



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FYE: JUNE 30, 2023

BEDFORD REGIONAL WATER AUTHORITY

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**BEDFORD REGIONAL
WATER AUTHORITY**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023

BEDFORD REGIONAL WATER AUTHORITY

BEDFORD, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

*For the Fiscal Year Ended
June 30, 2023*

PREPARED BY THE FINANCE DEPARTMENT

BEDFORD REGIONAL WATER AUTHORITY

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Letter of Transmittal	i
GFOA Certificate of Achievement.....	vii
Directory of Principal Officials	viii
Organizational Chart	ix

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	5

Financial Statements

Exhibit 1 Statement of Net Position.....	13
Exhibit 2 Statement of Revenues, Expenses, and Changes in Net Position	14
Exhibit 3 Statement of Cash Flows.....	15
Notes to Financial Statements.....	16

Required Supplementary Information

Exhibit 4 Schedule of Changes in Net Pension (Asset) Liability and Related Ratios	49
Exhibit 5 Schedule of Pension Contributions	50
Exhibit 6 Schedule of Changes in Net OPEB Liability and Related Ratios – Local Plan	51
Exhibit 7 Schedule of Employer's Share of Net OPEB Liability – VRS GLI	52
Exhibit 8 Schedule of Employer Contributions – VRS GLI.....	53
Notes to Required Supplementary Information	54

Supporting Schedule

Schedule 1 Schedule of Departmental Operating Income	56
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BEDFORD REGIONAL WATER AUTHORITY

TABLE OF CONTENTS (Continued)

STATISTICAL SECTION

	Page
Table 1 Net Position by Component	58
Table 2 Changes in Net Position	59
Table 3 Operating Expenses	60
Table 4 Nonoperating Revenues and Expenses	61
Table 5 Operating Revenues by Source	62
Table 6 Water Produced and Consumed and Wastewater Treated	63
Table 7 Annual Connections	64
Table 8 Number of Water Customers by Type	64
Table 9 Number of Sewer Customers by Type	65
Table 10 Ten Largest Water Customers	66
Table 11 Ten Largest Sewer Customers	67
Table 12 Schedule of Water and Sewer Rates	68
Table 13 Schedule of Water and Sewer Capital Recovery Fees	69
Table 14 Schedule of Debt Coverage	70
Table 15 Outstanding Debt by Category	71
Table 16 Ratios of Outstanding Debt	72
Table 17 Ten Largest Employers (Bedford Town and County)	73
Table 18 Other Demographic Data (Bedford Town and County)	73
Table 19 Number of Employees by Identifiable Activity	74
Table 20 Operating Indicators	74
Table 21 Capital Asset Statistics	74

COMPLIANCE SECTION

Schedule of Expenditure of Federal Awards	76
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 <i>Government Auditing Standards</i>	77

BEDFORD REGIONAL WATER AUTHORITY

TABLE OF CONTENTS
(Continued)

COMPLIANCE SECTION
(Continued)

	Page
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	79
Summary of Compliance Matters.....	82
Schedule of Findings and Questioned Costs	83
Schedule of Prior Audit Findings	87

INTRODUCTORY SECTION

November 15, 2023

To the Members of the Board of Directors, Customers and Interested Parties of the Bedford Regional Water Authority:

The Annual Financial Report for the Bedford Regional Water Authority (Authority) is hereby submitted for the fiscal year ended June 30, 2023. The report was prepared by the Authority in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and with emphasis on disclosure of the financial activities of the Authority. Responsibility for both the completeness and reliability of the information, including all disclosures, rests with the Authority, and is based upon a framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of the Authority.

The basic financial statements have been audited by our independent auditors, Brown, Edwards & Company, L.L.P., who have issued an unmodified (“clean”) opinion of the financial statements of the Authority as of and for the year ended June 30, 2023. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The independent auditor’s report is located at the front of the financial section of this report.

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



Organization and Function

The Authority was chartered December 18, 2012, under the Virginia Water and Waste Authorities Act and Sewer Authorities Act, Chapter 51 Title 15.2 of the Code of Virginia 1950 as amended, by concurrent resolutions adopted by the Bedford County Board of Supervisors and the City Council of the City of Bedford, Virginia (now the Town of Bedford). The Authority is authorized to acquire, finance, contract, operate, and maintain water systems, sewer systems, sewerage disposal and treatment systems, and other facilities or combinations thereof; furthermore, it is able to borrow money and to issue its revenue bonds to pay all or any part of the cost of such systems and facilities and related financing costs.

The revenues of the Authority are based on base and commodity charges from the system users. The Authority does not have taxing power.



The Authority operates on a Board-administrator form of government. The Board consists of a Chair and six other Board members. Members are appointed by the Bedford County Board of Supervisors and the Town Council, based upon the proportionate representation of the localities according to the total number of equivalent residential connections (ERCs), for both water and sewer in each jurisdiction based on an equivalent rate calculation of two

hundred gallons per day per connection. In no event shall either the Town of Bedford or Bedford County appoint and have fewer than two (2) members of the Board of Directors of the Authority. There are three standing committees comprised of two board members each; they include the Policies and Projects Committee, the Finance Committee, and the Personnel Committee. Regular meetings of the Authority Board of Directors are held on the third Tuesday of every month at the Authority's office, with special meetings scheduled as needed.

Water Distribution Service Areas:

Bedford Central: The Authority provides water to the area inside and around the Town of Bedford through the Mountain Water Drive Treatment Plant. The plant uses a surface water reservoir located at the foothills of the Peaks of Otter. The Water Treatment Plant ("WTP") is rated at approximately 3.0 million gallons per day ("MGD"). The Town also receives water from the Smith Mountain Lake Water Treatment Facility.

Forest Central: The Authority provides water to the Forest, New London, and Boonsboro areas of the County from the Smith Mountain Lake Water Treatment Facility and through purchasing water from the City of Lynchburg; the Authority then sends this water through the Authority's distribution system. Water is treated by Lynchburg from the James River and the Pedlar Reservoir. While there is a minimum purchase requirement of 1 MGD, there is not currently a contract limit to the capacity of the water purchased from Lynchburg, and the City of Lynchburg WTPs are rated at a capacity of 26 MGD.

Lakes: Jointly owned with Western Virginia Water Authority, the Smith Mountain Lake Water Treatment Facility uses membrane technology to treat water that is withdrawn from Smith Mountain Lake (SML). This water provides the majority of the water for the Lakes Central system around the SML area while also providing water for Franklin County, the Town of Bedford, and Forest. The SMLWTF is rated at 4.0 MGD, and it can easily be expanded to 6.0 MGD. The Authority also owns three (3) independent water systems that use wells as the source and are located in the Mountain View Shores, Valley Mills Crossing, and Paradise Point subdivisions.

Stewartsville: The Authority owns a water system in the Stewartsville area where water is purchased from the Western Virginia Water Authority ("WVWA") and then distributed by the Authority. There is no contract limit to the capacity of water purchased from the WVWA.

Wastewater Collection Service Areas:

Bedford Central: The Authority provides sewer service inside and around the Town of Bedford using a Wastewater Treatment Plant ("WWTP") located on Orange Street in Bedford. The Central WWTP is rated at 2.0 million gallons a day ("MGD").

Forest Central: The Authority provides sewer service to the Forest and New London areas of the County by collecting the wastewater and transmitting it to the Lynchburg Regional WWTP for treatment. The Authority owns 1.0 MGD capacity in the Lynchburg WWTP.

Lakes Central: The Authority owns a WWTP in Moneta which provides sewer service to the Lakes community around the 122 corridor. The WWTP is rated at 0.5 MGD.

Montvale: The Montvale WWTP is located behind the Elementary school. It is rated at 0.05 MGD and provides service to the Montvale Elementary School, the Montvale Library, the Montvale Center for Business, and the central Montvale community.

The Authority is not legally required to adopt a budget; however, it is a requirement of the bond covenants that the Authority's Board of Directors adopt an annual budget before the first day of each fiscal year. The Finance department prepares the budget, in coordination with department managers, and serves as a framework for the Authority's financial planning for the year. Authorization is given to the Executive Director to move funds within the line item operating budget without further Board action, provided that a financial report is presented at the monthly Board meeting. The Executive Director can also reprioritize any of the items on the capital budget, provided the total spent did not exceed the approved budget.

Local Economic Condition and Outlook



Bedford County is one of the fastest growing areas and is the fifth largest county by land area in the Commonwealth of Virginia. Bedford has a population of more than 80,000 and is still growing. According to census data, Bedford County has seen a 25 percent increase in population growth since 2000.

Bedford maintains its agriculture economy; however, the tourism and retail economies flourish as well. Bedford is anchored in

residential growth and scenic destinations, such as the Peaks of Otter and Smith Mountain Lake. Thomas Jefferson's Poplar Forest and the National D-Day Memorial are located in Bedford, the Town of Bedford experienced one of the highest per capital losses during the D-Day invasion.

As of June 2023, the 2023 Bedford Community Profile reports an unemployment rate of 2.9% for the County; compared to the same time period where Virginia was at 2.9% and the Country was at 3.6%.

Relevant Financial Policies

The Authority's financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority operates as an independent entity as allowed by the Virginia Water and Waste Authorities Act.

Under this act and the Authority's charter, sufficient rates and fees are established so that the Authority can pay its operating expenses, principal and interest payments, and provide a margin of revenue that is sufficient to cover any contingencies that may arise. As part of the annual budget process, rates are examined to ensure that they are adequate for the Authority's obligations.

The Authority has adopted the following financial policies: Financial Management, Purchasing Cards, Purchasing, Employee Awards, Capital Assets, Investments, Debt Management, Post Issuance Compliance, Alternate Delivery, PPEA, Reserve Accounts and Disposal of Surplus Property. The Authority believes that these procedures provide reasonable assurance that assets are properly recorded and protected; and that financial data is used confidently in the preparation of reports and projections.

Major Initiatives and Accomplishments

The following are a few of the major initiatives that the Authority accomplished during the fiscal year:

- During FY 2023 Developer Dedications included 3,239 linear feet of waterline totaling \$622,815 and 3,505 linear feet of sewer line totaling \$303,549.
- Purchases funded through the Capital Improvement Program (CIP) included vehicles and various equipment, replacement information technology equipment and several waterline replacement projects completed by our capital improvement crew.
- Bedford County provided funding to construct a waterline extension on Rucker Road in the Smith Mountain Lake area.
- The Energy Savings project at the Central Wastewater Treatment plant was completed in May. This project was funded through a Virginia Resources Authority (VRA) bond, along internal funding. The project began in 2020 and included process improvements, as well as new equipment that will result in operational savings over the life of the bond.
- Work continued on the Town of Bedford ARPA funded projects. Projects include: BellTown Water line, Helm Street Tank Replacement and Town and Country sewer line Replacement and Rehabilitation project.



Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Bedford Regional Water Authority for its annual financial report for the fiscal year ended June 30, 2022. This was the ninth year that the Authority has received this prestigious award; its predecessor, the Bedford County Public Service Authority, received this award for eighteen consecutive years. 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 the current annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the hard work and dedication of the Authority's Financial and Administrative departments. The Authority also wishes to express our appreciation to all of the departments who contributed information used to prepare this report. Appreciation is also given to the Board of Directors for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jill W. Underwood".

