

**Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Financial Report**

For the Year Ended June 30, 2021

**TAZEWELL COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF TAZEWELL COUNTY, VIRGINIA)
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION

TAZEWELL COUNTY PUBLIC SERVICE AUTHORITY

BOARD MEMBERS

Richard Smith.....Chairman

Rhudy Keith.....Vice-Chairman

Gregory T. DeGray.....Secretary/Treasurer

J. R. Absher.....Member

Joe NicholsonMember

FINANCIAL SECTION



Independent Auditors' Report

**To the Board Members of
Tazewell County Public Service Authority
Tazewell, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Tazewell County Public Service Authority, a component unit of Tazewell County, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Tazewell County Public Service Authority, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 5-7 and 42-50 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Tazewell County Public Service Authority's basic financial statements. The introductory section and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2021, on our consideration of Tazewell County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tazewell County Public Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tazewell County Public Service Authority's internal control over financial reporting and compliance.

Robinson, Famer, Cox Associates

Blacksburg, Virginia
November 2, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Tazewell County Public Service Authority performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2021. Please read this information in conjunction with the Authority's financial statements.

The Tazewell County Public Service Authority presents three basic financial statements. These are: (1) a Statement of Net Position (2) a Statement of Revenues, Expenses and Changes in Net Position; and, (3) a Statement of Cash Flows.

Our financial position is measured in terms of resources we own and obligations we owe on a given date. This information is reported on the Statement of Net Position, which reflects the Authority's assets in relation to its debts to its suppliers, employees, and other creditors. The excess of our assets and deferred outflows of resources over liabilities and deferred inflows of resources is our net position.

Information regarding the results of our operations during the year is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement shows how much our overall net position increased or decreased during the year as a result of our operations.

Our Statement of Cash Flows discloses the flow of cash resources into and out of the Authority during the year (from operations, contributions, and other sources) and how we applied those funds (for example, payment of expenses, purchases of new property, etc.).

A summary of the Authority's Statement of Net Position for 2021 and 2020 is presented below:

	2021	2020
Current Assets	\$ 3,904,975	\$ 3,327,716
Restricted Assets	198,565	200,455
Other Noncurrent Assets	422,723	388,526
Property and Equipment	76,096,219	76,652,152
Total Assets	<u>\$ 80,622,482</u>	<u>\$ 80,568,849</u>
Deferred Outflows of Resources	<u>\$ 634,930</u>	<u>\$ 501,450</u>
Current Liabilities	\$ 3,563,890	\$ 3,337,433
Long-term Liabilities	34,376,062	34,820,394
Total Liabilities	<u>\$ 37,939,952</u>	<u>\$ 38,157,827</u>
Deferred Inflows of Resources	<u>\$ 99,063</u>	<u>\$ 240,016</u>
Net Position		
Net investment in Capital Assets	\$ 41,718,466	\$ 41,822,553
Unrestricted	1,499,931	849,903
Total Net Position	<u>\$ 43,218,397</u>	<u>\$ 42,672,456</u>

A summary of the Tazewell County Public Service Authority's Statements of Revenues, Expenses and Changes in Net Position for 2021 and 2020 is presented below.

	2021	2020
Operating Income	\$ 7,463,321	\$ 7,330,683
Operating Expenses	8,443,735	8,751,723
Net Operating Income (Loss)	(980,414)	(1,421,040)
Non-Operating Income	1,526,355	2,356,113
Changes in Net Position	<u>\$ 545,941</u>	<u>\$ 935,073</u>

Operating income is defined as the amount of revenue received from providing customer services. During 2021 operating income was \$7,463,321 as compared to \$7,330,683 in the prior year.

Operating expenses are comprised of the direct expenses of operating the Service Authority. These include water purchases, chemicals, utilities, salaries and benefits, repairs and maintenance, occupancy, supplies, travel, and depreciation. (See the full Statement of Revenues, Expenses and Changes in Net Position for a complete breakdown of these expenses for 2021). During 2021, operating expenses were \$8,443,735 as compared to \$8,751,723 in the prior year.

Non-operating income is comprised of interest, tap fees, interest on debt, other income, and federal and state capital grants.

Net Position increased \$545,941 in 2021.

