Depreciation	3,302,779	3,158,144
Administration/Information Technology	1,439,659	1,410,202
Finance	1,701,464	1,556,550
Engineering	1,410,203	1,382,882
Maintenance	2,950,255	2,494,025
	<u>25,732,929</u>	<u>24,797,446</u>
Total operating expenses	<u>25,732,929</u>	<u>24,797,446</u>
Operating income (loss)	<u>412,738</u>	<u>(1,007,381)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	59,576	215,035
Rental income	17,213	27,645
Miscellaneous revenues	395,731	335,384
Federal subsidy, Build America Bonds	122,110	128,838
Bond interest charges	(374,726)	(395,056)
Miscellaneous expenses	(4,761)	(22,163)
	<u>215,143</u>	<u>289,683</u>
Total nonoperating revenues (expenses)	<u>215,143</u>	<u>289,683</u>
Income (loss) before capital contributions	627,881	(717,698)
<b>CAPITAL CONTRIBUTIONS (Note 6)</b>	<u>9,717,312</u>	<u>9,468,629</u>
Change in net position	10,345,193	8,750,931
<b>NET POSITION – BEGINNING AT JULY 1, AS RESTATED</b>	<u>150,976,181</u>	<u>142,225,250</u>
<b>NET POSITION – ENDING AT JUNE 30</b>	<u>\$ 161,321,374</u>	<u>\$ 150,976,181</u>

## ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF CASH FLOWS  
Year Ended June 30, 2017

	<b>2017</b>	<b>(For Comparative Purposes Only) 2016</b>
<b>OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 26,351,057	\$ 23,573,883
Cash paid for goods and services	(17,258,530)	(16,562,365)
Cash paid to employees	(5,340,215)	(5,175,097)
Other receipts	408,183	340,866
Net cash provided by operating activities	<u>4,160,495</u>	<u>2,177,287</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributed by developers, customers, and local governments	8,461,864	4,609,247
Repair, replacement, rehabilitation expenses (including capital)	(6,507,887)	(5,235,533)
Principal paid on long-term borrowings	(449,000)	(436,000)
Interest paid on long-term borrowings	(384,192)	(404,248)
Federal subsidy, Build America Bonds	122,110	128,838
Proceeds from sale of capital assets	38,570	29,077
Net cash provided by (used in) capital and related financing activities	<u>1,281,465</u>	<u>(1,308,619)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment securities	-	(2,089,753)
Proceeds from sale and maturity of investment securities	-	2,074,879
Interest received	201,056	46,949
Net cash provided by investing activities	<u>201,056</u>	<u>32,075</u>
Net increase in cash and cash equivalents	5,643,016	900,743
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning at July 1	24,367,711	23,466,968
Ending at June 30	<u>\$ 30,010,727</u>	<u>\$ 24,367,711</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>		
Cash and cash equivalents	\$ 28,508,989	\$ 22,911,297
Cash and cash equivalents, restricted	1,501,738	1,456,414
	<u>\$ 30,010,727</u>	<u>\$ 24,367,711</u>

(Continued)

## ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF CASH FLOWS  
Year Ended June 30, 2017

	<u>2017</u>	<u>(For Comparative Purposes Only) 2016</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 412,738	\$ (1,007,381)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	3,302,779	3,158,144
Other revenues	408,183	340,866
Pension expense net of employer contributions	(102,644)	(267,345)
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	149,882	(246,607)
Inventory	(68,267)	(6,398)
Prepays	(5,331)	(14,851)
Increase (decrease) in:		
Accounts payable	(32,419)	136,545
Accrued liabilities	(22,832)	20,160
Customer deposits	46,145	28,867
Compensated absences	31,757	(6,544)
Unearned connection fees	9,363	1,558
Other post-employment benefits	31,141	40,273
Net cash provided by operating activities	<u>\$ 4,160,495</u>	<u>\$ 2,177,287</u>
<b>SCHEDULE OF NON-CASH ACTIVITIES</b>		
Contributions of capital assets	<u>\$ 2,047,952</u>	<u>\$ 3,951,029</u>
Capital asset additions financed by accounts payable	<u>\$ 751,912</u>	<u>\$ 730,682</u>

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017**

**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 and agency obligations of the Commonwealth of Virginia and its subdivisions. 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.

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, 2017**

**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 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

Interest is capitalized on qualifying construction in progress projects until they have reached the point of substantial completion. For those projects financed with tax-exempt debt, the amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized using the straight-line method over the useful life of the asset. There are no projects currently financed with tax-exempt debt thus, no interest was capitalized for the year ended June 30, 2017.

**(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. When applicable, interest and other carrying costs are capitalized to construction in progress.

**(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 Connection Fees**

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.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**(l) Deferred outflows/inflows of resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position applicable to future periods, so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category. The first consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The second is differences between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five-year period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position applicable to future periods, and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one item that qualifies for reporting in this category, which is differences between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over a closed five-year period.