Jill W. Underwood
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Bedford Regional Water Authority
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Bedford Regional Water Authority

Directory of Principal Officials

June 30, 2023



Robert Flynn, Chair
Term: 2020-2023



Jay Gray, Vice-Chair & Finance Committee
Term: 2021-2024



Donald Barger, Policies and Projects Committee
Term: 2023-2027



John Sharp, Personnel Committee
Term: 2023-2027



Michael Moldenhauer, Personnel Committee
Term: 2020-2023



Kevin Mele, Finance Committee
Term: 2021-2024



Rusty Mansel, Policies and Projects Committee
Term: 2021-2024

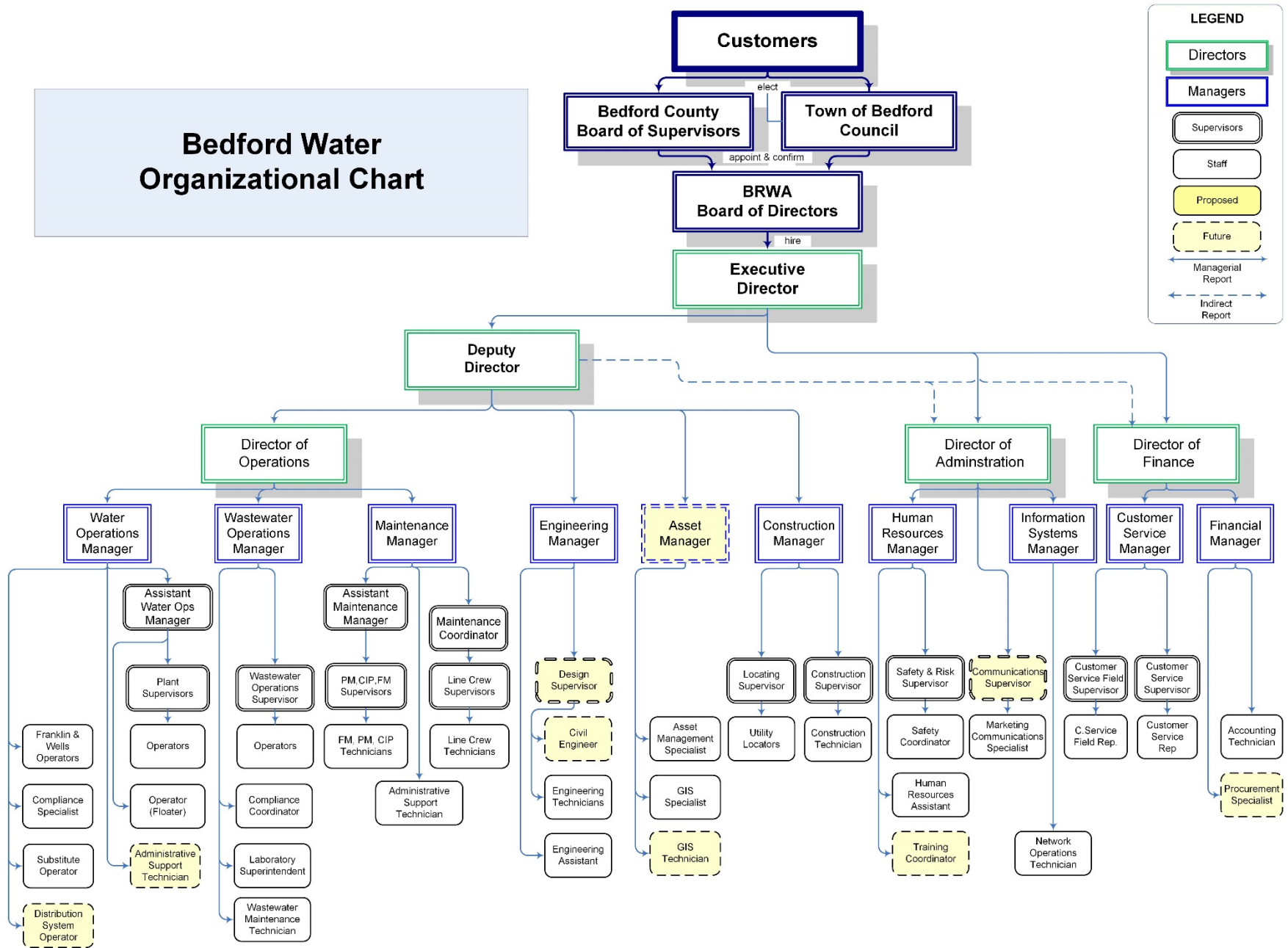
Executive Director

Brian M. Key, PE, Secretary/Treasurer

Independent Auditors

Brown, Edwards & Company

Bedford Water Organizational Chart



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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Bedford Regional Water Authority
Bedford, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Bedford Regional Water Authority (the "Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bedford Regional Water Authority, as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bedford Regional Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Authority's 2022 financial statements, and in our report dated November 3, 2022, expressed an unmodified opinion on those financial statements. The 2022 financial information is provided for comparative purposes only. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on the Financial Statements (Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Departmental Operating Income and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operating Income and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 15, 2023

Management's Discussion and Analysis

The Bedford Regional Water Authority ("BRWA") has prepared this Management's Discussion and Analysis (MD&A) as a supplement to the financial statements, to provide a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023. It is encouraged that the information presented herein to be considered in conjunction with additional details that have been furnished in the letter of transmittal, which can be found on pages i-vi of this financial report.

In October of 2012, the Bedford County Public Service Authority entered into a consolidation agreement with the City of Bedford and County of Bedford. As part of the City of Bedford's reversion to a Town, the Authority and the City of Bedford water and sewer departments merged into the Bedford Regional Water Authority ("Authority"); the complete merger was effective on July 1, 2013.

Financial Highlights

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$91,179,596 (*net position*). Of this amount \$22,050,684 (*unrestricted net position*) may be used to meet the BRWA's ongoing obligations to customers and creditors

The Authority's total net position increased during the fiscal year by \$4,508,254. The primary cause for this increase is due to an increase in capital assets.

Overview of the Financial Statements

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

Enterprise fund financial statements. Since the Authority engaged only in business-type activities, the *enterprise fund financial statements* and *notes* were prepared in a manner similar to private-sector businesses.

The ***statement of net position*** presents information on the Authority's assets and liabilities as of June 30, 2023 and June 30, 2022, with the difference between the two reported as net position. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority had improved or deteriorated.

The ***statement of revenues, expenses, and changes in net position*** presents information showing how the Authority's net position changed between fiscal years 2023 and 2022. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, some of the revenues and expenses that are reported in this statement will only affect cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The ***statement of cash flows*** supplements the above two statements by presenting the changes in cash position as a result of the Authority's activities over the last two fiscal years.

These statements can be found on pages 13 through 15 of this report.

Overview of the Financial Statements (Continued)

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16 through 47 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 49 through 53 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$91,179,596 at the close of the most recent fiscal year. At the close of the previous fiscal year, liabilities and deferred inflows exceeded assets and deferred outflows by \$86,671,342.

By far the largest portion of the Authority's net assets (73%) reflects its investment in capital assets. The Authority uses these capital assets to provide services to customers; consequently, these assets were *not* available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial Analysis (Continued)

Condensed Statement of Net Position		
	2023	2022
Current assets	\$ 14,739,309	\$ 15,319,188
Cash and cash equivalent, restricted	1,252,040	1,964,680
Investments, restricted	1,720,241	1,771,633
Due from other governments, restricted	10,063,626	-
Capital assets, net	116,590,474	111,245,699
Net Pension Asset	-	96,066
Lease Receivable	2,065,725	2,193,383
Total Assets	146,431,415	132,590,649
Deferred loss on refunding	20,271	110,791
Deferred outflows related to pensions (Note 7)	583,277	655,832
Deferred outflows related to other postemployment benefits (Note 8)	96,634	108,246
Total Deferred Outflows of Resources	700,182	874,869
Current Liabilities	3,777,120	5,570,360
Long-Term liabilities	49,861,965	38,158,894
Total Liabilities	53,639,085	43,729,254
Deferred gain on refunding	-	12,467
Deferred inflows related to pensions	185,526	776,796
Deferred Inflows related to leases	2,001,052	2,147,968
Deferred inflows related to other postemployment benefits	126,338	127,691
Total Deferred Inflows of Resources	2,312,916	3,064,922
Net investment in capital assets	66,156,631	72,160,769
Restricted for:		
Pensions	-	96,066
Capital improvements	1,252,040	927,794
Debt collateral	1,720,241	1,771,633
Unrestricted	22,050,684	11,715,080
Total Net Position	91,179,596	86,671,342

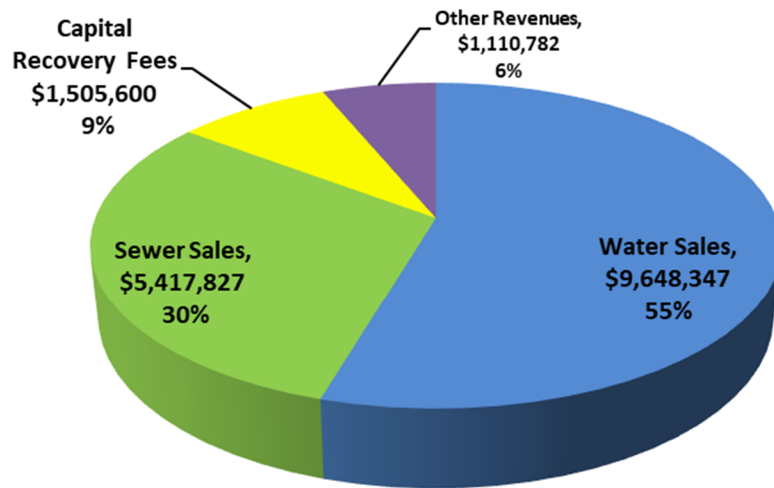
Financial Analysis (Continued)

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

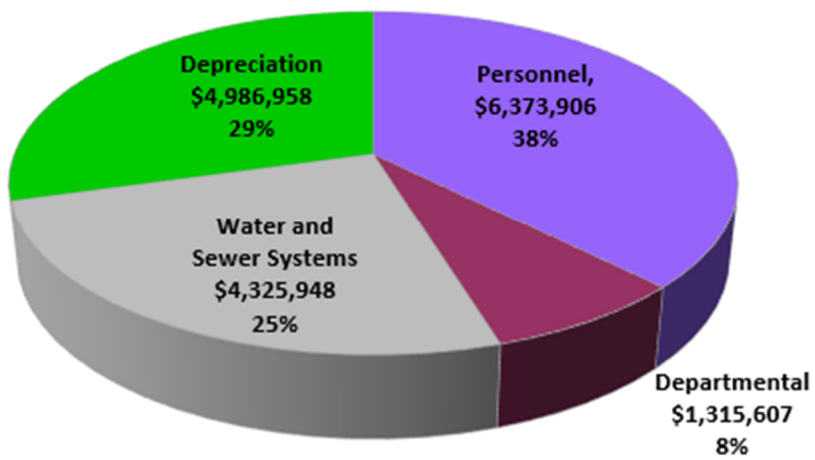
	2023	2022
Revenues:		
Operating Revenues		
Water Sales	\$ 9,648,347	\$ 9,168,485
Capital Recovery Fees	1,505,600	1,588,500
Sewer Service	5,417,827	4,795,433
Wastewater treatment plant operation fees	252,018	352,938
Other revenues from customers	858,764	737,350
Total Revenues	17,682,556	16,642,706
Expenses:		
Operating Expenses:		
Water Systems	2,651,438	2,465,518
Sewer systems	1,674,509	1,470,044
Salaries and employee benefits	6,373,906	5,834,768
Management and general	382,787	785,004
Customer service and information systems	377,774	259,023
Vehicles	346,879	295,123
Engineering and operations	208,167	149,471
Depreciation and amortization	4,986,958	4,726,631
Total Expenses	17,002,418	15,985,582
Nonoperating Revenues (Expenses):		
Gain on disposal of capital assets	41,448	88,517
Investment income	160,330	21,406
Interest expense	(1,161,814)	(1,439,443)
Total Nonoperating Revenues (Expenses)	(960,036)	(1,329,520)
Loss before capital contributions	(279,898)	(672,396)
Capital Contributions	4,788,152	4,410,008
Changes in net position	4,508,254	3,737,612
Net position- July 1	86,671,342	82,933,730
Net position- June 30	91,179,596	86,671,342

Financial Analysis (Continued)

FY 2022-2023 Revenues



FY 2022-2023 Expenses



Financial Analysis (Continued)

At the end of the current fiscal year, the Authority was able to report positive balances in total net position. The same held true for the prior fiscal year. At the end of the current fiscal year, the Authority had positive balances in unrestricted net position.

During the current fiscal year, the Authority's net position increased by \$4,508,254.

Operating revenues increased by \$1,039,850 or 6.25% and operating expenses increased by \$1,016,836 or 6.36%.

Key elements of these changes are as follows:

- Water and sewer sales increased due to increased customers, usage and the rate equalization program .
- Capital Recovery fees were slightly lower; however, they were higher than the anticipated budget amount. There is still growth occurring in the County, mainly in the Forest area.
- A large portion of the increase in expenses is related to the increased operation costs of the water and systems, these increases are reflected in supplies, chemicals, electricity, and contracted services.
- Salaries and employee benefits increased as result of hiring new employees and increases in insurance premiums and other benefits.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets as of June 30, 2023 amounted to \$116,590,474 (net of accumulated depreciation). This investment in capital assets includes land and land rights, buildings, water and sewer systems, vehicles, equipment, and furniture and fixtures. Additional information related to capital assets is located in Note 4 of the *Notes to Financial Statements*.

	Capital Assets	
	2023	2022
Land and land rights	\$1,015,523	\$1,015,523
Construction in progress	9,655,333	7,560,948
Water and sewer systems	174,789,954	167,529,792
Vehicles	4,175,805	3,623,581
Office Facilities	3,695,648	3,510,228
Information Systems Equipment	1,923,764	1,823,619
Total Book Value	195,256,027	185,063,691
Less- accumulated depreciation	(78,665,553)	(73,817,992)
Total- net of accumulated depreciation	<u>\$116,590,474</u>	<u>\$111,245,699</u>

Capital Asset and Debt Administration

Major capital asset events during the fiscal year included the following:

- Developer dedications of water and sewer lines throughout Bedford County totaled \$926,363.
- A total of \$7,260,162 was spent on water and sewer infrastructure.
- A total of \$100,145 was spent on Information Technology.
- A total of \$693,357 was spent on vehicles and equipment.