A summary of the Tazewell County Public Service Authority's Statements of Cash Flows for 2021 and 2020 is presented below:

Condensed Statement of Cash Flows

	2021	2020
Cash Flows provided by (used for) Operating Activities	\$ 1,639,974	\$ 1,573,975
Cash Flows provided by (used for) Capital and Financing Activities	(1,347,351)	(1,698,297)
Cash Flows provided by (used for) Investing Activities	3,635	31,347
Net Change in Cash	296,258	(92,975)
Cash and Cash Equivalents Beginning of Year	2,338,632	2,431,607
Cash and Cash Equivalents End of Year	<u>\$ 2,634,890</u>	<u>\$ 2,338,632</u>

Cash flows from operating activities reconciles the operating profit or loss recorded on the Statement of Revenues, Expenses and Changes in Net Position to cash provided by operating activities. In this process, the operating loss is decreased by the amount of any non-cash transactions and adjusted for changes in assets and liabilities. (See the full Statement of Cash Flows for a full listing of these transactions.)

Cash flows from capital and financing activities are comprised mainly of all the capital assets purchased by the Authority, the proceeds from capital grants and the payment of the Authority's debt and interest. Cash flows from investing activities are comprised of interest income. During 2021 there was an increase in cash of \$296,258.

Capital Assets

At the end of 2021, the Tazewell County Public Service Authority had \$76,096,219 in net property and equipment. Capital assets are the largest asset of the Authority. During the year we spent \$2,251,285 on projects that are in progress. This increase is due to the Authority's commitment to improve and expand our facilities. Over the past several years, we have added to our water and sewer service capacity through various grant and loan programs, including the Department of Health, Department of Environmental Quality, and the Department of Housing and Community Development.

Debt

As stated in Note 6, the Tazewell County Public Service Authority had \$36,866,634 in short and long-term debt outstanding at year end.

Summary

The Tazewell County Public Service Authority has experienced growth in the last few years as a result of its receipt of numerous low interest and zero interest bonds and capital grants. These loans and grants have enabled us to greatly expand water and sewer service to the residents of the County.

Contacting the Authority's Financial Management

This financial report is designed to provide the customers and our funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions or need additional financial information, contact the Authority's Administrator at 168 Tazewell Mall Circle, Tazewell VA 24651.

Basic Financial Statements

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Statement of Net Position
At June 30, 2021

Assets

Current Assets:

Cash and cash equivalents	\$ 83,502
Investments	2,352,823
Restricted assets - meter deposit cash and cash equivalents	198,565
Accounts receivable - customers, net	545,629
Accounts receivable - unbilled	457,560
Due from other governments	268,922
Inventory of materials and supplies	133,736
Prepaid items	54,870
Note receivable - current portion	7,933
Total Current Assets	<u>\$ 4,103,540</u>

Noncurrent Assets:

Note receivable - net of current portion	<u>\$ 422,723</u>
Capital Assets, nondepreciable:	
Land and land rights	\$ 330,662
Construction in progress	2,213,278
Capital Assets, net of accumulated depreciation:	
Buildings and improvements	110,999
Machinery and equipment	471,800
Water and sewer plant	72,969,480
Total Capital Assets	<u>\$ 76,096,219</u>
Total Noncurrent Assets	<u>\$ 76,518,942</u>

Total Assets \$ 80,622,482

Deferred Outflows of Resources

OPEB related items	\$ 113,607
Pension related items	521,323
Total Deferred Outflows of Resources	<u>\$ 634,930</u>

Liabilities

Current Liabilities:

Accounts payable - operations	\$ 83,713
Accounts payable - construction	616,924
Wages payable	115,014
Accrued interest payable	59,102
Meter deposits	198,565
Compensated absences - current portion	208,479
Line of credit	113,453
Bonds and notes payable - current portion	2,168,640
Total Current Liabilities	<u>\$ 3,563,890</u>

Long-Term Liabilities:

Bonds and notes payable - net of current portion	\$ 31,909,392
Compensated absences - net of current portion	69,493
Net OPEB liabilities	765,556
Net pension liability	1,631,621
Total Long-Term Liabilities	<u>\$ 34,376,062</u>

Total Liabilities \$ 37,939,952

Deferred Inflows of Resources

OPEB related items	\$ 94,350
Pension related items	4,713
Total Deferred Inflows of Resources	<u>\$ 99,063</u>

Net Position

Net investment in capital assets	\$ 41,718,466
Unrestricted	1,499,931
Total Net Position	<u>\$ 43,218,397</u>