**(m) Pensions**

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

**(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 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.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**(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.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required



**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1. Summary of Significant Accounting Policies (Continued)**

supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1. Summary of Significant Accounting Policies (Continued)**

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

**Note 2. Deposits and Investments**

**Deposits**

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

**Investments**

Statutes authorize 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 SEC Rule 2a-7. 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.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 2. Deposits and Investments (Continued)**

The Authority has recurring fair value measurements as of June 30, 2017. Those include U. S. Bonds classified in Level 1 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. As a means of limiting this exposure, the Authority’s investment guidelines restrict duration of maturity to 24 months without approval of the Executive Director.

**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, 2017 is concentrated in securities issued by the Federal Home Loan Bank (FHLB) (50.0%), the Federal National Mortgage Association (FNMA) (24.9%), and the Federal Farm Credit Bank (FFCB) (25.1%).

The table below details the fair value and rating as determined by Standard & Poor’s for each issuer of the Authority’s investments as of June 30, 2017:

<b>Rated Debt Investment Value and Quality Ratings</b>			
	<b>AA+</b>	<b>AAAm</b>	<b>A-1+</b>
U. S. Agencies	\$ 4,019,590	\$ -	\$ -
Local Government Investment Pool	-	15,708,197	-
U.S. Treasury Money Market Reserves	-	-	644,582
	\$ 4,019,590	\$ 15,708,197	\$ 644,582
<b>Investment Type</b>	<b>Investment Maturities</b>		
	<b>Fair Value</b>	<b>1-5 Years</b>	<b>6-10 Years</b>
U.S. Agencies	\$ 4,019,590	\$ 3,011,860	\$ 1,007,730

**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.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 3. Accounts Receivable**

Accounts receivable consist of the following:

	<u>Billed</u>	<u>Unbilled</u>	<u>Total</u>
Receivables, current:			
Water	\$ 929,421	\$ 741,406	\$ 1,670,827
Sewer	752,554	579,024	1,331,578
Other	86,971	-	86,971
	<u>\$ 1,768,946</u>	<u>\$ 1,320,430</u>	<u>\$ 3,089,376</u>

**Note 4. Capital Assets**

Changes in capital assets for the year are as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions/ Reclassifications</u>	<u>Balance June 30, 2017</u>
Capital assets, not being depreciated				
Land and land rights	\$ 1,914,876	\$ -	\$ -	\$ 1,914,876
Construction in progress	8,420,418	6,551,821	(3,298,829)	11,673,410
Total capital assets, not being depreciated	<u>10,335,294</u>	<u>6,551,821</u>	<u>(3,298,829)</u>	<u>13,588,286</u>
Capital assets, being depreciated				
Structures and improvements	163,940,474	1,779,021	3,016,281	168,735,776
Equipment	4,266,450	240,760	75,011	4,582,221
Total capital assets, being depreciated	<u>168,206,924</u>	<u>2,019,781</u>	<u>3,091,292</u>	<u>173,317,997</u>
Less accumulated depreciation for:				
Structures and improvements	(41,542,515)	(2,917,011)	1,875	(44,457,651)
Equipment	(2,933,337)	(385,768)	172,559	(3,146,546)
Total accumulated depreciation	<u>(44,475,852)</u>	<u>(3,302,779)</u>	<u>174,434</u>	<u>(47,604,197)</u>
Total capital assets being depreciated, net	<u>123,731,072</u>	<u>(1,282,998)</u>	<u>3,265,726</u>	<u>125,713,800</u>
Total capital assets, net	<u>\$ 134,066,366</u>	<u>\$ 5,268,823</u>	<u>\$ (33,103)</u>	<u>\$ 139,302,086</u>

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 4. Capital Assets (Continued)**

**Construction commitments:**

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

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Wastewater line rehabilitations or relinings	\$ 2,213,373	\$ 1,408,719
Water line replacements	201,691	426,194
Other	358,826	148,316
	<u>\$ 2,773,890</u>	<u>\$ 1,983,229</u>

**Note 5. Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Revenue bond	\$ 8,352,000	\$ -	\$ (449,000)	\$ 7,903,000	\$ 463,000
Compensated absences	383,590	267,006	(235,249)	415,347	67,198
Other post-employment benefits	495,390	125,385	(94,244)	526,531	-
Unearned connection fees	919,362	5,761,721	(4,959,854)	1,721,229	1,687,207
	<u>\$ 10,150,342</u>	<u>\$ 6,154,112</u>	<u>\$ (5,738,347)</u>	<u>\$ 10,566,107</u>	<u>\$ 2,217,405</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:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Anticipated BAB Subsidy</u>	<u>Net Interest</u>
2018	\$ 463,000	\$ 363,538	\$ (127,238)	\$ 236,300
2019	477,000	342,240	(119,784)	222,456
2020	491,000	320,298	(112,104)	208,194
2021	506,000	297,712	(104,199)	193,513
2022	521,000	274,436	(96,053)	178,383
2023-2027	2,846,000	998,246	(349,386)	648,860
2028-2031	2,599,000	303,324	(106,164)	197,160
	<u>\$ 7,903,000</u>	<u>\$ 2,899,794</u>	<u>\$ (1,014,928)</u>	<u>\$ 1,884,866</u>

**ALBEMARLE COUNTY SERVICE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 5. Long-Term Liabilities (Continued)**

**Federal arbitrage regulations:**

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.