Below are some of the projects that were placed into service during the fiscal year:

Paradise Point Waterline Replacement	\$116,807
Rucker Road (Moneta Park) Waterline	\$425,907
Central WWTP Energy Savings Project	\$5,439,879
Stoney Creek Reservoir Dam Improvements	\$44,286

Long-term debt. At the end of the fiscal year, the Authority had \$50,009,804 in bonds and notes outstanding, versus \$40,220,141 last year, an increase of 24.34% as shown below. Outstanding obligations decreased as a result of principal payments being made. There was an increase in outstanding debt, as the Authority finalized funding in the Clean Water Financing and Assistance Program, through the Virginia Department of Environmental Quality (DEQ).

The Authority's Virginia Resource Authority Bonds are rated "AAA" from Standard and Poor's. Other obligations include accrued paid time off (PTO). More detailed information on the Authority's long-term liabilities is located in Note 6 of the *Notes to Financial Statements*.

	Long-Term Debt	
	2023	2022
Lynchburg Sewer System Bonds	\$937,819	\$997,986
Assumed Debt from Town of Bedford	1,798,998	2,289,010
2015 VRA Bonds	27,215,000	28,045,000
2012 Pooled Bonds	830,000	1,620,000
2014 Pooled Bonds	1,745,000	1,745,000
2019 VRA Bonds	0	955,000
2020 VRA Bonds (ESCO project)	3,370,000	3,555,000
DEQ Clean Water Financing Program	13,338,457	0
Unamortized premium on bonds	774,530	1,013,145
	<u>\$50,009,804</u>	<u>\$40,220,141</u>

Requests for information

This financial report is designed to provide a general overview of the Authority's finances. For additional financial information contact the BRWA's Finance Department in person or by mail at 1723 Falling Creek Road, Bedford, VA 24523, by email at finance@brwa.com or by telephone at (540)586-7679.

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FINANCIAL STATEMENTS

BEDFORD REGIONAL WATER AUTHORITY
STATEMENT OF NET POSITION
June 30, 2023

	2023	(For Comparative Purposes Only) 2022
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 11,336,165	\$ 12,261,252
Accounts receivable (Note 3)	2,354,619	2,405,591
Inventory	850,451	511,260
Prepays	198,074	141,085
Total current assets	<u>14,739,309</u>	<u>15,319,188</u>
Noncurrent assets		
Cash and cash equivalents, restricted (Note 2)	1,252,040	1,964,680
Investments, restricted (Note 2)	1,720,241	1,771,633
Net pension asset, restricted (Note 7)	-	96,066
Due from other governments, restricted (Note 13)	10,063,626	-
Lease receivable (Note 9)	2,065,725	2,193,383
Capital assets (Note 4)		
Nondepreciable	10,670,856	8,576,471
Depreciable, net	105,919,618	102,669,228
Total noncurrent assets	<u>131,692,106</u>	<u>117,271,461</u>
Total assets	<u>146,431,415</u>	<u>132,590,649</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	20,271	110,791
Deferred outflows related to pensions (Note 7)	583,277	655,832
Deferred outflows related to other postemployment benefits (Note 8)	96,634	108,246
Total deferred outflows of resources	<u>700,182</u>	<u>874,869</u>
LIABILITIES		
Current liabilities		
Accounts payable	689,565	1,452,740
Accrued liabilities	211,863	178,058
Interest payable	328,345	368,798
Current maturities of other long-term liabilities (Note 5)	2,547,347	3,570,764
Total current liabilities	<u>3,777,120</u>	<u>5,570,360</u>
Long-term liabilities		
Customer security deposits	611,467	546,325
Unearned revenue	794,946	350,389
Other long-term liabilities – due in more than one year (Note 5)	47,617,509	36,818,449
Net pension liability (Note 7)	410,881	-
Net other postemployment benefit liabilities (Note 8)	427,162	443,731
Total long-term liabilities	<u>49,861,965</u>	<u>38,158,894</u>
Total liabilities	<u>53,639,085</u>	<u>43,729,254</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	-	12,467
Deferred inflows related to leases (Note 9)	2,001,052	2,147,968
Deferred inflows related to pensions (Note 7)	185,526	776,796
Deferred inflows related to other postemployment benefits (Note 8)	126,338	127,691
Total deferred outflows of resources	<u>2,312,916</u>	<u>3,064,922</u>
NET POSITION		
Net investment in capital assets	66,156,631	72,160,769
Restricted for: (Note 2)		
Pensions	-	96,066
Capital improvements	1,252,040	927,794
Debt collateral	1,720,241	1,771,633
Unrestricted	22,050,684	11,715,080
Total net position	<u>\$ 91,179,596</u>	<u>\$ 86,671,342</u>

The Notes to Financial Statements are an integral part of this statement.

BEDFORD REGIONAL WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2023

	2023	(For Comparative Purposes Only) 2022
OPERATING REVENUES		
Water sales	\$ 9,648,347	\$ 9,168,485
Capital recovery fees	1,505,600	1,588,500
Sewer service	5,417,827	4,795,433
Wastewater treatment plant operation fees	252,018	352,938
Review fees	61,546	62,839
Meter base installation fees	131,700	106,860
Account changes	42,925	51,310
Other	536,503	482,946
Penalties	86,090	33,395
Total operating revenues	<u>17,682,556</u>	<u>16,642,706</u>
OPERATING EXPENSES		
Water systems	2,651,438	2,465,518
Sewer systems	1,674,509	1,470,044
Depreciation and amortization	4,986,958	4,726,631
Salaries and employee benefits	6,373,906	5,834,768
Management and general	382,787	785,004
Customer service and information systems	377,774	259,023
Vehicles	346,879	295,123
Engineering, operations, and maintenance	208,167	149,471
Total operating expenses	<u>17,002,418</u>	<u>15,985,582</u>
Operating income	<u>680,138</u>	<u>657,124</u>
NONOPERATING REVENUES (EXPENSES)		
Gain on disposal of capital assets	41,448	88,517
Interest revenue	160,330	21,406
Interest expense	(1,161,814)	(1,439,443)
Total nonoperating revenues (expenses)	<u>(960,036)</u>	<u>(1,329,520)</u>
Loss before capital contributions	(279,898)	(672,396)
CAPITAL CONTRIBUTIONS (Notes 6 and 13)	<u>4,788,152</u>	<u>4,410,008</u>
Change in net position	4,508,254	3,737,612
Net position – beginning at July 1	<u>86,671,342</u>	<u>82,933,730</u>
Net position – ending at June 30	<u><u>\$ 91,179,596</u></u>	<u><u>\$ 86,671,342</u></u>

The Notes to Financial Statements are an integral part of this statement.

BEDFORD REGIONAL WATER AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

		(For Comparative Purposes Only)
	2023	2022
OPERATING ACTIVITIES		
Cash received from customers	\$ 18,223,969	\$ 16,557,151
Cash paid for goods and services	(6,607,401)	(4,745,959)
Cash paid to employees	(6,358,179)	(5,825,842)
Net cash provided by operating activities	5,258,389	5,985,350
CAPITAL AND RELATED FINANCING ACTIVITIES		
County of Bedford – capital asset and debt assistance	2,500,000	2,500,000
Town of Bedford – capital asset assistance	962,416	-
Acquisition and construction of capital assets	(9,060,470)	(8,656,957)
Proceeds from revenue bond	3,274,831	-
Principal paid on long-term borrowings	(3,310,179)	(3,162,422)
Interest paid on long-term borrowings	(1,516,246)	(1,640,786)
Proceeds from sale of capital assets	41,810	95,989
Net cash used in capital and related financing activities	(7,107,838)	(10,864,176)
INVESTING ACTIVITIES		
Sale of restricted investments	51,392	159,508
Interest received	160,330	21,406
Net cash provided by investing activities	211,722	180,914
Net decrease in cash and cash equivalents	(1,637,727)	(4,697,912)
CASH AND CASH EQUIVALENTS		
Beginning at July 1	14,225,932	18,923,844
Ending at June 30	\$ 12,588,205	\$ 14,225,932
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 11,336,165	\$ 12,261,252
Cash and cash equivalents, restricted	1,252,040	1,964,680
	\$ 12,588,205	\$ 14,225,932
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 680,138	\$ 657,124
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	4,986,958	4,726,631
Pension expense net of employer contributions	(11,768)	(65,185)
Other postemployment benefit expense net of employer contributions	(6,310)	13,842
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts and lease receivables	178,630	(132,670)
Inventory	(339,191)	207,633
Prepays	(56,989)	35,081
Increase (decrease) in:		
Accounts payable	(569,667)	435,510
Unearned revenue	297,641	(159,012)
Customer security deposits	65,142	206,127
Compensated absences and accrued liabilities	33,805	60,269
Net cash provided by operating activities	\$ 5,258,389	\$ 5,985,350
SCHEDULE OF NON-CASH ACTIVITIES		
Contributions of capital assets	\$ 1,130,363	\$ 1,910,008
Increase in Lynchburg Sewer System rights	\$ -	\$ 301,553
Capital asset purchases included in accounts payable	\$ 306,724	\$ 500,232
Revenue bond forgiveness	\$ 195,373	\$ -

The Notes to Financial Statements are an integral part of this statement.

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies

Reporting entity

The Bedford Regional Water Authority (the “Authority”) was chartered December 18, 2012, under the Water and Wastewater Authorities Act, §15.2-5100, et seq. of the *Code of Virginia*, 1950, as amended, by concurrent resolutions adopted by the Bedford County Board of Supervisors and the City Council of the City of Bedford, Virginia (now the Town of Bedford, Virginia) (the “Town”). The Authority primarily serves water and sewer needs of the Smith Mountain Lake, Forest, Montvale, Stewartsville, New London, Town of Bedford, and Boonsboro areas of Bedford County, Virginia (the “County”). The Authority operates on a board-administrator form of government. The Board consists of a chair and six other board members. Members are appointed by the Bedford County Board of Supervisors and the Town Council, based upon the proportionate representation of the localities according to the total number of equivalent residential connections (ERCs), for both water and sewer in each jurisdiction based on an equivalent rate calculation of two hundred gallons per day per connection. In no event shall either the Town of Bedford or Bedford County appoint and have fewer than two (2) members of the Board of Directors of the Authority.

Measurement focus and basis of accounting

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

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

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

Cash and cash equivalents

The Authority’s cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities three months or less from the date of acquisition.

Investments

The Authority’s investments consist of municipal bonds with original maturities greater than one year from the date of acquisition.

Accounts receivable

Accounts receivable are stated net of an allowance for doubtful accounts. The Authority calculates its allowance for doubtful accounts using historical collection data and specific account analysis.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Unbilled accounts receivable

Unbilled accounts receivable consist of amounts earned as of year-end, but not yet billed because billing dates do not coincide with year-end.

Inventory

Inventory consists of grinder pumps, parts, and meters reported at cost. Inventory is generally used for construction and for operation and maintenance work and is not held for resale. Costs of inventory are charged to construction or operations when used.

Capital assets

Capital assets are stated at cost, except for donated assets, which are recorded at fair market value at the date of acquisition. Donated capital assets are reported at acquisition value. The threshold for recording capital assets is \$5,000. Depreciation of property and equipment is computed using the straight-line method over useful lives as follows:

System, lines, and source of supply structures	50-66 years
Leasehold improvements	5-40 years
Vehicles and equipment	5-10 years
Information systems equipment	3-10 years

Leasehold improvements include administrative and other facilities constructed and additions affixed to those facilities on land previously leased from Bedford County. These leasehold improvements are depreciated over the shorter of the useful life of the asset or the remaining term of the lease.

Compensated absences

The paid-time-off (PTO) policy of the Authority provides for up to 312 hours per year of earned vacation leave, depending on years of service. Employees that are Plan 1 or Plan 2 Virginia Retirement System (VRS) participants may carry over 640 hours to the succeeding year. Employees that are Hybrid Plan VRS participants may carry over 352 hours to the succeeding year. Upon termination, one-half of the accumulated PTO balance is payable at 100% of the employee's current pay rate. Compensated absences are accrued when incurred.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pensions and OPEB, information about the fiduciary net position of the Authority's Plans and the additions to/deductions from the Authority's Plans' net fiduciary position have been determined on the same basis as they were reported by the 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.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources

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

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

Lease-related amounts are recognized at the inception of leases in which the Authority is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Unearned revenue

Unearned revenue consists of monies or tangible assets given to the Authority under prescribed conditions by developers in exchange for credit vouchers to be used to pay capital recovery 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.