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

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

Operating Revenues:	
Water service charges	\$ 4,986,776
Sewer service charges	1,834,860
Water IRF charges	362,664
Sewer IRF charges	173,372
Penalties	57,099
Other income	48,550
Total Operating Revenues	<u>\$ 7,463,321</u>
Operating Expenses:	
<i>Water Expenses:</i>	
Salaries and wages	\$ 466,017
Bulk water purchases	1,014,996
Fuel and power	311,876
Treatment and chemicals	141,451
Materials and supplies	122,567
<i>Sewer Expenses:</i>	
Salaries and wages	374,041
Bulk sewer purchases	318,795
Fuel and power	118,880
Treatment and chemicals	9,519
Materials and supplies	180,404
<i>General Expenses:</i>	
Maintenance salaries and wages	570,324
Maintenance materials and supplies	450,805
Meter reading expenses	72,546
Customer records and collection salaries and wages	90,891
Customer records and collection materials and supplies	73,689
Office supplies and expenses	49,406
Administrative salaries	259,815
Payroll taxes and benefits	971,999
Professional and contractual expense	58,265
Insurance	173,961
Miscellaneous	7,399
OPEB expense	(201,129)
Depreciation	2,807,218
Total Operating Expenses	<u>\$ 8,443,735</u>
Operating Income (Loss)	<u>\$ (980,414)</u>
Nonoperating Revenues (Expenses):	
Interest Income	\$ 3,635
Tap fees-water	49,429
Tap fees-sewer	9,288
Contributions from Tazewell County	1,062,576
Russell County/Richlands WTP Debt Contribution	38,792
Interest expense	<u>(349,166)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 814,554</u>
Income (loss) before contributions and grants	<u>\$ (165,860)</u>
Capital contributions and construction grants	<u>\$ 711,801</u>
Change in Net Position	<u>\$ 545,941</u>
Net position at beginning of year	42,672,456
Net position at end of year	<u><u>\$ 43,218,397</u></u>

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

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities:	
Cash received from customers	\$ 7,353,221
Cash payments to suppliers for goods and services	(3,141,019)
Cash payments to employees for services and benefits	(2,572,228)
Net cash provided by (used for) operating activities	<u>\$ 1,639,974</u>
Cash flows from capital and related financing activities:	
Tap Fees	\$ 58,717
Grant and other contributions for construction	542,963
Grant and other contributions for capital debt service	1,101,368
Purchase of capital assets	(1,935,159)
Proceeds from loans and bonds	1,683,204
Issuance of note receivable	(42,131)
Principal payments on note receivable	15,867
Principal payments on indebtedness	(2,424,912)
Interest payments on indebtedness	(347,268)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,347,351)</u>
Cash flows from investing activities:	
Interest income	\$ 3,635
Increase (decrease) in cash and cash equivalents	\$ 296,258
Cash and cash equivalents at beginning of year (includes restricted cash of \$200,455 and short-term investments of \$2,006,476)	<u>2,338,632</u>
Cash and cash equivalents at end of year (includes restricted cash of \$198,565 and short-term investments of \$2,352,823)	<u><u>\$ 2,634,890</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (980,414)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	2,807,218
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	(108,210)
Prepaid items	(10,932)
Inventory	936
Deferred outflows of resources	(133,480)
Accounts payable	(26,464)
Wages payable	9,690
Deferred inflows of resources	(140,953)
Net OPEB liabilities	(128,222)
Net pension liability	350,646
Compensated absences	2,049
Meter deposits	(1,890)
Net cash provided by (used for) operating activities	<u><u>\$ 1,639,974</u></u>
Noncash investing, capital, or financing activities:	
Construction payables	\$ 616,924

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

**Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements
At June 30, 2021**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Tazewell County Public Service Authority was created by the Board of Supervisors of Tazewell County to acquire, finance, construct, and operate water and sewer systems in Tazewell County. The Authority currently provides a full range of water and sewer services to Tazewell County. The Authority is governed by a Board of Directors who are appointed by the Board of Supervisors of Tazewell County.

Financial Statement Presentation

The accompanying financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Management's Discussion and Analysis

Current financial reporting standards require the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The proprietary fund measurement focus is based upon determination of net income, financial position, and cash flows. The proprietary fund of the Authority is an Enterprise fund which includes all of the Authority's operations.

Enterprise Fund

The Enterprise Fund accounts for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services.

Financial Reporting Entity

The Authority has been included in the basic financial statements of Tazewell County, Virginia as a component unit, in accordance with current financial reporting standards.

Basis of Accounting

The Authority uses the accrual basis of accounting. Under this method revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Authority's principal operations. The principal operating revenues of the Authority are charges for water and sewer services. Operating expenses include the cost of providing these services and the related administration costs. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the Authority consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts is provided for all amounts outstanding for over 30 days. At June 30, 2021 the allowance for uncollectible accounts was \$321,133.