**Note 6. Capital Contributions**

Capital contributions for the year are summarized as follows:

Developer and customer contributions of capital assets	\$ 2,047,952
Crozet water and sewer – System/capacity fees	1,827,170
Urban water and sewer – System/capacity fees	<u>5,842,190</u>
	<u><u>\$ 9,717,312</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 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan is as follows:

**Plan 1** - Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

- **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** - Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 7. Defined Benefit Pension Plan (Continued)**

- **Service Retirement Multiplier** –The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** - Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service, for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
  - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
  - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is voluntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.



**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 7. Defined Benefit Pension Plan (Continued)**

- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

**Plan 2** - Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** - Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** - Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** - Same as Plan 1.
- **Vesting** - Same as Plan 1.
- **Calculating the Benefit** - See definition under Plan 1.
- **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** - Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 7. Defined Benefit Pension Plan (Continued)**

- **Earliest Unreduced Retirement Eligibility** - Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** - Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
  - **Eligibility** – Same as Plan 1.
  - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

**Hybrid Retirement Plan** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees and those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 7. Defined Benefit Pension Plan (Continued)**

- **Creditable Service –**
  - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn credible service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional credible service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
  - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
  - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
- **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
  - **Defined Benefit Component:** See definition under Plan 1.
  - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation -** Same as Plan 2 for the defined benefit component of the plan.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
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**Note 7. Defined Benefit Pension Plan (Continued)**

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
  
- **Normal Retirement Age** –
  - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
  
- **Earliest Unreduced Retirement Eligibility** –
  - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
  
- **Earliest Reduced Retirement Eligibility** –
  - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
  
- **Cost-of-Living Adjustment (COLA) in Retirement**
  - **Defined Benefit Component:** Same as Plan 2.
  - **Defined Contribution Component** – Not Applicable.
  - **Eligibility** – Same as Plan 1 and 2.
  - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.
  
- **Disability Coverage** - Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

**ALBEMARLE COUNTY SERVICE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**Note 7. Defined Benefit Pension Plan (Continued)**

- **Purchase of Prior Service –**
  - **Defined Benefit Component –** Same as Plan 1, with the following exceptions:
    - Hybrid Retirement Plan members are ineligible for ported service.
    - The cost of purchasing refunded service is higher or 4% of creditable compensation or average final compensation.
    - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
  - **Defined Contribution Component –** Not applicable.

**Employees Covered by Benefit Terms**

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Number</b>
Inactive members or their beneficiaries currently receiving benefits	27
Inactive members:	
Vested inactive members	9
Non-vested inactive members	12
Inactive members active elsewhere in VRS	13
Total inactive members	34
Active members	72
Total covered employees	133

**Contributions**

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

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 7. Defined Benefit Pension Plan (Continued)**

The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 6.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$262,002 and \$337,705 for the years ended June 30, 2017 and June 30, 2016, respectively.

**Net Pension Liability**

The political subdivision's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

**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, 2015, 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, 2016.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: General employees – 14% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 7. Defined Benefit Pension Plan (Continued)**

General Employees - Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

**Long-Term Expected Rate of Return**

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50 %	6.28 %	1.04 %
Emerging Market Equity	6.00 %	10.00 %	0.60 %
Fixed Income	15.00 %	0.09 %	0.01 %
Emerging Debt	3.00 %	3.51 %	0.11 %
Rate Sensitive Credit	4.50 %	3.51 %	0.16 %
Non Rate Sensitive Credit	4.50 %	5.00 %	0.23 %
Convertibles	3.00 %	4.81 %	0.14 %
Public Real Estate	2.25 %	6.12 %	0.14 %
Private Real Estate	12.75 %	7.10 %	0.91 %
Private Equity	12.00 %	10.41 %	1.25 %
Cash	1.00 %	(1.50)%	(0.02)%
Total	100.00 %		<u>5.83 %</u>
	Inflation		<u>2.50 %</u>
	* Expected arithmetic nominal return		<u>8.33 %</u>

\*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2015	\$ 14,104,400	\$ 12,146,598	\$ 1,957,802
Changes for the year:			
Service cost	306,250	-	306,250
Interest	971,270	-	971,270
Differences between expected and actual experience	(77,660)	-	(77,660)
Contributions – employer	-	330,458	(330,458)
Contributions – employee	-	177,386	(177,386)
Net investment income	-	217,142	(217,142)
Benefit payments, including refunds of employee contributions	(458,221)	(458,221)	-
Administrative expenses	-	(7,476)	7,476
Other changes	-	(91)	91
Net changes	741,639	259,198	482,441
Balances at June 30, 2016	\$ 14,846,039	\$ 12,405,796	\$ 2,440,243



**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Political subdivision's net pension liability	\$ 4,419,423	\$ 2,440,243	\$ 797,613

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$152,111. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 330,946
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	320,587	-
Employer contributions subsequent to the measurement date	262,002	-
Total	\$ 582,589	\$ 330,946

**ALBEMARLE COUNTY SERVICE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 7. Defined Benefit Pension Plan (Continued)**

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

The \$262,002 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2018	\$ (103,856)
2019	(103,856)
2020	82,559
2021	114,796
2022	-
Thereafter	-

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 8. Other Post-Employment Benefits**

**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 2017, the Authority’s health and benefit contribution was \$810 per month. VERIP benefits are paid monthly for a period of five years after retirement or until age 65, whichever comes first.