Fair value measurement

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

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Commercial paper and corporate bonds are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Net position

Net position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt and related deferred inflows or outflows of resources 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, laws, or regulations of other governments.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Estimates

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

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 the Authority to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank, 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 and Virginia Investment Pool (LGIP and VIP).

The fair value of the positions in the external investment pools (LGIP and VIP) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. The pools maintain a policy to operate in a manner consistent with SEC Rule 2a-7. Due to the nature of LGIP and VIP, they are considered cash and cash equivalents on the statement of net position.

The Authority has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program (SNAP). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia local governments. The SNAP has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of the SNAP is less than one year.

Interest rate risk

Interest rate risk is the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates. The Authority’s investment policy limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, it follows the *Code of Virginia* for investment compliance matters.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 2. Deposits and Investments (Continued)

Credit risk

The Authority has no policy regarding credit risk. The investments in LGIP, VIP, and SNAP funds are rated “AAAm” by S&P Global Ratings.

Deposit and investment restrictions

Cash and cash equivalents, investments, restricted, and net position, restricted consist of the following:

	Cash and Cash Equivalents, Restricted	Investments, Restricted	Net Position, Restricted
New Projects Reserve Fund	\$ 150,177	\$ -	\$ 150,177
Sewer Line Replacement Fund	1,101,863	-	1,101,863
VRA Debt Service Fund	-	1,720,241	1,720,241
	<u>\$ 1,252,040</u>	<u>\$ 1,720,241</u>	<u>\$ 2,972,281</u>

New Projects Reserve Fund. The County of Bedford and the Authority entered into an agreement to set aside 40% of the County’s portion of funds received from the lease of two water tanks to wireless service providers. The funds in this reserve account are to be held for future capital projects for the benefit of the County, as the County deems appropriate.

Sewer Line Replacement Fund. The Authority established a sewer line replacement fund as required by the DEQ consent order inherited from the Town as part of the consolidation agreement.

VRA Debt Service Fund. The Authority established a debt service fund by purchasing municipal bonds and cash equivalents to ensure its debt coverage requirements would be met. This fund is required by the 2015 debt issuance, and represents the highest debt service payment due during the life of the debt issue. Compliance with the debt coverage requirement is contingent upon this fund, therefore, this amount is shown as restricted cash and net position. Those bonds mature on November 15, 2026, and are measured using a Level 2 input as it relates to fair value measurement.

Note 3. Accounts Receivable

Accounts receivable, net consists of the following:

	Billed	Unbilled	Total
Water	\$ 451,914	\$ 960,470	\$ 1,412,384
Sewer	624,907	459,864	1,084,771
Other	109,932	-	109,932
	1,186,753	1,420,334	2,607,087
Less:			
Allowance for doubtful accounts	(252,468)	-	(252,468)
	<u>\$ 934,285</u>	<u>\$ 1,420,334</u>	<u>\$ 2,354,619</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 4. Capital Assets

Capital asset activity for the year was as follows:

	Beginning July 1	Increases	Decreases	Ending June 30
Capital assets, not being Depreciated				
Land and land rights	\$ 1,015,523	\$ -	\$ -	\$ 1,015,523
Construction in progress	7,560,948	9,042,587	(6,948,202)	9,655,333
Total capital assets, not being depreciated	8,576,471	9,042,587	(6,948,202)	10,670,856
Capital assets, being depreciated				
System, lines, and source of supply structures	167,529,792	7,260,162	-	174,789,954
Vehicles and equipment	3,623,581	693,357	(141,133)	4,175,805
Leasehold improvements	3,510,228	185,420	-	3,695,648
Information systems equipment	1,823,619	100,145	-	1,923,764
Total capital assets, being depreciated	176,487,220	8,239,084	(141,133)	184,585,171
Less accumulated depreciation for:				
System, lines, and source of supply structures	(67,536,071)	(4,304,247)	-	(71,840,318)
Vehicles and equipment	(2,489,122)	(390,246)	139,397	(2,739,971)
Leasehold improvements	(2,173,870)	(214,104)	-	(2,387,974)
Information systems equipment	(1,618,929)	(78,361)	-	(1,697,290)
Total accumulated depreciation	(73,817,992)	(4,986,958)	139,397	(78,665,553)
Total capital assets being depreciated, net	102,669,228	3,252,126	(1,736)	105,919,618
Total capital assets, net	\$ 111,245,699	\$ 12,294,713	\$ (6,949,938)	\$ 116,590,474

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 4. Capital Assets (Continued)

Construction commitments

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

Project	Total Remaining Commitment
Route 460 Pump Station – Construction	\$ 84,598
Ivy Creek Division Interceptors – Preliminary	449,054
Ivy Creek Division Interceptors – Construction	10,049,464
Bell Town Road Waterline Extension – Design	6,165
Bell Town Road Waterline Extension – Construction	264,150
Turkey Mountain Booster Station – Design	23,620
Town & Country Subdivision-Design & Survey	31,641
Town & Country Sewer Replacement – Construction	728,612
Helm Street Tank Replacement – Design	28,098
Poplar Street Waterline Replacement Phase 1 Survey	600
Windsor Drive Waterline Replacement Phase 2 Survey	1,200
Laurel Street Waterline Replacement Phase 3 Survey	1,500
Lead Compliance Planning & Implementation	58,400
DEQ ARPA SCS Program Route 43	48,900
DEQ ARPA SCS Program Town & Country	31,500
DEQ ARPA SCS Program Western Hills	61,700
BRWA ARPA Funding Support	4,509
Western Hills Subdivision Waterline Replacement – Design	35,820
Western Hills Subdivision Sewer Line Replacement – Design	51,360
Central WTP Electrical Study	(1,504)
Stoney Creek Dam EAP & O&M Certificate Updates	18,071
Town & County Waterline Replacement – Design	4,900
	<u>\$ 11,982,358</u>

Note 5. Long-Term Liabilities

The following is a summary of the Authority's long-term liabilities transactions for the year:

	Beginning July 1	Additions	Reductions	Ending June 30	Due Within One Year
Revenue bonds	\$ 35,920,000	\$ -	\$ (2,760,000)	\$ 33,160,000	\$ 1,785,000
Lynchburg Sewer System bonds	997,986	-	(60,167)	937,819	60,256
Due to Town of Bedford	2,289,010	-	(490,012)	1,798,998	582,000
Clean Water Revolving Loan Fund	-	13,338,457	-	13,338,457	-
Bond premiums	1,013,145	-	(238,615)	774,530	81,328
Compensated absences	169,072	28,248	(42,268)	155,052	38,763
	<u>\$ 40,389,213</u>	<u>\$ 13,366,705</u>	<u>\$ (3,591,062)</u>	<u>\$ 50,164,856</u>	<u>\$ 2,547,347</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 5. Long-Term Liabilities (Continued)

The Authority does not have any debt that is a direct borrowing or direct placement.

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Outstanding
<u>Revenue Bonds:</u>					
Virginia Resources Authority					
Water and Sewer Bonds	2.13-5.13%	10/07/15	04/01/46	\$ 31,225,000	\$ 27,215,000
Water and Sewer Bonds	2.29-5.13	10/01/12	10/01/23	5,020,000	830,000
Water and Sewer Bonds	3.82-4.43	07/29/14	10/01/25	2,320,000	1,745,000
Water and Sewer Bonds	2.04-5.13	09/25/20	10/01/35	3,730,000	3,370,000
Water and Sewer Bonds	0.30	12/01/22	08/01/49	13,338,457	13,338,457
					46,498,457
			Plus unamortized bond premium		774,530
					<u>\$ 47,272,987</u>
<u>Due To Other Governmental</u>					
<u>Units:</u>					
Lynchburg Sewer System Bonds	1.75-5.00%	Various	06/01/44	\$ 3,430,364	\$ 937,819
Due to Town of Bedford	Various	Various	02/21/26	7,501,599	1,798,998
					<u>\$ 2,736,817</u>

Lynchburg Sewer System Bonds

The Authority, along with Amherst County, the Campbell County Utilities, and Service Authority, have a sewage treatment agreement with the City of Lynchburg. As part of this agreement, each member of the Regional Sewage Treatment Plant is responsible for its proportionate share of improvements to joint-use facilities. As the City of Lynchburg performs additions to the system, the Authority shows its proportionate share of improvements as additions to debt and capital assets.

Revenue Bonds

The Authority issues revenue bonds to fund new water and sewer infrastructure. Examples of debt-funded projects include water and wastewater treatment facilities, water distribution lines, sewer treatment lines, pump stations, and related infrastructure. In December 2022, a new bond was issued with the Virginia Resources Authority for \$13,971,093. The agreement specified principal forgiveness based on construction costs for \$632,636 that will be incrementally forgiven as costs are incurred. The Authority incurred costs related to constructions specified in the agreement during December 2022 and principal forgiveness of \$195,373 was recognized as of June 2023.

Due to Town of Bedford

As a result of the 2013 consolidation of the previous Bedford County Public Service Authority and the previous City of Bedford's water and sewer department, all water and sewer debt issued by the City of Bedford was transferred to the Authority.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 5. Long-Term Liabilities (Continued)

Due to Town of Bedford (Continued)

The annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year	Lynchburg Sewer System Bonds		Revenue Bonds		Due to Town of Bedford	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 60,256	\$ 1,665	\$ 1,785,000	\$ 1,182,403	\$ 582,000	\$ 53,071
2025	60,345	1,574	1,860,000	1,103,775	600,000	35,902
2026	60,436	1,482	2,458,081	1,086,399	616,998	18,201
2027	60,527	1,390	1,610,650	1,017,730	-	-
2028	60,619	1,297	1,653,231	975,705	-	-
2029-2033	304,514	5,057	8,935,333	4,204,554	-	-
2034-2038	200,594	2,589	9,566,837	3,052,029	-	-
2039-2043	123,964	318	9,920,021	1,769,819	-	-
2044-2049	6,564	-	8,420,459	353,889	-	-
2050	-	-	288,845	722	-	-
	<u>\$ 937,819</u>	<u>\$ 15,372</u>	<u>\$46,498,457</u>	<u>\$ 14,747,025</u>	<u>\$ 1,798,998</u>	<u>\$ 107,174</u>

Note 6. Capital Contributions

Capital contributions by source are summarized as follows:

Developers and customers	\$ 926,363
WVWA	204,000
VRA Revolving Loan – Principal Forgiveness (Note 5 and 13)	195,373
Town of Bedford ARPA projects	962,416
County of Bedford – capital asset and debt assistance	<u>2,500,000</u>
	<u>\$ 4,788,152</u>

The County of Bedford contributes funding annually to assist in the payment of debt service for water and sewer lines and plant expansion.

In October 2020, the County of Bedford and the Authority entered into a memorandum of understanding where the County would contribute an additional \$500,000 annually to the Authority for fiscal years 2021-2023 to help with the Forest sewer system project.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Defined Benefit Pension Plan

Plan Description

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>18</u>
Inactive members:	
Vested inactive members	10
Non-vested inactive members	30
Inactive members active elsewhere in VRS	<u>10</u>
Total inactive members	50
Active members	<u>78</u>
Total covered employees	<u><u>146</u></u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2023, was 6.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$278,829 and \$238,628 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		<u>5.33 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.83 %</u>

- * The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2021	\$ 7,039,531	\$ 7,135,597	\$ (96,066)
Changes for the year:			
Service cost	335,861	-	335,861
Interest	491,600	-	491,600
Differences between expected and actual experience	85,919	-	85,919
Contributions – employer	-	238,256	(238,256)
Contributions – employee	-	188,204	(188,204)
Net investment income	-	(15,896)	15,896
Benefit payments, including refunds of employee contributions	(184,870)	(184,870)	-
Administrative expenses	-	(4,304)	4,304
Other changes	-	173	(173)
Net changes	728,510	221,563	506,947
Balances at June 30, 2022	\$ 7,768,041	\$ 7,357,160	\$ 410,881

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Political subdivision's net pension liability (asset)	\$ 1,763,863	\$ 410,881	\$ (652,321)

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

For the year ended June 30, 2023, the political subdivision recognized pension expense of \$266,689. At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 152,833	\$ -
Change in assumptions	151,615	-
Net difference between projected and actual earnings on pension plan investments	-	185,526
Employer contributions subsequent to the measurement date	<u>278,829</u>	<u>-</u>
Total	<u>\$ 583,277</u>	<u>\$ 185,526</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

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

The \$278,829 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 to the Net Pension Liability (Asset) in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2024	\$ 105,031
2025	21,630
2026	(108,850)
2027	101,111
2029	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities

Local Plan

Plan Description and Benefits Provided

Employees who are eligible to retire from VRS pension plan are allowed access to the Authority's single-employer health insurance plan until they reach age 65. Retirees pay the blended (employees and retirees) published rate, however, as they are older than the typical employee (and thus more expensive) there is a cost to this right to purchase insurance at the blended rate.