Use of Estimates

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Inventory

Inventories of materials and supplies are valued at the lower of cost or market using the first in, first out method.

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., water and sewer systems), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not to be capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15-25
Structures, lines, and accessories (water and sewer plant)	10-40
Machinery and equipment	5-10

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

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

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition to the VRS GLI OPEB Plan the Authority participates in the Tazewell County, Virginia health insurance plan. This plan allows for retirees to remain on the plan after retirement which creates an additional OPEB liability as discussed in Note 8.

Compensated Absences

The Authority has policies to allow the accumulation and vesting of limited amounts of vacation, sick, compensatory, and paid time off leave until termination or retirement. Amounts of such absences are accrued when incurred.

Net Position

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

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS

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.

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority’s investments at June 30, 2021 were held in the Authority’s name by the Authority’s custodial bank.

Credit Risk of Debt Securities: The Authority has not adopted an investment policy for credit risk. The Authority’s rated debt investments as of June 30, 2021 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

Authority's Rated Debt Investments' Values	
	Fair Quality
<u>Rated Debt Investments</u>	<u>Ratings</u>
	<u>AAAm</u>
VML/VACO Virginia Investment Pool	\$ 2,352,823

Fair Value Measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority has measured fair value of the above investments at the net asset value (NAV).

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 3 - DUE FROM OTHER GOVERNMENTS

The following is due from other governments:

	<u>Amount</u>
Virginia Resources Authority	\$ 162,418
Town of Tazewell	53,292
SWVRWW	53,212
Total	<u>\$ 268,922</u>

NOTE 4 - CAPITAL ASSETS

Capital assets are stated at cost less accumulated depreciation. Contributions received from developers and customers which are used to defray a part or all of the cost of installing a portion of the utility plant are credited to construction contributions. Estimated cost of facilities dedicated to the Authority is added to the recorded value of the utility plant in service at fair market value. Depreciation is computed by the straight-line method over the useful life of the asset.

At June 30, 2021 capital assets consisted of the following items:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 330,662	\$ -	\$ -	\$ 330,662
Construction in progress	6,796,534	2,251,285	(6,834,541)	2,213,278
Total capital assets not being depreciated	<u>\$ 7,127,196</u>	<u>\$ 2,251,285</u>	<u>\$ (6,834,541)</u>	<u>\$ 2,543,940</u>
Capital assets, being depreciated:				
Water and sewer plant	\$ 114,885,063	\$ 6,834,541	\$ -	\$ 121,719,604
Buildings and improvements	226,623	-	-	226,623
Machinery and equipment	3,663,268	-	-	3,663,268
Total capital assets being depreciated	<u>\$ 118,774,954</u>	<u>\$ 6,834,541</u>	<u>\$ -</u>	<u>\$ 125,609,495</u>
Accumulated depreciation:				
Water and sewer plant	\$ (46,086,741)	\$ (2,663,383)	\$ -	\$ (48,750,124)
Buildings and improvements	(107,016)	(8,608)	-	(115,624)
Machinery and equipment	(3,056,241)	(135,227)	-	(3,191,468)
Total accumulated depreciation	<u>\$ (49,249,998)</u>	<u>\$ (2,807,218)</u>	<u>\$ -</u>	<u>\$ (52,057,216)</u>
Total capital assets being depreciated, net	<u>\$ 69,524,956</u>	<u>\$ 4,027,323</u>	<u>\$ -</u>	<u>\$ 73,552,279</u>
Capital assets, net	<u>\$ 76,652,152</u>	<u>\$ 6,278,608</u>	<u>\$ (6,834,541)</u>	<u>\$ 76,096,219</u>

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 5 - NOTE RECEIVABLE

The Authority entered into an agreement with the Town of Tazewell to sell capacity in a water tank in exchange for repayment of 50% of the corresponding debt service. The Town's portion of the debt service is reported as a note receivable and amounts are due as noted below.