**ALBEMARLE COUNTY SERVICE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 8. Other Post-Employment Benefits (Continued)**

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.

**Funding policy:**

The Authority establishes employer health and benefit contribution rates as part of the budgetary process each year. Benefits are funded on a pay-as-you go basis.

**Annual required contribution (ARC):**

The annual cost of OPEB is called the annual required contribution or ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**Annual OPEB cost and net OPEB obligation:**

The estimated contributions are based on the projected implicit rate subsidy covered during the year for the retirees by the Authority. Changes to the Authority’s net OPEB obligation were as follows:

Annual required contribution	\$	131,546
Interest on OPEB obligation		17,339
Adjustment to ARC		<u>(23,500)</u>
Annual OPEB cost		125,385
Estimated contributions made		<u>(94,244)</u>
Increase in net OPEB obligation		31,141
Net OPEB obligation at beginning of year		<u>495,390</u>
Net OPEB obligation at end of year	\$	<u><u>526,531</u></u>

**Annual OPEB cost and net OPEB obligation:**

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years is as follows:

**ALBEMARLE COUNTY SERVICE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 8. Other Post-Employment Benefits (Continued)**

		<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>		<b>Net OPEB Obligation</b>
June 30, 2015	\$	100,000	48%	\$	455,117
June 30, 2016	\$	126,736	68%	\$	495,390
June 30, 2017	\$	125,385	75%	\$	526,531

**Funded status and funding progress:**

At July 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,398,058 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,398,058. The covered payroll (annual payroll of active employees covered by the plan) was \$3,671,117 and the ratio of the UAAL to the covered payroll was 38.10%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**Actuarial methods and assumptions:**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2015 actuarial valuation used the projected unit credit method, with linear pro-rata to decrement. The unfunded liability is amortized over 30 years (closed) as a level percentage of pay. The remaining amortization period as of June 30, 2017 is 22 years. The actuarial assumptions included continuation of the flat dollar VERIP subsidy of \$810 per month to increase 6% annually in the future, an investment/discount rate of 3.5%, a payroll growth rate of 3%, and a rate of inflation of 3%.

**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 9. Service Contracts**

The Authority purchases all water and sewage treatment services from RWSA. These purchases amounted to \$8,530,098 for water and \$6,398,471 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 \$6,792,672.

**Note 10. Risk Management**

The Risk Management Programs of the Authority are as follows:

The Authority is a member of the VML Insurance program. The liability coverage includes: local government liability, auto, property, boiler/machinery, fidelity/crime, workers compensation and general liability coverage's. 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 – \$18,891,342
- Boiler/Machinery – \$15,000,000
- Fidelity/Crime – \$250,000
- General Liability – \$5,000,000
- 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, 2017**

**Note 11. 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 \$18,000 per year, whichever is less. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**Note 12. 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 \$40,128 at June 30, 2017.

**Note 13. Restatement of Net Position**

Beginning and ending net position for the year ended June 30, 2016 has been restated to correct an overstatement of capital assets related to the disposition of the Camelot Waste Water Treatment Plant not recognized in Fiscal Year 2013 with the completion of the North Fork Regional Pump Station.

	<b>Beginning Net Position (July 1, 2015)</b>	<b>2016 Operating Loss</b>	<b>2016 Change in Net Position</b>	<b>Ending Net Position (June 30, 2016)</b>
As previously stated	\$ 142,971,153	\$ (1,026,548)	\$ 8,731,764	\$ 151,702,917
Capital assets, net	(745,903)	19,167	19,167	(726,736)
As restated	\$ 142,225,250	\$ (1,007,381)	\$ 8,750,931	150,976,181

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**ALBEMARLE COUNTY SERVICE AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>			
Service cost	\$ 306,250	\$ 319,994	\$ 303,515
Interest on total pension liability	971,270	945,438	891,399
Difference between expected and actual experience	(77,660)	(456,292)	-
Benefit payments, including refunds of employee contributions	(458,221)	(421,994)	(423,861)
Net change in total pension liability	741,639	387,146	771,053
<b>Total pension liability – beginning</b>	<u>14,104,400</u>	<u>13,717,254</u>	<u>12,946,201</u>
<b>Total pension liability – ending</b>	<u>14,846,039</u>	<u>14,104,400</u>	<u>13,717,254</u>
<b>Plan Fiduciary Net Position</b>			
Contributions – employer	330,458	317,575	326,450
Contributions – employee	177,386	171,283	170,882
Net investment income	217,142	535,330	1,576,735
Benefit payments, including refunds of employee contributions	(458,221)	(421,994)	(423,861)
Administrative expenses	(7,476)	(7,154)	(8,347)
Other	(91)	(110)	84
Net change in plan fiduciary net position	259,198	594,930	1,641,943
<b>Plan fiduciary net position – beginning</b>	<u>12,146,598</u>	<u>11,551,668</u>	<u>9,909,725</u>
<b>Plan fiduciary net position – ending</b>	<u>12,405,796</u>	<u>12,146,598</u>	<u>11,551,668</u>
<b>Net pension liability – ending</b>	<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>84%</u>	<u>86%</u>	<u>84%</u>
Covered employee payroll	<u>\$ 3,635,900</u>	<u>\$ 3,474,178</u>	<u>\$ 3,355,469</u>
Net pension liability as a percentage of covered employee payroll	<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, 2017**