VRS retirement eligibility is age 50 with 10 years of service or age 55 with 5 years of service for employees hired prior to July 1, 2010 who were vested in the plan prior to July 1, 2013. VRS retirement eligibility is the earlier of age 60 with 5 years of service or 90 combined age and service points for other employees. These vesting terms also apply to the Authority's local postemployment benefit plan.

The plan does not have any assets accumulated in a trust.

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	<u>2</u>
Total inactive employees	2
Active plan members	<u>81</u>
	<u><u>83</u></u>

Total OPEB Liability

The Bedford Regional Water Authority's total OPEB liability of \$202,819 was measured as of June 30, 2023, and was determined based on an actuarial valuation performed as of June 30, 2023.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities (Continued)

Local Plan (Continued)

Actuarial Assumptions and Other Inputs

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

Healthcare cost trend rates	3.94%
Discount Rate	3.86%, 20-year tax-exempt obligation municipal bond rate
Actuarial cost method	Entry Age Normal Funding Method
Retirees' share of benefit-related costs	\$680 – \$1,199 per month

Mortality rates were the same rates from the VRS valuation. (See Note 7)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2021 through June 30, 2022.

Changes in assumptions and other inputs reflect an increase in the discount rate due to changes in the 20-year bond index.

Changes in the Total OPEB Liability

Balance at June 30, 2022	<u>\$ 237,887</u>
Changes for the year:	
Service cost	16,382
Interest	8,575
Differences between expected and actual experience	(30,958)
Assumption or other input changes	(24,789)
Benefit payments	<u>(4,278)</u>
Net changes	<u>(35,068)</u>
Balance at June 30, 2023	<u><u>\$ 202,819</u></u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities (Continued)

Local Plan (Continued)

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (2.86%) or one percentage point higher (4.86%) than the current discount rate:

	1.00% Decrease (2.86%)	Current Discount Rate (3.86%)	1.00% Increase (4.86%)
Total OPEB liability	\$ 217,832	\$ 202,819	\$ 188,999

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it was calculated using healthcare cost trend rates that are one percentage point lower (2.94%) or one percentage point higher (4.94%) than the current healthcare cost trend rates:

	1.00% Decrease (2.94%)	Current Healthcare Cost Trend Rates (3.94%)	1.00% Increase (4.94%)
Total OPEB liability	\$ 180,768	\$ 202,819	\$ 228,285

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities (Continued)

Local Plan (Continued)

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

For the year ended June 30, 2023, the Authority recognized OPEB expense of \$6,714. At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 445	\$ 26,970
Change in assumptions	<u>12,527</u>	<u>54,474</u>
Total	<u>\$ 12,972</u>	<u>\$ 81,444</u>

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

Year Ended June 30,	Reduction to OPEB Expense
2024	\$ (18,243)
2025	(18,241)
2026	(21,531)
2027	(4,431)
2028	(6,026)
Thereafter	-

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2023 Contribution	\$22,737
June 30, 2022 Contribution	\$21,886

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

Contributions (Continued)

Group Life Insurance Program (Continued)

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

The net OPEB liabilities were measured as of June 30, 2022, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2023 proportionate share of liability	\$224,323
June 30, 2022 proportion	0.0186%
June 30, 2021 proportion	0.0177%
June 30, 2023 expense	\$19,644

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

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,764	\$ 8,999
Change in assumptions	8,367	21,850
Net difference between projected and actual earnings on OPEB plan investments	-	14,017
Changes in proportion	34,794	28
Employer contributions subsequent to the measurement date	22,737	-
	<hr/>	<hr/>
Total	\$ 83,662	\$ 44,894
	<hr/>	<hr/>

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BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

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

Group Life Insurance Program (Continued)

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	\$ 7,558
2025	5,935
2026	(3,762)
2027	5,770
2028	530
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	
	GLI: 6.75%

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	\$ 3,672,085
Plan fiduciary net position	2,467,989
Employers' net OPEB liability	\$ 1,204,096
Plan fiduciary net position as a percentage of total OPEB liability	67.21%

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

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33 %
	Inflation		2.50 %
			7.83 %

*Expected arithmetic nominal return

- * The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11, including inflation of 2.50%.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities (Continued)

Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of 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 OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 326,416	\$ 223,323	\$ 141,818

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Other Postemployment Benefits Liabilities (Continued)

A summary of the other postemployment benefits related financial statement elements are as follows:

	2023
Net other postemployment benefit liabilities	
Local Sponsored Health Insurance	\$ (202,819)
VRS – Group Life Insurance	(224,343)
Total net other postemployment benefit liabilities	<u>\$ (427,162)</u>
Deferred outflows of resources	
Difference between expected and actual experience	
Local Sponsored Health Insurance	\$ 445
VRS – Group Life Insurance	17,764
Change in actuarial assumptions	
Local Sponsored Health Insurance	12,527
VRS – Group Life Insurance	8,367
Change in proportion	
VRS – Group Life Insurance	34,794
Contributions subsequent to measurement date	
VRS – Group Life Insurance	22,737
Total deferred outflows of resources	<u>\$ 96,634</u>
Deferred inflows of resources	
Difference between expected and actual experience	
Local Sponsored Health Insurance	\$ (26,970)
VRS – Group Life Insurance	(8,999)
Change in proportion	
VRS – Group Life Insurance	(28)
Change in actuarial assumptions	
Local Sponsored Health Insurance	(54,474)
VRS – Group Life Insurance	(21,850)
Net difference between projected and actual investment earnings	
VRS – Group Life Insurance	(14,017)
Total deferred inflows of resources	<u>\$ (126,338)</u>
Other postemployment benefit expense	
Local Sponsored Health Insurance	\$ 6,714
VRS – Group Life Insurance	19,644
Total other postemployment benefit expense	<u>\$ 26,358</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 9. Leases

The Authority, as a lessor, has entered into several lease agreements involving land and infrastructure, several of which are with global telecommunication providers. The Authority has a lease receivable of \$2,065,725 and a deferred inflow of resources of \$2,001,052 as of June 30, 2023. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$146,916.

The Smith Mountain Lake Water Treatment Facility (SML WTF Ground) is an agreement the Authority entered into with the Western Virginia Water Authority (WVWA) in May 2014 whereby both parties desired to share in the construction cost, ownership, operation, and liabilities of the Smith Mountain Lake Water Treatment Facility (the "Facility"). This project was completed in June 2018. The total cost of this project was \$14 million, which was split between the Authority and WVWA. The Authority is funding its portion of the project with the October 2015 debt issuance. As part of the agreement, the Authority will lease certain real estate to the Facility. This ground lease shall continue in effect until June 30, 2030, unless renewed or terminated. Base rent for the real estate is \$20,000 per year.

Lease*	Contract Date	Maturity Date
County Broadband – Land*	06/22/2020	06/21/2040
HighPoint – Infrastructure*	11/15/2019	11/14/2044
NL Tank – Land*	02/10/2006	04/30/2035
SML Tank – Infrastructure*	10/19/2005	10/18/2030
SML Tank – Land*	03/04/2013	03/31/2033
SML WTF Ground*	05/07/2014	06/30/2030

* Contract includes option years that are reflected in maturity date.

Future minimum lease payments to the Authority under noncancelable leases for the years ending June 30 are as follows:

2024	\$	131,961
2025		133,998
2026		139,646
2027		141,549
2028		144,099
2029-2033		622,878
2034-2038		320,122
2039-2043		320,661
2044-thereafter		110,811
	\$	<u>2,065,725</u>

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Service Contracts

City of Lynchburg

The Authority, as well as Amherst County and the Campbell County Utilities and Service Authority, have a sewage treatment agreement with the City of Lynchburg (the “City”). This perpetual agreement shall continue in full force and in effect until terminated by mutual agreement. As part of this agreement, each member of the Regional Sewage Treatment Plant is responsible for their proportionate share of improvements to Joint-Use Facilities. As the City performs additions to specified portions of the system, the Authority shows its proportionate share of improvements as additions to debt and capital assets. Sewage treatment under this agreement for 2023 was \$225,252. There were no additions to debt under this agreement for 2023.

On June 30, 2015, the Authority entered into a new water purchase contract with the City of Lynchburg which had an effective starting date of October 1, 2016 and ending date of June 30, 2036. The contract is automatically renewed in ten-year increments, upon the conclusion of the initial twenty-year period. Water purchases under this contract for 2023 were \$721,266. The Authority constructed a water treatment facility and additional transmission mains in Bedford County, some of which serve the Forest area of Bedford County. Since the construction was completed prior to July 1, 2018, the 2015 contract remains in effect.

Under the agreements to purchase services from the City of Lynchburg, the Authority is charged provisional rates for sewer services which are then adjusted in subsequent fiscal years for the actual cost of providing those services to the Authority. These adjustments, resulting in credits or (expenses) towards current year purchases, totaled \$74,748 for sewer in 2023. The adjustments are not estimable and are, therefore, accounted for in the year they are charged to the Authority. For water purchases, effective annually on July 1, the rate for City water delivered to the BRWA shall be increased or decreased by the same percentage that the City Composite Rate for a City water customer with 7 HCF of monthly use increases or decreased from July 1 of the previous year to the current year.

Western Virginia Water Authority (WVWA)

The Authority has an agreement through June 30, 2030, to purchase surplus water from the WVWA at a bulk rate, which is determined by a mutually agreed-upon formula. The agreement also establishes minimum annual average daily quantities to be purchased. The water purchased serves the Stewartsville area of Bedford County. Water purchases under this agreement were \$21,194 for 2023.

In addition, as part of this agreement, the Authority has agreed to provide water to residents and businesses near Smith Mountain Lake. Certain terms exist as part of this agreement that include a capital requirement for both parties to fund their proportionate share of any expansion to the related facilities should existing capacity no longer be sufficient.

Each party has the ability to transfer any portion of their ownership of capacity in the Smith Mountain Lake Water Treatment Plant to the other party, at terms that are mutually agreed to at the time of the transfer. Either party may, on or after July 1, 2024, and following one year’s written notice period, require the other party to purchase its interest in the Smith Mountain Water Facility at its then depreciated book value.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Risk Management

The Risk Management Programs of the Authority are as follows:

Worker's compensation

Worker's compensation insurance is provided through the Virginia Risk Sharing Association ("VRSA"). During fiscal year 2023, total premiums paid were \$39,786. Benefits are those afforded through the Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon payroll, job rates, and claims experience.

General liability and other

The Authority provides general liability and other insurance through policies with the Virginia Risk Sharing Association (VRSA), which is sponsored by the Virginia Municipal League Pool (VML). General liability, business, and automobile have a \$1,000,000 limit. Boiler and machinery coverage maintains an additional \$2,000,000 umbrella policy over all forms of liability insurance. The Virginia Municipal League Pool was organized to formulate, develop, and administer on behalf of the member localities, a program of insurance, lower costs for that coverage, and a comprehensive loss control program. Pool members are not subject to a supplemental assessment in the event of deficiencies. The Pool maintains a re-insurance policy, which prevents members' responsibility for the Pool's liabilities if the assets of the Pool were exhausted. The Pool limits membership from small to medium-sized Virginia localities and currently has approximately 500 members.

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

Unemployment benefits

The Authority does not pay state unemployment taxes for employees to draw upon should they be terminated and qualify for unemployment. Instead, should an employee be terminated and qualify for unemployment benefits, the state will pay the employee and charge the Authority for reimbursement.

Note 12. Commitments and Contingencies

Arbitrage

At times, the Authority has certain debt instruments subject to arbitrage regulations. At June 30, 2023, no amounts of rebate liabilities were associated with any debt issuances.

Special purpose grants

Special purpose grants are subject to audit to determine compliance with their requirements. Management believes that if any refunds are required they will be immaterial to the Authority's financial statements.

Environmental liability

During 2023, the Authority was subject to an Environmental Protection Agency review as the result of a chemical incident at the Authority's treatment facility. The Authority is expecting a civil fine and the issuance of a consent order, however, the extent of the fine is not known at this time.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Due From Other Governments

The Authority entered into an agreement dated December 1, 2022, with the Virginia Resources Authority, as administrator of the Virginia Water Facilities Revolving Fund. Funding is provided for the Ivy Creek Interceptors project with work to be completed by August 8, 2024. The Authority receives monies from this funding in the form of reimbursements that are disbursed to the Authority as related project costs are incurred. The total funding awarded to the Authority was \$13,971,093 with a loan forgiveness portion of \$632,636. Through June 30, 2023, the total disbursed funds to the Authority were \$3,907,467, resulting in amounts due to the Authority of \$10,063,626, principal forgiven during 2023 was \$195,373, and is included with capital contributions on the statement of revenues, expenses, and changes in net position.

Note 14. Subsequent Events

Due to piping issues encountered during construction of the Ivy Creek Sewer project, the Authority entered into a change order in July 2023. The change details an additional \$445,000 in construction costs and extends the original estimated project completion date to January 2025. The City of Lynchburg has agreed to contribute \$150,000 towards construction costs after they have been incurred. At this time, the Authority has not been billed for additional costs as a result of this change order and no payments have been received from the City of Lynchburg.