<u>Years Ending June 30,</u>	<u>Notes Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 7,933	\$ -
2023	15,866	-
2024	15,866	-
2025	15,866	-
2026	15,866	-
2027-2031	79,334	-
2032-2036	79,334	-
2037-2041	79,334	-
2042-2046	79,334	-
2047-2049	41,923	-
	<hr/>	<hr/>
Total	\$ 430,656	\$ -

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Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021	Amount Due in One Year
Direct Borrowings and Direct Placements:					
Bonds and note payable	\$ 34,690,097	\$ 1,513,000	\$ (2,125,065)	\$ 34,078,032	\$ 2,168,640
Line of credit	243,096	170,204	(299,847)	113,453	113,453
Compensated absences	275,923	208,991	(206,942)	277,972	208,479
Net OPEB liabilities	893,778	118,036	(246,258)	765,556	-
Net pension liability	1,280,975	738,259	(387,613)	1,631,621	-
Total	<u>\$ 37,383,869</u>	<u>\$ 2,748,490</u>	<u>\$ (3,265,725)</u>	<u>\$ 36,866,634</u>	<u>\$ 2,490,572</u>

Annual requirements to amortize bonds and notes outstanding as well as related interest are as follows:

Years Ending June 30,	Direct Borrowings and Direct Placements	
	Principal	Interest
2022	\$ 2,168,640	\$ 337,764
2023	2,235,130	361,353
2024	2,260,144	336,140
2025	2,279,744	313,559
2026	2,241,430	290,829
2027-2031	10,473,295	1,108,798
2032-2036	7,263,086	726,606
2037-2041	3,557,278	356,956
2042-2046	1,366,896	190,254
2047-2051	998,455	60,000
2052	44,629	502
Total	<u>\$ 34,888,727</u>	<u>\$ 4,082,761</u>
Bond in draw down phase	<u>\$ (810,695)</u>	
Total	<u><u>\$ 34,078,032</u></u>	

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

Details of Long-Term Obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Payment Installments*	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Direct Placements:							
<i>Virginia Resource Authority (VRA) Bonds:</i>							
Revenue Bond	2.50%	7/2/1999	2/1/2030	\$ 187,000	\$ 3,868 sa+	\$ 62,639	\$ 6,225
Revenue Bond	0.00%	7/12/1999	12/1/2029	78,765	2,570 sa+	21,223	2,625
Revenue Bond	2.50%	10/22/1999	10/1/2029	387,415	9,488 sa+	145,350	12,991
Revenue Bond	1.50%	11/5/1999	3/1/2025	411,320	8,752 sa+	68,041	16,550
Revenue Bond	0.00%	3/13/2001	3/1/2031	1,877,590	29,323 sa+	586,453	58,645
Revenue Bond	0.00%	3/31/2000	12/1/2030	176,465	3,013 sa+	55,965	5,882
Revenue Bond	0.00%	8/4/2000	11/1/2031	1,489,480	19,935 sa+	418,642	39,871
Revenue Bond	2.50%	9/29/2000	3/1/2032	1,579,210	38,034 sa+	727,621	58,085
Revenue Bond	0.00%	11/17/2000	5/1/2032	1,374,516	20,721 sa+	455,875	41,443
Revenue Bond	0.00%	11/17/2000	5/1/2032	606,016	9,525 sa+	209,564	19,051
Revenue Bond	0.00%	5/17/2001	3/1/2032	1,752,851	21,128 sa+	464,818	42,256
Revenue Bond	0.00%	12/20/2001	6/1/2033	4,563,680	77,012 sa+	1,848,004	154,023
Revenue Bond	0.00%	3/29/2002	6/1/2033	1,978,113	32,834 sa+	787,506	65,668
Revenue Bond	0.00%	12/20/2002	12/1/2034	1,387,467	22,172 sa+	611,278	45,280
Revenue Bond	0.00%	6/25/2004	11/1/2034	463,353	7,740 sa+	208,882	15,480
Revenue Bond	0.00%	8/24/2004	1/1/2025	111,043	3,694 sa+	24,951	6,603
Revenue Bond	0.00%	8/24/2004	3/1/2025	555,640	19,187 sa+	143,508	34,297
Revenue Bond	0.00%	6/17/2005	10/1/2035	349,988	5,833 sa+	169,161	11,666
Revenue Bond	0.00%	6/17/2005	1/1/2036	1,259,399	20,282 sa+	598,674	41,288
Revenue Bond	3.00%	9/15/2005	1/1/2027	1,328,089	42,311 sa+	434,651	67,287
Revenue Bond	0.00%	5/15/2006	3/1/2032	4,746,285	95,750 sa+	1,315,546	191,499
Revenue Bond	3.00%	2/12/2007	6/1/2027	228,788	7,069 sa+	76,432	11,901
Revenue Bond	0.00%	12/20/2007	7/1/2038	309,055	4,973 sa+	169,093	9,947
Revenue Bond	0.00%	10/22/2009	11/1/2039	4,634,378	46,969 sa+	3,008,280	162,610
Revenue Bond	0.00%	12/30/2009	11/1/2040	705,365	11,756 sa+	458,487	23,512
Revenue Bond	3.00%	4/14/2010	10/1/2030	1,164,267	32,199 sa+	651,276	60,201
Revenue Bond	3.00%	3/8/2013	1/1/2044	335,757	3,885 sa+	277,169	8,768
Revenue Bond	0.00%	2/20/2014	12/1/2040	6,875,801	137,516 sa+	5,112,945	275,032
Revenue Bond	2.25%	11/4/2015	11/1/2046	801,752	18,664 sa+	702,748	21,217
Revenue Bond	1.45%	11/10/2016	1/1/2038	4,678,659	129,249 sa+	3,781,242	204,409
Revenue Bond	0.00%	5/10/2019	8/1/2049	952,000	15,867 sa+	877,178	31,733
Revenue Bond	2.25%	6/27/2019	2/1/2050	3,034,870	70,663 sa+	2,955,363	74,277
Revenue Bond	2.25%	10/15/2020	10/1/2051	1,938,300	45,131 sa+	1,127,605	-
Total VRA Bonds						<u>\$ 28,556,170</u>	<u>\$ 1,820,322</u>
<i>Notes Payable</i>							
Town of Tazewell	4.07%	10/30/2009	9/1/2041	\$ 750,266	\$ 3,612 m	\$ 597,294	\$ 19,398
Town of Richlands	0.00%	7/15/2005	1/1/2037	1,702,379	30,330 sa+	942,670	60,660
Total Notes Payable						<u>\$ 1,539,964</u>	<u>\$ 80,058</u>
<i>Refunding Bond</i>							
National Bank	2.34%	7/24/2013	6/1/2034	\$ 5,936,296	Varies	\$ 3,981,898	\$ 268,260
Other long-term obligations:							
Net OPEB liabilities						\$ 765,556	\$ -
Net pension liability						1,631,621	-
Compensated absences						277,972	208,479
Line of credit						113,453	113,453
Total other long-term obligations						<u>\$ 2,788,602</u>	<u>\$ 321,932</u>
Total long-term obligations						<u>\$ 36,866,634</u>	<u>\$ 2,490,572</u>