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a percentage of Covered Payroll
2015	\$ 311,615	\$ 311,615	\$ -	\$ 3,474,178	8.97%
2016	337,705	337,705	-	3,635,900	9.29%
2017	262,002	262,002	-	3,757,862	6.97%

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

SCHEDULE OF OPEB FUNDING PROGRESS

June 30, 2017

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a Percentage of Payroll</b>
	<b>(a)</b>	<b>(b)</b>	<b>(b-a)</b>	<b>(a/b)</b>	<b>(c)</b>	<b>((b-a)/c)</b>
July 1, 2013	\$ -	\$ 945,000	\$ 945,000	-%	\$ N/A	N/A %
July 1, 2014	-	995,000	995,000	-	N/A	N/A
July 1, 2015	-	1,398,058	1,398,058	-	3,671,117	38.1

**ALBEMARLE COUNTY SERVICE AUTHORITY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2017**

**Note 1. Changes of Benefit Terms**

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

**Note 2. Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

# STATISTICAL SECTION

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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  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015*	2016	2017
Business-type activities										
Net investment in capital assets	\$ 85,602,877	\$ 92,181,771	\$ 96,191,023	\$ 101,013,464	\$ 105,620,650	\$ 108,233,265	\$ 115,617,250	\$ 119,714,145	\$ 126,311,674	\$ 131,997,020
Restricted for debt service	157,601	157,601	157,601	-	-	-	-	-	-	-
Unrestricted	12,668,284	12,773,883	14,974,733	14,796,257	19,429,475	22,100,955	23,012,237	22,511,105	24,664,507	29,324,354
Total business-type activities net position	<u>\$ 98,428,762</u>	<u>\$ 105,113,255</u>	<u>\$ 111,323,357</u>	<u>\$ 115,809,721</u>	<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>

\* GASB Statement No. 68 was adopted in fiscal year 2015.

Table 2

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Operating expenses</b>										
Operating expenses:										
Water	\$ 8,499,109	\$ 8,786,314	\$ 9,391,666	\$ 9,592,501	\$ 9,981,754	\$ 10,686,931	\$ 10,262,354	\$ 11,204,103	\$ 11,872,889	\$ 12,816,458
Sewer	6,132,189	7,018,888	8,401,774	7,751,031	8,822,189	9,490,588	10,111,833	9,130,743	9,766,413	9,613,692
Other	2,153,004	2,275,108	2,382,631	2,469,557	2,501,718	2,556,232	2,819,633	3,026,916	3,158,144	3,302,779
<b>Total operating expenses</b>	<b>\$ 16,784,302</b>	<b>\$ 18,080,310</b>	<b>\$ 20,176,071</b>	<b>\$ 19,813,089</b>	<b>\$ 21,305,661</b>	<b>\$ 22,733,751</b>	<b>\$ 23,193,820</b>	<b>\$ 23,361,762</b>	<b>\$ 24,797,446</b>	<b>\$ 25,732,929</b>
<b>Operating revenues</b>										
Charges for services:										
Water	\$ 9,114,653	\$ 10,151,345	\$ 10,248,876	\$ 10,952,033	\$ 10,651,869	\$ 10,701,103	\$ 10,665,192	\$ 12,173,073	\$ 12,564,711	\$ 13,916,547
Sewer	6,788,262	8,645,944	8,839,336	9,251,466	9,280,346	9,611,718	9,588,948	10,468,470	10,895,970	11,869,460
Connection	184,056	167,218	91,726	69,869	94,442	550,967	296,724	328,862	329,384	359,660
<b>Total operating revenues</b>	<b>\$ 16,086,971</b>	<b>\$ 18,964,507</b>	<b>\$ 19,179,938</b>	<b>\$ 20,273,368</b>	<b>\$ 20,026,657</b>	<b>\$ 20,863,788</b>	<b>\$ 20,550,864</b>	<b>\$ 22,970,405</b>	<b>\$ 23,790,065</b>	<b>\$ 26,145,667</b>
<b>Net (expense) revenue</b>	<b>\$ (697,331)</b>	<b>\$ 884,197</b>	<b>\$ (996,133)</b>	<b>\$ 460,279</b>	<b>\$ (1,279,004)</b>	<b>\$ (1,869,963)</b>	<b>\$ (2,642,956)</b>	<b>\$ (391,357)</b>	<b>\$ (1,007,381)</b>	<b>\$ 412,738</b>
<b>Other revenues and changes in net assets</b>										
Investment earnings	\$ 633,377	\$ 220,234	\$ 219,634	\$ 52,937	\$ 68,431	\$ 19,745	\$ 110,135	\$ 102,469	\$ 215,035	\$ 59,576
Miscellaneous revenues	523,143	476,447	421,664	545,294	565,472	218,389	310,340	347,692	363,029	412,944
Capital contributions	5,706,636	5,176,757	6,646,082	4,615,713	9,036,424	7,680,924	10,739,627	7,466,312	9,468,629	9,717,312
Other expenses	(103,208)	(73,141)	(81,145)	(1,187,859)	(310,417)	(765,000)	(221,879)	(473,424)	(288,381)	(257,377)
<b>Total other revenues and changes in net position</b>	<b>\$ 6,759,948</b>	<b>\$ 5,800,297</b>	<b>\$ 7,206,235</b>	<b>\$ 4,026,085</b>	<b>\$ 9,359,910</b>	<b>\$ 7,154,058</b>	<b>\$ 10,938,223</b>	<b>\$ 7,443,049</b>	<b>\$ 9,758,312</b>	<b>\$ 9,932,455</b>
<b>Change in net position</b>	<b>\$ 6,062,617</b>	<b>\$ 6,684,494</b>	<b>\$ 6,210,102</b>	<b>\$ 4,486,364</b>	<b>\$ 8,080,906</b>	<b>\$ 5,284,095</b>	<b>\$ 8,295,267</b>	<b>\$ 7,051,692</b>	<b>\$ 8,750,931</b>	<b>\$ 10,345,193</b>