The Authority is also working with the Virginia Department of Environmental Quality for ARPA funding in the amount of \$1,228,388 for a Sewer Collection System project. At this point in time, there has not been an agreement reached by the Authority.

Note 15. New Accounting Standards

In April 2022, the GASB issued **Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100, Accounting Changes and Error Corrections**. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 15. New Accounting Standards (Continued)

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

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REQUIRED SUPPLEMENTARY INFORMATION

BEDFORD REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED RATIOS
June 30, 2023

	Actuarially Determined Contribution								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 335,861	\$ 329,772	\$ 278,316	\$ 263,853	\$ 269,942	\$ 273,841	\$ 253,398	\$ 259,350	\$ 129,078
Interest on total pension liability	491,600	412,286	373,266	333,704	304,772	274,839	251,090	215,254	199,921
Difference between expected and actual experience	85,919	53,814	108,853	131,158	16,269	127,083	6,745	196,404	-
Changes in assumptions	-	233,985	-	208,200	-	(89,886)	-	-	-
Benefit payments, including refunds of employee contributions	(184,870)	(196,534)	(168,198)	(180,290)	(175,051)	(141,460)	(202,463)	(115,683)	(104,210)
Net change in total pension liability	728,510	833,323	592,237	756,625	415,932	444,417	308,770	555,325	224,789
Total pension liability – beginning	7,039,531	6,206,208	5,613,971	4,857,346	4,441,414	3,996,997	3,688,227	3,132,902	2,908,113
Total pension liability – ending	7,768,041	7,039,531	6,206,208	5,613,971	4,857,346	4,441,414	3,996,997	3,688,227	3,132,902
Plan Fiduciary Net Position									
Contributions – employer	238,256	216,734	215,365	193,711	206,624	194,197	192,962	182,137	178,165
Contributions – employee	188,204	170,489	165,933	146,766	136,688	130,927	123,748	113,206	111,120
Net investment income (loss)	(15,896)	1,527,043	99,324	321,040	313,758	445,970	62,939	145,164	398,747
Benefit payments, including refunds of employee contributions	(184,870)	(196,534)	(168,198)	(180,290)	(175,051)	(141,460)	(202,463)	(115,683)	(104,210)
Administrative expenses	(4,304)	(3,512)	(3,131)	(2,905)	(2,522)	(2,349)	(2,010)	(1,782)	(1,975)
Other	173	146	(122)	(204)	(520)	(406)	(26)	(30)	21
Net change in plan fiduciary net position	221,563	1,714,366	309,171	478,118	478,977	626,879	175,150	323,012	581,868
Plan fiduciary net position - beginning	7,135,597	5,421,231	5,112,060	4,633,942	4,154,965	3,528,086	3,352,936	3,029,924	2,448,056
Plan fiduciary net position - ending	7,357,160	7,135,597	5,421,231	5,112,060	4,633,942	4,154,965	3,528,086	3,352,936	3,029,924
Net pension (asset) liability - ending	\$ 410,881	\$ (96,066)	\$ 784,977	\$ 501,911	\$ 223,404	\$ 286,449	\$ 468,911	\$ 335,291	\$ 102,978
Plan fiduciary net position as a percentage of total pension (asset) liability	95%	101%	87%	91%	95%	94%	88%	91%	97%
Covered payroll	\$4,052,942	\$3,650,324	\$3,534,457	\$3,106,905	\$2,839,461	\$2,638,936	\$2,444,270	\$2,289,281	\$2,160,777
Net pension (asset) liability as a percentage of covered payroll	10%	-3%	22%	16%	8%	11%	19%	15%	5%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2022 information was presented in the entity's fiscal year 2023 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.

The Notes to Required Supplementary Information are an integral part of this statement.

BEDFORD REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2023

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2023	\$ 278,829	\$ 278,829	\$ -	\$ 4,215,802	6.61%
2022	\$ 238,628	\$ 238,628	\$ -	\$ 4,052,942	5.89%
2021	\$ 217,093	\$ 217,093	\$ -	\$ 3,650,324	5.95%
2020	\$ 215,365	\$ 215,365	\$ -	\$ 3,534,457	6.09%
2019	\$ 193,963	\$ 193,963	\$ -	\$ 3,106,905	6.24%
2018	\$ 214,380	\$ 214,380	\$ -	\$ 2,839,461	7.55%
2017	\$ 194,197	\$ 194,197	\$ -	\$ 2,638,936	7.36%
2016	\$ 192,962	\$ 192,962	\$ -	\$ 2,444,270	7.89%
2015	\$ 183,600	\$ 183,600	\$ -	\$ 2,289,281	8.02%

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only nine years of data is available. However, additional years will be included as they become available.

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

BEDFORD REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS – LOCAL PLAN
June 30, 2023

	Fiscal Year				
	2023	2022	2021	2020	2019
	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan
Total OPEB Liability					
Service cost	\$ 16,382	\$ 20,759	\$ 18,802	\$ 17,876	\$ 15,831
Interest on total OPEB liability	8,575	4,878	5,442	6,631	6,702
Difference between expected and actual experience	(30,958)	(4,718)	781	(894)	-
Changes in assumptions	(24,789)	(37,470)	10,391	(21,278)	23,053
Benefit payments	(4,278)	(3,942)	(4,002)	(4,176)	(3,828)
Net change in total OPEB liability	(35,068)	(20,493)	31,414	(1,841)	41,758
Total OPEB liability - beginning	<u>237,887</u>	<u>258,380</u>	<u>226,966</u>	<u>228,807</u>	<u>187,049</u>
Total OPEB liability - ending	<u>202,819</u>	<u>237,887</u>	<u>258,380</u>	<u>226,966</u>	<u>228,807</u>
Plan Fiduciary Net Position					
Contributions - employer	4,278	3,942	4,002	4,176	3,828
Benefit payments	(4,278)	(3,942)	(4,002)	(4,176)	(3,828)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability - ending	<u>\$ 202,819</u>	<u>\$ 237,887</u>	<u>\$ 258,380</u>	<u>\$ 226,966</u>	<u>\$ 228,807</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Covered employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB liability as a percentage of covered employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

N/A - Because this OPEB plan does not depend on salary, salary information is not available from the actuary.

This schedule is intended to show information for 10 years. Since fiscal year 2019 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

A restatement was recorded in 2019 to record the impacts of this local plan under GASB 75 for fiscal year 2018. As a result, actuarial information, including rollforward information of the total OPEB liability is unavailable for fiscal year 2018.

Note: There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101.

BEDFORD REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS GLI
June 30, 2023

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2023	0.0186 %	\$ 224,323	\$ 4,052,942	5.53 %	67.21 %
2022	0.0177	205,844	3,650,324	5.64	67.45
2021	0.0172	287,541	3,534,457	8.14	52.64
2020	0.0158	257,271	3,106,905	8.28	52.00
2019	0.0149	227,000	2,839,461	7.99	51.22
2018	0.0143	215,000	2,638,936	8.15	48.86

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

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

BEDFORD REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS – VRS GLI
June 30, 2023

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2023	\$ 22,737	\$ 22,737	\$ -	\$ 4,215,802	0.54 %
2022	\$ 21,886	\$ 21,886	\$ -	\$ 4,052,942	0.54
2021	\$ 19,714	\$ 19,714	\$ -	\$ 3,650,324	0.54
2020	\$ 18,380	\$ 18,380	\$ -	\$ 3,534,457	0.52
2019	\$ 16,120	\$ 16,120	\$ -	\$ 3,106,905	0.52
2018	\$ 14,765	\$ 14,765	\$ -	\$ 2,839,461	0.52

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

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

BEDFORD REGIONAL WATER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2023

Note 1. Changes of Benefit Terms

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to discount rate.

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

SUPPORTING SCHEDULE

BEDFORD REGIONAL WATER AUTHORITY
SCHEDULE OF DEPARTMENTAL OPERATING INCOME
Year Ended June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Water sales	\$ 9,648,347	\$ -	\$ 9,648,347
Capital recovery fees	1,031,200	474,400	1,505,600
Sewer service	-	5,417,827	5,417,827
Wastewater treatment plant operation fees	208,648	43,370	252,018
Review fees	38,159	23,387	61,546
Meter base installation fees	131,700	-	131,700
Account charges	33,625	9,300	42,925
Other	487,556	48,947	536,503
Penalties	57,501	28,589	86,090
	<u>11,636,736</u>	<u>6,045,820</u>	<u>17,682,556</u>
Total operating revenues			
OPERATING EXPENSES			
Water systems	2,651,438	-	2,651,438
Sewer systems	-	1,674,509	1,674,509
Depreciation and amortization	3,091,914	1,895,044	4,986,958
Salaries and employee benefits	3,951,822	2,422,084	6,373,906
Management and general	237,328	145,459	382,787
Customer service and information services	234,220	143,554	377,774
Vehicles	215,065	131,814	346,879
Engineering, operations, and maintenance	129,064	79,103	208,167
	<u>10,510,851</u>	<u>6,491,567</u>	<u>17,002,418</u>
Total operating expenses			
Operating income (loss)	<u>\$ 1,125,885</u>	<u>\$ (445,747)</u>	<u>\$ 680,138</u>

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STATISTICAL SECTION

This part of the Bedford Regional Water Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's financial health.

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 5-13

These schedules contain information to help the reader assess the Authority's most significant revenue source, water, and sewer charges.

Debt Capacity

Table 14-16

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

Demographic and Economic Information

Tables 17-19

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 20-21

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.

Notes:

The Authority implemented GASB Statement 68 and restated beginning net position for 2015. The restatement is not included in the prior year data.

The Authority implemented GASB Statement 75 and restated beginning net position for 2018. An additional restatement for a local OPEB plan was recorded in 2019. The restatements are not included in the prior year data.

The authority implemented GASB Statement 87 and restated net position for 2021. The restatement is not included in the prior year data.

Table 1

BEDFORD REGIONAL WATER AUTHORITY

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Primary Government										
Net investment in										
capital assets	\$66,156,631	\$72,160,769	\$66,445,010	\$64,970,658	\$63,427,831	\$64,413,555	\$62,754,656	\$61,962,141	\$61,289,580	\$59,491,970
Restricted	2,972,281	2,795,493	2,799,407	2,603,137	2,386,880	2,294,317	2,270,755	1,998,401	238,334	533,452
Unrestricted	22,050,684	11,715,080	13,689,313	12,006,937	9,605,961	6,183,496	4,390,746	1,812,059	3,315,325	1,647,890
Total primary government net position	<u>\$91,179,596</u>	<u>\$86,671,342</u>	<u>\$82,933,730</u>	<u>\$79,580,732</u>	<u>\$75,420,672</u>	<u>\$72,891,368</u>	<u>\$69,416,157</u>	<u>\$65,772,601</u>	<u>\$64,843,239</u>	<u>\$61,673,312</u>

Note: The Authority implemented GASB Statement 75 and restated beginning net position for 2018. An additional restatement for a local OPEB plan was recorded in 2019. The restatements are not included in the prior year data. The authority implemented GASB Statement 87 and restated net position for 2021. The restatement is not included in the prior year data.