*m = monthly including interest; sa+ = semiannually including interest, if applicable

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

The line of credit includes a limit of \$750,000 and a variable interest rate, which at June 30, 2021 was 4.00%. The line will be reviewed for renewal on an annual basis.

The revenue bonds are subject to a pledge of the system generated revenues. The revenues as received by the Authority are immediately subject to the lien of this pledge. Further, the Authority has agreed to fix and collect rates, fees, and other charges for the services as provided by the system so that each year the net revenues available for debt service will equal at least 100% of the amount required to pay the principal and interest costs of the bonds. The Authority agrees to monitor rates and immediately take action to increase its rates or reduce operation expenses if it fails to satisfy such requirements.

Events of default on the above revenue bonds include failure to pay any payment of principal or interest due under the agreement, failure to fund the required reserve funds, or failing to observe any other covenant including the above net revenue requirement.

In the event of default for the revenue bonds, at the discretion of the lender, all amounts owed under the bonds at the time of default, including principal, interest, and all other fees will become immediately due and payable. In addition, the lender may take any and all actions available to it under the laws of the Commonwealth of Virginia, including Section 62.1-216.1 of the Code of Virginia, to secure payment of the principal and interest of the bonds if such payment shall not be paid when it becomes due and payable.

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Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 7 - PENSION PLAN

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment, through Tazewell County. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities participate in the VRS plan through Tazewell County and the participating entities report their proportionate information on the basis of a cost-sharing plan. 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.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021**

NOTE 7 - PENSION PLAN (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2021 was 12.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$186,440 and \$172,356 for the years ended June 30, 2021 and June 30, 2020, respectively.

**Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021**

NOTE 7 - PENSION PLAN (Continued)

Net Pension Liability

At June 30, 2021, the Authority reported a liability of \$1,631,621 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2020 and 2019 as a basis for allocation. At June 30, 2020 and 2019, the Authority's proportion was 13.7408% and 13.6774% respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 7 - PENSION PLAN (Continued)

Actuarial Assumptions - General Employees (continued)

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rates	Decreased rate from 7.00% to 6.75%

Long-term Expected Rate of Return

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

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

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 7 - PENSION PLAN (Continued)

Long-term Expected Rate of Return: (Continued)

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 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.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

		Discount Rate		
		1% Decrease	Current	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Authority's Proportionate Share				
of the County Retirement Plan				
Net Pension Liability (Asset)	\$	2,691,111	\$	1,631,621
				\$ 749,329

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 7 - PENSION PLAN (Continued)

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

For the year ended June 30, 2021, the Authority recognized pension expense of \$330,457. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,853	\$ 4,713
Change in assumptions	81,374	
Net difference between projected and actual earnings on pension plan investments	214,870	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,786	-
Employer contributions subsequent to the measurement date	186,440	-
Total	<u>\$ 521,323</u>	<u>\$ 4,713</u>

\$186,440 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 105,927
2023	82,600
2024	73,647
2025	67,996
2026	-
Thereafter	-

**Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
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At June 30, 2021**

NOTE 7- PENSION PLAN (Continued)

Pension Plan Data

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

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE

Plan Description

In addition to the pension benefits and GLI OPEB described in other notes, the Authority participates in a cost-sharing defined benefit healthcare plan, the Tazewell Post-Retirement Medical Plan (TPRMP). Several entities participate in the defined benefit healthcare plan through the County of Tazewell, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. The benefit provisions, including employer and employee contributions, are governed by the Board of Supervisors and can be amended through board action. The TPRMP does not issue a publicly available financial report.

Benefits Provided

TPRMP provides health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for retirement benefits under VRS, which requires that the employee be (1) age 50 with 10 years of service; (2) age 55 with 5 years of service; or (3) age 65 with 5 years of service. Additionally, the employee must be of full-time status in VRS and must be covered by the active plan at the time of retirement. Coverage continues for the earlier of a period of fifteen years or reaching Medicare eligibility (age 65).

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2021 was \$25,860.

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Tazewell County Public Service Authority
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Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Participation Rate	53% of eligible employees will elect coverage upon retirement
Discount Rate	2.45% for accounting and funding disclosures
Medical Trend Rate	Medical Per Capita costs, Average Costs and premiums are assumed to increase 6.50% for Pre-Medicare coverage in 2020/2021, decreasing at a rate of 0.5% per year until an ultimate rate of 5.00% is reached.

Mortality is based on the RP-2014 Fully Generational Mortality Table, with base year 2006, projected using two-dimensional improvement scale MP-2020.

The actuarial assumptions used in the July 1, 2020 valuation were based on July 1, 2020 valuation data rolled forward to the measurement date. The methods, assumptions, and participant data used can be found in the July 1, 2020 actuarial valuation report.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.45% and represents the municipal GO AA 20-year yield curve rate as of the measurement date.

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current discount rate:

	Discount Rate		
	1% Decrease (1.45%)	Current (2.45%)	1% Increase (3.45%)
Authority's proportionate share of the County Health Insurance OPEB Plan	\$ 684,589	\$ 634,000	\$ 587,010

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Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE (Continued)

Sensitivity of the Employer's Proportionate Share 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 total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates		
	1% Decrease (5.50%)	Current (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the County Health Insurance OPEB Plan	\$ 570,989	\$ 634,000	\$ 707,895

Total OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the Authority reported a liability of \$634,000 for its proportionate share of the total OPEB Liability. The total OPEB Liability was measured as of July 1, 2020 and the total OPEB liability used to calculate the total OPEB Liability was determined by an actuarial valuation as of July 1, 2020. At June 30, 2021 and 2020, the Authority's proportion was 2.90% and 3.82%, respectively.

For the year ended June 30, 2021, the Authority recognized OPEB expense in the amount of \$(45,000).

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Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,789	\$ 70,790
Change in assumptions	55,378	11,726
Employer contributions subsequent to the measurement date	<u>25,860</u>	<u>-</u>
Total	<u>\$ 86,027</u>	<u>\$ 82,516</u>

\$25,860 reported as 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in the OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ (13,322)
2023	(13,322)
2024	(10,739)
2025	10,216
2026	4,818
Thereafter	-

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN)

Plan Description

The Authority participates in the Group Life Insurance (GLI) Plan through Tazewell County, Virginia. The Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ($1.34\% \times 60\%$) and the employer component was 0.54% ($1.34\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$8,610 and \$8,794 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entity reported a liability of \$131,556 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.007887% as compared to 0.007919% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$2,894. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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Tazewell County Public Service Authority
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Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (continued)

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,438	\$ 1,181
Net difference between projected and actual earnings on GLI OPEB plan investments	3,952	-
Change in assumptions	6,580	2,746
Changes in proportionate share	-	7,907
Employer contributions subsequent to the measurement date	<u>8,610</u>	<u>-</u>
Total	<u>\$ 27,580</u>	<u>\$ 11,834</u>