**Table 4**

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Monthly Service Charge<sup>1</sup></b>	\$ 5.11	\$ 5.27	\$ 6.15	\$ 6.15	\$ 6.15	\$ 6.15	\$ 6.15	\$ 7.18	\$ 7.40	\$ 7.73
<b>Water Volume</b>										
<b>Single-family/Non-Residential</b>										
0 - 3,000	3.62	3.86	3.32	3.31	3.31	3.44	3.33	3.69	3.80	3.99
3,001 - 6,000	5.43	6.10	6.64	6.62	6.62	6.88	6.66	7.38	7.60	7.98
Over 6,000	9.67	10.90	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6,000 - 9,000	N/A	N/A	9.96	9.93	9.93	10.32	9.99	11.07	11.40	11.97
Over 9,000	N/A	N/A	13.28	13.24	13.24	13.76	13.32	14.76	15.20	15.96
<b>Multi-family/Non-Residential</b>										
All Metered Consumption	5.33	6.04	6.19	6.19	6.19	6.43	6.43	7.12	7.33	7.70
<b>Sewer Volume</b>	5.41	7.00	7.21	7.21	7.21	7.49	7.49	7.86	8.10	8.50

<sup>1</sup> 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 2017			Fiscal Year 2008		
	Water Billed (in gallons)	Rank	Percent of Total Water Sales	Water Billed (in gallons)	Rank	Percent of Total Water Sales
University of Virginia	24,945,800	1	1.47 %	-	-	- %
County of Albemarle	23,120,700	2	1.36	-	-	-
Southwood Mobile Homes	21,735,000	3	1.28	24,673,000	2	1.60
Martha Jefferson Hospital	20,214,200	4	1.19	-	-	-
Westminster Canterbury	19,750,000	5	1.16	-	-	-
Old Salem Apartments	19,352,900	6	1.14	17,764,800	6	1.15
Trophy Chase Apartments	18,961,525	7	1.11	25,165,630	1	1.63
Alb./Charlottesville Regional Jail	18,254,000	8	1.07	22,605,000	4	1.46
Four Seasons Apartments	18,123,000	9	1.06	23,232,800	3	1.50
Abbingon Crossing (Squire Hill)	17,907,100	10	1.05	17,598,000	7	1.14
Turtle Creek Apartments	-	-	-	15,152,200	9	0.98
Marriott "The Colonnades"	-	-	-	13,207,300	10	0.86
Westgate Apartments	-	-	-	18,294,000	5	1.19
University Heights	-	-	-	16,971,700	8	1.10
	<u>202,364,225</u>		<u>11.89%</u>	<u>194,664,430</u>		<u>12.61%</u>
Total water consumption:	<u>1,702,167,792</u>			<u>1,543,716,082</u>		