Table 2

BEDFORD REGIONAL WATER AUTHORITY

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues (Expenses)	Income (Loss) before Capital Contributions	Capital Contributions	Transfer of Operations	Change in Net Position
2023	\$ 17,682,556	\$ 17,002,418	\$ 680,138	\$ (960,036)	\$ (279,898)	\$ 4,788,152	\$ -	\$ 4,508,254
2022	16,642,706	15,985,582	657,124	(1,329,520)	(672,396)	4,410,008	-	3,737,612
2021	15,984,301	14,887,276	1,097,025	(1,374,880)	(277,855)	3,606,977	-	3,329,122
2020	15,179,062	13,912,294	1,266,768	(1,428,317)	(161,549)	4,321,609	-	4,160,060
2019	14,658,464	13,591,700	1,066,764	(1,479,597)	(412,833)	3,129,186	-	2,716,353
2018	13,183,498	11,516,468	1,667,030	(669,425)	997,605	2,701,869	-	3,699,474
2017	12,984,845	11,339,910	1,644,935	(1,042,911)	602,024	3,041,532	-	3,643,556
2016	11,781,125	11,771,099	10,026	(1,369,354)	(1,359,328)	2,288,690	-	929,362
2015	10,699,859	10,403,587	296,272	(793,906)	(497,634)	3,949,363	-	3,451,729
2014	9,437,450	10,157,922	(720,472)	(936,482)	(1,656,954)	2,679,469	60,652,044	61,674,559

Table 3

BEDFORD REGIONAL WATER AUTHORITY

OPERATING EXPENSES
LAST TEN FISCAL YEARS

Fiscal Year	Water Systems	Sewer Systems	Employment Costs	General Office and Departmental Expenses	Subtotal, Expenses before Depreciation and Amortization	Depreciation and Amortization	Total
2023	\$ 2,651,438	\$ 1,674,509	\$ 6,373,906	\$ 1,315,607	\$ 12,015,460	\$ 4,986,958	\$ 17,002,418
2022	2,465,518	1,470,044	5,834,768	1,488,621	11,258,951	4,726,631	15,985,582
2021	2,287,239	1,503,359	5,505,750	1,138,604	10,434,952	4,452,324	14,887,276
2020	1,809,069	1,548,189	5,291,180	854,544	9,502,982	4,409,312	13,912,294
2019	1,789,809	1,624,180	4,732,359	1,092,500	9,238,848	4,352,852	13,591,700
2018	1,783,950	1,339,282	4,188,962	755,521	8,067,715	3,448,753	11,516,468
2017	1,960,333	1,456,985	4,023,075	674,327	8,114,720	3,225,190	11,339,910
2016	2,209,621	1,274,345	3,723,314	1,409,285	8,616,565	3,154,534	11,771,099
2015	2,193,011	1,227,407	3,210,176	643,715	7,274,309	3,129,278	10,403,587
2014	2,040,075	1,165,537	3,264,722	613,096	7,083,430	3,074,492	10,157,922

Table 4

BEDFORD REGIONAL WATER AUTHORITY
NONOPERATING REVENUES AND EXPENSES
LAST TEN FISCAL YEARS

Fiscal Year	Gain (Loss) on Disposal of Capital Assets	Interest Expense ^a	Investment Income	Total Nonoperating Revenues (Expenses)
2023	\$ 41,448	\$ (1,161,814)	\$ 160,330	\$ (960,036)
2022	88,517	(1,439,443)	21,406	(1,329,520)
2021	5,128	(1,550,179)	170,171	(1,374,880)
2020	(65,497)	(1,556,017)	193,197	(1,428,317)
2019	25,498	(1,673,218)	168,123	(1,479,597)
2018	35,463	(764,195)	59,307	(669,425)
2017	10,044	(1,125,038)	72,083	(1,042,911)
2016	(8,292)	(1,438,201)	77,139	(1,369,354)
2015	1,759	(795,665)	-	(793,906)
2014	-	(936,482)	-	(936,482)

^a Net of capitalized amounts in years 2015-2018. GASB 89 was implemented in 2019.

Table 5

BEDFORD REGIONAL WATER AUTHORITY

OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue	Sewer Revenue	Water Facility Revenue	Sewer Facility Revenue	Penalties and Fees ^a	Miscellaneous ^b	Total
2023	\$ 9,648,347	\$ 5,417,827	\$ 1,031,200	\$ 474,400	\$ 574,279	\$ 536,503	\$ 17,682,556
2022	9,470,684	4,846,172	1,157,100	431,400	254,404	482,946	16,642,706
2021	8,943,355	4,666,237	1,002,500	716,700	341,148	314,361	15,984,301
2020	8,753,627	4,538,020	756,450	575,500	315,531	239,934	15,179,062
2019	8,249,328	4,407,638	804,425	650,000	301,177	245,896	14,658,464
2018	7,662,156	3,849,032	664,000	436,900	328,835	242,575	13,183,498
2017	7,519,344	3,790,135	638,200	470,600	343,783	222,783	12,984,845
2016	6,756,704	3,699,411	529,700	277,400	310,556	207,354	11,781,125
2015	6,070,708	3,335,288	546,157	243,343	330,539	173,824	10,699,859
2014	5,413,660	3,050,474	408,500	159,400	231,009	174,407	9,437,450

^a Penalties and Fees include review fees, account charges, penalties, and meter installation fees.

^b Miscellaneous includes reconnect fees, cellular antennae rental on water tanks, and other miscellaneous revenue.

Table 6

BEDFORD REGIONAL WATER AUTHORITY
WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED
LAST TEN FISCAL YEARS

Fiscal Year	Water				Sewer			
	Gallons Produced (000's)	Gallons Billed (000's)	Other Unbilled Uses (000's)	Water Accountability	Gallons Treated (000's)	Gallons Billed (000's)	Other Unbilled Uses (000's)	Sewer Accountability
2023	1,313,327	942,016	53,929	75.83%	611,602	370,652	-	60.60%
2022	1,327,512	936,977	25,337	72.49	621,652	362,410	-	58.30
2021	1,277,232	951,048	23,627	76.31	635,033	356,962	-	56.21
2020	1,226,182	929,666	59,825	80.70	586,371	356,658	-	60.82
2019	1,132,893	894,789	96,640	87.51	708,788	369,144	-	52.08
2018	1,207,069	917,950	31,194	78.63	538,400	330,082	558	61.41
2017	1,086,440	858,199	10,015	79.91	470,931	324,911	-	68.99
2016	1,080,997	836,616	27,808	79.97	500,777	334,434	-	66.78
2015	1,086,774	832,842	17,761	78.27	453,312	331,637	7,989	74.92
2014	1,053,128	788,118	43,444	78.96	485,695	293,591	8,668	62.23

Note: Other unbilled uses include water that is used for flushing and new construction.

Table 7

BEDFORD REGIONAL WATER AUTHORITY
ANNUAL CONNECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Water Connections	Sewer Connections	Total New Connections
2023	161	75	236
2022	133	137	270
2021	241	134	375
2020	191	113	304
2019	342	177	519
2018	456	232	688
2017	206	107	313
2016	399	147	546
2015	153	45	198
2014	159	41	200

Note: Connections are the total connections sold within a fiscal year. Customers may pay connection charges and wait to connect to the system. Connections sold do not necessarily represent new customers that are active and paying monthly rates.

Table 8

BEDFORD REGIONAL WATER AUTHORITY
NUMBER OF WATER CUSTOMERS BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Residential	Commercial	Industrial	Institutional	Irrigation	Total
2023	13,404	897	2	160	78	14,541
2022	13,219	986	2	176	65	14,448
2021	13,215	846	27	113	73	14,274
2020	13,012	836	27	112	71	14,058
2019	12,480	823	27	107	71	13,508
2018	12,894	807	25	73	13	13,812
2017	12,800	787	24	68	57	13,736
2016	11,956	764	23	68	50	12,861
2015	11,737	768	23	67	15	12,610
2014	11,381	756	23	70	43	12,273

Note: Institutional includes governmental and educational user types.

Table 9

BEDFORD REGIONAL WATER AUTHORITY
NUMBER OF SEWER CUSTOMERS BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Residential	Commercial	Industrial	Institutional^a	Nm^b	Total
2023	4,885	675	2	113	-	5,675
2022	4,736	695	2	121	-	5,554
2021	4,727	601	9	69	-	5,406
2020	4,564	532	9	64	-	5,169
2019	4,199	535	9	66	-	4,809
2018	4,123	564	9	46	-	4,742
2017	4,071	575	9	43	-	4,698
2016	3,969	556	8	43	-	4,576
2015	3,918	562	8	43	-	4,531
2014	3,784	547	8	45	1	4,385

^a Institutional includes governmental and educational user types.

^b nm denotes no meter and sanitary sewer service only.

Table 10

BEDFORD REGIONAL WATER AUTHORITY

TEN LARGEST WATER CUSTOMERS
CURRENT YEAR

Customer	2023	
	Revenue	Percentage
Western Virginia Water Authority	\$ 128,720	1.33%
Cintas	78,617	0.81
Noble Senior Living/ Spring Oak Bedford, LLC	51,771	0.54
Southwood Realty	49,948	0.52
Lyondellbasell Advan, Inc.	48,135	0.50
Gables of Jefferson Commons	43,766	0.45
Gables of Spring Creek	39,194	0.41
Jefferson Forest Manor	36,789	0.38
Zips Carwash, LLC	31,649	0.33
Raintree Village	31,166	0.32
Subtotal (10 largest)	539,755	5.59
Balance from other customers	9,108,592	94.41
Grand totals	<u>\$ 9,648,347</u>	<u>100.00%</u>

Note: Information for the period nine years prior to the current period will begin in 2013.

Table 11

BEDFORD REGIONAL WATER AUTHORITY

TEN LARGEST SEWER CUSTOMERS
CURRENT YEAR

Customer	2023	
	Revenue	Percentage
Cintas	\$ 75,240	1.39%
Lyondellbasell Advan, Inc	67,931	1.25
Southwood Realty	66,320	1.22
Gables of Jefferson Commons	58,122	1.07
National Park Services	55,202	1.02
Gables of Spring Creek	51,307	0.95
Jefferson Forest Manor	48,133	0.89
Zips Carwash LLC	42,081	0.78
Raintree Village	37,272	0.69
Noble Senior Living/Spring Oak Bedford LLC	35,961	0.66
Subtotal (10 largest)	537,569	9.92
Balance from other customers	4,880,258	90.08
Grand totals	\$ 5,417,827	100.00%

Note: Information for the period nine years prior to the current period will begin in 2013.

Table 12

BEDFORD REGIONAL WATER AUTHORITY
SCHEDULE OF WATER AND SEWER RATES
CURRENT YEAR

Base and Minimum Charges (billed on a bi-monthly basis)

Volume Charges:

Volume Charges are rates per 1,000 gallons.

Customer Type	Water	Sewer
Residential & Commercial	\$6.50	\$8.50
Industrial	\$5.75	\$7.75
Bulk Filling	\$12.00	n/a

Base Charges:

Base Charges are per month.

Meter Size	Water	Sewer
5/8"	\$27.00	\$27.00
3/4"	\$38.00	\$38.00
1"	\$63.00	\$63.00
1-1/2"	\$108.00	\$108.00
2"	\$173.00	\$173.00
3"	\$324.00	\$324.00
4"	\$540.00	\$540.00
6"	\$1,080.00	\$1,080.00
8"	\$1,755.00	\$1,755.00
10"	\$2,970.00	\$2,970.00
Cedar Rock 5/8"	\$27.00	\$70.00
Paradise Point 5/8"	\$39.00	n/a
Mariners 5/8"	\$27.00	\$35.00
Mariners 1"	\$63.00	\$82.00

Table 13

BEDFORD REGIONAL WATER AUTHORITY

SCHEDULE OF WATER AND SEWER CAPITAL RECOVERY FEES

Customer Type or Meter Size	All Service Areas	
	Water	Sewer
Deposits – See Deposit Policy		
Residential	\$125	\$125
Non-Residential	\$425	\$425
Capital Recovery Fees – See Rate Information Policy		
5/8"	\$5,000	\$5,900
3/4"	\$7,000	\$9,000
1"	\$12,000	\$14,000
1-1/2"	\$20,000	\$24,000
2"	\$32,000	\$38,000
3"	\$60,000	\$71,000
4"	\$100,000	\$118,000
6"	\$200,000	\$236,000
8"	\$346,000	\$384,000
Tap Fees – See Rate Information Policy		
5/8" w & 4" s	\$1,600	\$2,500
3/4" w & 4" s	\$1,800	\$2,500
1" w & 6" s	\$2,000	\$2,700
Meter Fees – See Rate Information Policy		
5/8"	\$275	
3/4"	\$425	
1"	\$450	

Note: The minimum capital recovery fee is \$5,000 for water and \$5,900 for sewer.