Customer	Fiscal Year 2017			Fiscal Year 2008		
	Sewer Billed (in gallons)	Rank	Percent of Total Sewer Sales	Sewer Billed (in gallons)	Rank	Percent of Total Sewer Sales
University of Virginia	23,349,700	1	1.66 %	-	-	- %
Old Salem Apartments	19,352,900	2	1.37	17,764,800	5	1.41
Westminster Canterbury	18,968,000	3	1.35	-	-	-
Trophy Chase Apartments	18,961,525	4	1.35	25,165,630	1	2.00
Four Seasons Apartments	18,123,000	5	1.29	23,232,800	2	1.85
Abbingon Crossing (Squire Hill)	17,907,100	6	1.27	17,598,000	6	1.40
Turtle Creek Apartments	16,735,000	7	1.19	15,152,200	8	1.21
Westgate Apartments	16,606,500	8	1.18	18,279,700	4	1.45
Alb./Charlottesville Regional Jail	16,536,000	9	1.17	21,903,900	3	1.74
County of Albemarle	14,758,600	10	1.05	-	-	-
Southwood Mobile Homes	-	-	-	12,793,966	9	1.02
Marriott "The Colonnades"	-	-	-	11,640,700	10	0.93
University Heights	-	-	-	16,971,700	7	1.35
	<u>181,298,325</u>		<u>12.88%</u>	<u>180,503,396</u>		<u>14.36%</u>
Total sewer usage:	<u>1,408,603,581</u>			<u>1,256,735,747</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 Debt	Number of <sup>1</sup> Connections	Debt per Connection (3) = (1)/(2)	Estimated <sup>2</sup> Population Served (4) = (2) * 2.5	Debt per Capita (5) = (1)/(4)	Income <sup>3</sup> per Capita	Debt per Capita as a % Income per Capita (7) = (5)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
2008	\$ 1,051,400	16,466	\$ 63.85	41,165	\$ 25.54	\$ 47,336	0.0540
2009	709,200	16,670	42.54	41,675	17.02	49,971	0.0341
2010	364,100	16,974	21.45	42,435	8.58	50,558	0.0170
2011	10,357,000	17,207	601.91	43,018	240.76	47,779	0.5039
2012	10,022,000	17,512	572.29	43,780	228.92	49,137	0.4659
2013	9,623,000	17,802	540.56	44,505	216.22	52,687	0.4104
2014	9,212,000	18,132	508.05	45,330	203.22	56,979	0.3567
2015	8,788,000	18,466	475.90	46,165	190.36	56,851	0.3348
2016	8,352,000	18,801	444.23	47,003	177.69	58,603	0.3032
2017	7,903,000	19,284	409.82	48,210	163.93	60,294	0.2719

<sup>1</sup> Connections from Table 12

<sup>2</sup> 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.

<sup>3</sup> 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**

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Direct Operating Expense<sup>1</sup></b>	<b>Net Revenue Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2008	\$ 22,877,727	\$ 14,631,298	\$ 8,246,428	\$ 342,200	\$ 34,658	\$ 376,858	21.88
2009	24,786,044	15,805,202	8,980,841	345,100	25,036	370,136	24.26
2010	26,404,819	17,793,440	8,611,379	357,500	15,200	372,700	23.11
2011	25,590,487	17,343,532	8,246,955	364,100	295,636	659,736	12.50
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

<sup>1</sup>Excluding depreciation and amortization

**Table 8**

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

<b>Calendar Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup></b>	<b>Per Capita Income <sup>2</sup></b>	<b>Per Capita Income as Percent (%) of U.S. Average <sup>2</sup></b>	<b>School Enrollment <sup>3</sup></b>	<b>Unemployment Rate <sup>4</sup></b>
2007	93,117	\$ 6,386,472,000	\$ 47,336	124 %	12,803	2.2
2008	94,075	6,823,322,000	49,971	126	12,830	3.0
2009	96,247	7,038,250,000	50,558	123	13,035	5.1
2010	99,150	6,742,806,000	47,779	121	13,222	5.1
2011	98,970	7,014,795,000	49,137	122	13,222	5.1
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

<sup>1</sup> U.S. Census Bureau (estimates based on July 1)

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

<sup>3</sup> County of Albemarle, Department of Education

<sup>4</sup> Virginia Labor Market Information, [www.virginialmi.com](http://www.virginialmi.com)

Table 9

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

<b>Employer</b>	<b>Estimated Product/Service</b>	<b>Estimated Employment in 2017</b>	<b>Rank in 2017</b>	<b>Estimated Employment in 2008</b>	<b>Rank in 2008</b>
University of Virginia/UVA 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	-	-
State Farm Mutual Automobile Insurance	Insurance services	1,000 - over	4	1,000 - over	3
U.S. Department of Defense	National security	500 - 999	5	500 - 999	6
Northrop Grumman Corporation	Computer & electronic mfg.	500 - 999	6	500 - 999	5
Piedmont Virginia Community College	Higher education	500 - 999	7	500 - 999	-
Wal Mart	Department store	250 - 499	8	-	8
GE Intelligent Platform Systems	Computer & electronic mfg.	250 - 499	9	250 - 499	7
CACI, Inc	National security	250 - 499	10	-	-
Crutchfield Corporation	Electronics retailer	250 - 499	-	250 - 499	9
University of Virginia Medical Center	Health care	500 - 999	-	-	-
UVA Health Services Foundation	Health care	250 - 499	-	1,000 - over	4
Americare Plus	Health care	-	-	250 - 499	-
Lakeland Tours, Inc	Tours Operators & Promoters	-	-	250 - 499	10

**Table 10**

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

<b>Department</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Fiscal Year 2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Administration/I.T.	8	8	8	9	9	9	10	10	10	10
Finance	13	14	14	14	14	15	15	16	16	17
Engineering	15	15	15	15	15	16	16	16	16	16
Maintenance	28	30	30	30	30	28	31	32	33	33
<b>Total</b>	<b>64</b>	<b>67</b>	<b>67</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>72</b>	<b>74</b>	<b>75</b>	<b>76</b>