Table 14

BEDFORD REGIONAL WATER AUTHORITY

SCHEDULE OF DEBT COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Debt Coverage Reserve^a	Operating Revenues	Direct Operating Expenses^b	Bedford County Support^c	Net Available for Debt Service	Principal^d	Interest^e	Total	Debt Coverage
2023	\$ 2,156,567	\$ 17,682,556	\$ 12,015,460	\$ 2,000,000	\$ 9,823,663	\$ 2,427,256	\$ 1,237,139	\$ 3,664,395	268%
2022	2,207,370	16,642,706	11,258,951	2,000,000	9,591,125	3,310,177	1,362,298	4,672,475	205
2021	2,390,992	15,984,301	10,437,852	2,000,000	9,937,441	3,147,345	1,503,679	4,651,024	214
2020	2,265,187	15,179,062	9,502,982	2,000,000	9,941,267	2,855,386	1,473,066	4,328,452	230
2019	2,249,660	14,658,464	9,238,848	2,000,000	9,669,276	2,784,268	1,587,202	4,371,470	221
2018	2,205,250	13,183,498	8,067,715	2,000,000	9,321,033	2,668,592	1,698,931	4,367,523	213
2017	2,251,667	12,984,845	8,114,720	2,000,000	9,121,792	2,502,565	1,792,102	4,294,667	212
2016	2,246,623	11,781,125	8,616,565	2,000,000	7,411,183	2,428,098	1,876,094	4,304,192	172
2015	411,071	10,699,859	7,274,309	2,000,000	5,836,621	2,129,114	860,779	2,989,893	195
2014	410,612	9,437,450	7,083,430	2,000,000	4,764,632	2,504,102	921,679	3,425,781	139

^a Balance includes a cash reserve fund that can be included in debt coverage reserve but does not have to be restricted cash or net position unless it is needed to meet a debt coverage ratio of 115%

^b Excluding depreciation, interest, and amortization

^c Excludes \$500,000 received starting in 2021 for capital projects

^d Balance represents principal due in one year excluding bond premiums

^e Balance represents interest due in one year for revenue bonds, debt with the City of Lynchburg, and debt with the Town of Bedford

Table 15

BEDFORD REGIONAL WATER AUTHORITY
OUTSTANDING DEBT BY CATEGORY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Lynchburg Sewer System Bonds	Pooled Loan Bonds	Due to Town of Bedford	Revenue Bond Anticipation Note	Unamortized Premium	Total
2023	\$ 937,819	\$ 46,498,457	\$ 1,798,998	\$ -	\$ 774,530	\$ 50,009,804
2022	997,986	35,920,000	2,289,010	-	1,013,145	40,220,141
2021	756,512	38,540,000	2,771,353	-	1,278,793	43,346,658
2020	616,513	37,145,000	3,246,381	-	957,431	41,965,325
2019	725,170	39,480,000	3,716,993	-	1,186,763	45,108,926
2018	857,748	41,365,000	4,368,007	-	1,415,964	48,006,719
2017	1,042,670	43,040,000	5,010,650	-	1,645,167	50,738,487
2016	1,241,288	44,635,000	5,645,130	-	1,874,368	53,395,786
2015	1,438,882	14,715,000	6,271,650	3,200,000	1,774,133	27,399,665
2014	1,443,884	16,535,000	6,890,409	1,200,000	1,725,738	27,795,031

Table 16

BEDFORD REGIONAL WATER AUTHORITY

RATIOS OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Outstanding Debt	Number of ¹ Connections	Debt per Connection (3)= (1) / (2)	Estimated ² Population Served (4)= (2) * 2.5	Debt per Capita (5)=(1) / (4)	Income ³ per Capita	Debt per Capita as a % Income per Capita (7)=(5) / (6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2023	\$ 50,009,804	20,216	\$ 2,474	50,540	\$ 990	\$ 36,891	2.68%
2022	40,220,141	20,002	2,011	50,005	804	34,565	1.72%
2021	43,346,658	19,680	2,203	49,200	881	46,707	1.89%
2020	41,965,325	19,227	2,183	48,068	873	46,707	1.87%
2019	45,108,926	18,317	2,463	45,793	985	*	*
2018	48,006,719	18,554	2,587	46,385	1,035	42,082	2.46%
2017	50,738,486	18,434	2,752	46,085	1,101	41,307	2.67%
2016	53,395,785	17,437	3,062	43,593	1,225	41,066	2.98%
2015	27,399,665	17,141	1,598	42,853	639	41,066	1.56%
2014	27,795,031	16,658	1,669	41,645	667	41,066	1.63%

^a Connections from Tables 8 and 9.

^b The Virginia Department of Health estimates 2.5 residents per connection; this number is used in lieu of the population data in Table 18 which is representative of the entire county and town.

^c Per capita income from Table 18 (Source: Virginia Workforce Connection and Bureau of Economic Analysis). 2015 and 2016 information not available, therefore, 2014 information was used.

* Unavailable

Table 17

BEDFORD REGIONAL WATER AUTHORITY
TEN LARGEST EMPLOYERS (BEDFORD TOWN AND COUNTY)
CURRENT YEAR

Employer	2023	
	Employees	Rank
Bedford County School Board	1,000+	1
County of Bedford	500-999	2
Centra Health	500-999	3
Walmart	500-999	4
GP Big Island, LLC	250-499	5
Food Lion	250-499	6
Sentry Equipment Erectors	250-499	7
Workforce Solutions	100-249	8
Sam Moore Furniture, LLC	100-249	9
Kroger	100-249	10

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW).

Note: Information for the period nine years prior to the current period will begin in 2013.

Table 18

BEDFORD REGIONAL WATER AUTHORITY
OTHER DEMOGRAPHIC DATA (BEDFORD TOWN AND COUNTY)
LAST TEN FISCAL YEARS

Year	Population ¹	Personal Income ²		Unemployment Rate ¹
		(thousands of dollars)	Per Capita Personal Income	
2023	80,848	\$ *	\$ 36,891	2.9%
2022	80,131	*	34,565	3.4
2021	78,997	*	46,707	4.1
2020	78,997	*	46,707	7.6
2019	78,747	*	*	2.9
2018	77,724	3,280,745	42,082	3.9
2017	74,898	*	41,307	4.1
2016	74,898	*	*	4.4
2015	75,554	*	*	*
2014	74,898	3,075,785	41,066	5.81

^a Virginia Workforce Connection, includes Bedford Town and County.

^b Bureau of Economic Analysis, includes Bedford Town and County.

* Unavailable.

Table 19

BEDFORD REGIONAL WATER AUTHORITY

NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees as of June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Administration	7.5	5.5	5.5	5.5	5.5	5.5	5.0	5.0	5.0	4.0
Customer	9	9.0	9.0	9.0	9.0	9.0	8.0	6.0	4.0	6.0
IT	2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	2	2.0	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5
Engineering	12.5	14.0	13.0	13.0	12.0	8.0	8.0	9.5	7.0	7.0
Plant operations	26.5	26.0	28.0	28.0	27.0	23.0	23.0	24.0	22.0	23.0
Maintenance	24	23.0	23.0	19.0	21.0	19.0	19.0	16.0	13.0	12.0
	83.5	81.5	82.5	78.5	78.5	68.0	66.5	64.0	54.5	55.5

Table 20

BEDFORD REGIONAL WATER AUTHORITY

OPERATING INDICATORS
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water meters read ^a	174,401	176,489	173,397	170,017	164,492	122,864	84,139	82,263	80,043	79,117
Meter installations and change outs	430	904	1,056	1,353	1,187	795	1,510	3,125	2,470	263
Payments transacted	171,930	178,677	150,884	149,222	214,524	106,787	77,530	75,193	73,617	77,676

^a Number of meters read for billing purposes.

Table 21

BEDFORD REGIONAL WATER AUTHORITY

CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Miles of water line	406	400	399	399	388	385	362	352	352	352
Miles of sewer line	164	160	157	156	144	145	141	141	141	144
Water pump stations	2	2	2	2	2	2	2	2	2	2
Sewer pump stations	32	32	32	32	22	22	22	22	22	22
Water storage tanks	15	15	15	14	12	12	12	12	12	12
Wastewater treatment plants	5	5	5	5	3	3	3	3	3	3
Water treatment plants	5	5	5	4	4	7	7	6	6	6

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COMPLIANCE SECTION

BEDFORD REGIONAL WATER AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Grant Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of the Treasury:			
Pass-Through Payments:			
Town of Bedford:		546001138	
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	\$ 991,852
Total Department of Treasury			\$ 991,852
Total Expenditures of Federal Awards			\$ 991,852

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the Bedford Regional Water Authority and is presented on the modified accrual basis of accounting, as described in Note 1 to the Authority's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

NOTE 2 - DE MINIMIS INDIRECT COST RATE:

The entity did not elect to use the 10% de minimis indirect cost rate.

NOTE 3 - OUTSTANDING LOAN BALANCES:

At June 30, 2023, the Authority had no outstanding loan balances requiring continuing disclosure.

**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
Bedford Regional Water Authority
Bedford, 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 *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 Bedford Regional Water Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 15, 2023.

Report On Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. **We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.**

Report on 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*.**

Authority's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

Roanoke, Virginia
November 15, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Honorable Members of the Board of Directors
Bedford Regional Water Authority
Bedford, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Bedford Regional Water Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Bedford Regional Water Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-003. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to the noncompliance finding identified in our audit which is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 15, 2023

BEDFORD REGIONAL WATER AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2023

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
Conflict of Interests Act
Local Retirement Systems
Procurement Laws
Uniform Disposition of Unclaimed Property Act

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

BEDFORD REGIONAL WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Two material weaknesses and no significant deficiencies** relating to the audit of the financial statements were reported 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding relating to the major program**.
7. The program tested as major was:

Name of Program	Assistance Listing Number
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Authority was **not** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2023-001: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. A proper segregation of duties has not been established in functions related to cash receipts, accounts receivable, cash disbursements, and accounts payable.

Criteria:

- Bank Reconciliations are prepared by the same person who is in charge of cash disbursements.
- Only two individuals can enter accounting information into the Great Plains accounting software system. This reduces the effectiveness of system controls with Great Plains as rights within the software are not able to maintain a segregation of duties.
- The Executive Director has the ability to approve purchase orders, vendor invoices, edit the master vendor files, prepare checks for expenditures, and has check signing authority.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2023-001: Segregation of Duties (Material Weakness) (Continued)

Criteria: (Continued)

- Journal entries are not reviewed. We recommend that all journal entries be reviewed by someone other than the preparer prior to entry in the general ledger. While review of the periodic financials may detect erroneous entries, reviewing entries prior to entry would reduce the reliance on detection controls and reduce the inherent risk that offsetting erroneous or fraudulent entries are not apparent when aggregated in the monthly financials.

Cause:

The size of the Authority's accounting staff prohibits complete adherence to segregation of duties.

Effect:

Internal controls are designed to safeguard assets and detect losses from employee dishonesty or error.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls. Segregating incompatible functions reduces the risk of exposure to errors and fraud.

Views of Responsible Officials and Planned Corrective Action:

Management understands this concern; however, the current staff size limits the separation of duties in regards to these functions.

2023-002: Timeliness of Reconciliation Review (Material Weakness)

Condition:

During our review of bank reconciliations, we noted that review of the bank reconciliations is not being performed in a timely manner. The January 2023 bank reconciliation was prepared in May 2023, and was reviewed July, 2023. All subsequent bank reconciliations were also delayed in completion.

Criteria:

Bank reconciliations should be prepared and reviewed in a timely manner.

Cause:

The size of the Authority's accounting staff causes staff to take on a number of roles and responsibilities. As such, certain accounting functions are not always completed in a timely manner.

(Continued)

BEDFORD REGIONAL WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2023-002: Timeliness of Reconciliation Review (Material Weakness) (Continued)

Effect:

Internal controls over bank reconciliations are designed to safeguard assets and detect losses from employee dishonesty or error.

Recommendation:

We recommend that a schedule of completing reconciliation reviews on a set time frame is implemented and adhered to. Timely reviews are one of the most important internal controls to promptly detect and recognize potential errors or other problems. This could mitigate the risk of errors or problems progressing and provide more accurate reports for management decisions. Also, it is generally easier and less time consuming to review accounts while transactions are fresh in mind.

Views of Responsible Officials and Planned Corrective Action:

Management recognizes the importance of timely reviews and will develop a procedure to correct this in the current fiscal year.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

2023-003: Procurement Policies and Procedures – COVID-19 – Coronavirus State and Local Fiscal Recovery Fund – AL# 21.027

Condition:

The Authority adheres to and follows Virginia Public Procurement Act “VPPA” for procurement, however, under the requirements of Uniform Guidance, the Authority does not have complete, written procurement policies that are in compliance with the additional standards required by the Uniform Guidance (2 CFR Part 200).

Criteria:

Under the requirements in the Uniform Guidance, all entities are required to have written procurement policies that conform to applicable Federal laws and regulations and standards. The complete procurement standards are located at 2 CFR Part 200, Sections 317 through 326.

Cause:

The Authority does not have its own written procurement policies that conform to applicable Federal laws and regulations and standards.

Effect:

The lack of the Authority’s own written policies under the specific requirements of the Uniform Guidance could result in potential improper procurement using Federal funds.

BEDFORD REGIONAL WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT
(Continued)**

**2023-003: Procurement Policies and Procedures – COVID-19 – Coronavirus State and Local Fiscal
Recovery Fund – AL# 21.027 (Continued)**

Recommendation:

Management should update existing written procurement procedures to align with Uniform Guidance requirements for all purchases to be made with Federal funds.

Management's Response:

Management recognizes the importance of compliance with the Uniform Guidance and plans to develop a policy that adheres to all requirements.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None

BEDFORD REGIONAL WATER AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2023

A. FINDING – FINANCIAL STATEMENT AUDIT

2022-001: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. A proper segregation of duties has not been established in functions related to cash receipts, accounts receivable, cash disbursements, and accounts payable.

Current Status:

Condition still present.

2022-002: Timeliness of Reconciliation Review (Material Weakness)

Condition:

In our review of two out of twelve bank reconciliations, we noted that one was not reviewed timely. Upon further review, we noted that subsequent bank reconciliations from November 2021 through June 2022 had also not been reviewed.

Current Status:

Condition still present.