**Table 11**

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Fiscal Year 2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
New connections	368	204	304	233	305	306	314	334	335	483
Water meters read <sup>1</sup>	202,192	204,587	210,320	212,916	217,029	219,483	223,195	227,435	231,275	235,879
Service orders processed <sup>2</sup>	11,011	10,618	11,208	9,909	11,925	11,707	11,823	12,116	12,405	16,988
Water main breaks	20	8	13	15	8	14	14	16	6	5
Sewer overflows	6	6	4	10	3	-	11	2	3	2
Sewer blockages	35	11	5	5	5	5	7	5	3	2

<sup>1</sup> Number of meters read for billing.

<sup>2</sup> 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**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Fiscal Year 2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Number of water connections	16,466	16,670	16,974	17,207	17,512	17,818	18,132	18,466	18,801	19,284
Number of sewer connections	13,474	13,671	13,972	14,202	14,549	14,840	15,168	15,508	16,168	16,619
Miles of water lines	328.63	334.16	336.39	339.59	341.90	346.55	351.76	355.00	338.52	344.76
Miles of sewer lines	239.86	240.49	243.46	246.75	248.48	252.81	258.40	261.10	281.67	288.17
Fire hydrants	2,260	2,370	2,149	2,167	2,230	2,302	2,330	2,375	2,511	2,590
Water pumping stations	11	10	11	11	11	10	9	9	9	8
Sewer pumping stations	11	11	11	11	11	12	12	12	12	12
Water storage tanks	8	8	8	9	9	8	7	7	8	8



**Table 13**

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

<b>Fiscal Year</b>	<b>Service Charges</b>	<b>Connection Charges</b>	<b>Rental Income</b>	<b>Interest Earnings</b>	<b>Other</b>	<b>Total</b>
2008	\$ 15,902,915	\$ 184,056	\$ 44,713	\$ 633,377	\$ 478,430	\$ 17,243,491
2009	18,797,289	167,218	39,972	220,234	436,474	19,661,188
2010	19,088,212	91,726	39,972	219,634	381,692	19,821,236
2011	20,203,499	69,869	39,972	52,937	608,497	20,974,774
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

**Table 14**

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

<b>Fiscal Year</b>	<b>Water &amp; Sewer Costs</b>	<b>Departmental Operation Expenses</b>	<b>Bond Interest Charges</b>	<b>Depreciation</b>	<b>Other</b>	<b>Total</b>
2008	\$ 9,692,393	\$ 4,938,905	\$ 30,666	\$ 2,153,004	\$ 72,542	\$ 16,887,510
2009	10,315,905	5,489,297	21,010	2,275,108	52,131	18,153,451
2010	12,149,203	5,644,236	11,029	2,382,631	70,116	20,257,215
2011	11,560,006	5,783,526	295,636	2,469,557	995,398	21,104,123
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

**Table 15**

**ALBEMARLE COUNTY SERVICE AUTHORITY  
SCHEDULE OF INSURANCE IN FORCE  
June 30, 2017**

<b>Insurer</b>	<b>Type of Coverage</b>	<b>Policy Number</b>	<b>Policy Period</b>		<b>Annual Premium</b>
			<b>From</b>	<b>To</b>	
Virginia Municipal Group Self Insurance Association	Local Government Liability Boiler & Machinery General Business Policy: Auto General Liability Property Fidelity & Crime Workers' Compensation	P-2016-2017-VML- 0107-1	7/1/2016	6/30/2017	\$87,717

**Table 16**

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

<b><u>Fiscal Year</u></b>	<b><u>Water Connections</u></b>	<b><u>Water Billions Gallons</u></b>	<b><u>Consumption Ratio Water/Sewer</u></b>	<b><u>Sewer Billions Gallons</u></b>	<b><u>Sewer Connections</u></b>
2008	16,466	1.54	1.2	1.30	13,474
2009	16,670	1.55	1.3	1.24	13,671
2010	16,974	1.51	1.2	1.24	13,972
2011	17,207	1.59	1.2	1.29	14,202
2012	17,512	1.56	1.2	1.29	14,549
2013	17,802	1.55	1.1	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	18,801	1.61	1.2	1.35	16,168
2017	19,284	1.70	1.2	1.41	16,619

Table 17

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

<b>Fiscal Year</b>		<b>Construction</b>		<b>Property Value</b>		<b>Cash &amp; Cash Equivalents</b>
2008	\$	4,626,055	\$	82,043,522	\$	6,312,069
2009		9,699,696		83,203,674		6,826,191
2010		5,487,584		91,067,539		15,581,689
2011		11,194,733		90,835,523		26,087,350
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

# COMPLIANCE SECTION

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**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, 2017, 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 13, 2017.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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, L.L.P.*  
CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
October 13, 2017



**ALBEMARLE COUNTY SERVICE AUTHORITY**

**SUMMARY OF COMPLIANCE MATTERS  
Year Ended June 30, 2017**

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