\$8,610 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ (142)
2023	974
2024	2,451
2025	3,173
2026	639
Thereafter	41

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

Actuarial Assumptions: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan'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, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
GLI Net OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the GLI Plan			
Net OPEB Liability	\$ 172,940	\$ 131,556	\$ 97,948

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Tazewell County Public Service Authority
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Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 10 - OPEB SUMMARY

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
Stand-Alone Health Insurance Plan (Note 8)	\$ 86,027	\$ 82,516	\$ 634,000	\$ (45,000)
VRS OPEB Plans:				
VRS Group Life (Note 9)	27,580	11,834	131,556	2,894
Totals	<u>\$ 113,607</u>	<u>\$ 94,350</u>	<u>\$ 765,556</u>	<u>\$ (42,106)</u>

NOTE 11 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Authority joined together with other local governments in the Commonwealth to form the Virginia Association of Counties Self Insurance Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for all of its insurance coverage. The Agreement for formation of the pool provides that the pool will be self-sustaining through member premiums. Settled claims have not exceeded pool coverage in any of the past three years.

NOTE 12 - ADMINISTRATIVE COSTS

For the year ending June 30, 2021, the administrative costs amounted to \$309,221. This amount includes office and administration wages, fringe benefits on these wages, and office supplies.

NOTE 13 - CONTINGENCIES

Federal programs in which the Authority participates were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

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Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 14 - COMMITMENTS

At June 30, 2021, the Authority had the following outstanding construction commitments:

<u>Project</u>	<u>Amount of Contract</u>	<u>Amount of Contract Outstanding</u>	<u>Accounts Payable</u>	<u>Retainage Payable</u>
Water System Capital Improvements Phase II - Construction	\$ 2,060,190	\$ 314,150	\$ 467,238	\$ 66,467
Water System Capital Improvements Phase II - Engineering	238,900	66,892	52,844	-
Project Jonah - Engineering	79,500	41,315	30,375	-
Total	<u>\$ 2,378,590</u>	<u>\$ 422,357</u>	<u>\$ 550,457</u>	<u>\$ 66,467</u>

NOTE 15 - NON-EXCHANGE FINANCIAL GUARANTEES

Tazewell County has provided a moral obligation to back all debt of the Authority and, accordingly, makes annual contributions to the Authority for debt service. Tazewell County does not have a set contribution plan nor is there an amount agreed to in writing. The County annually appropriates a contribution to aid the Authority in repayment of debt service. In fiscal year 2021, the Tazewell County contributed \$1,062,576 to help the Authority pay its debt service.

NOTE 16 - COVID-19 PANDEMIC

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Authority is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2022.

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Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 17 - UPCOMING PRONOUNCEMENTS

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Tazewell County Public Service Authority
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Notes to Financial Statements (Continued)
At June 30, 2021

NOTE 17 - UPCOMING PRONOUNCEMENTS (Continued)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Schedule of Authority's Proportionate Share of the Net Pension Liability
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2020

Authority's Share of Tazewell County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by VRS)

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2020	13.7408%	\$ 1,631,621	\$ 1,683,738	96.90%	78.87%
2019	13.6774%	1,280,975	1,551,202	82.58%	84.84%
2018	13.1010%	972,557	1,472,884	66.03%	87.15%
2017	12.8549%	1,031,809	1,434,412	71.93%	85.72%
2016	12.6371%	1,297,886	1,445,364	89.80%	81.05%
2015	12.4200%	915,932	1,510,355	60.64%	85.61%
2014	12.4200%	774,678	1,475,578	52.50%	87.18%

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

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Schedule of Employer Contributions
Pension Plan

For the Years Ended June 30, 2015 through June 30, 2021

Authority's Share of Tazewell County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by VRS)

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
2021	\$ 186,440	\$ 186,440	\$ -	\$ 1,567,338	11.90%
2020	172,356	172,356	-	1,683,738	10.24%
2019	161,476	161,476	-	1,551,202	10.41%
2018	155,242	155,242	-	1,472,884	10.54%
2017	151,187	151,187	-	1,434,412	10.54%
2016	162,748	162,748	-	1,445,364	11.26%
2015	170,066	170,066	-	1,510,355	11.26%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, prior data was not available. However, additional years will be included as they become available.

Tazewell County Public Service Authority
 (A Component Unit of Tazewell County, Virginia)
 Notes to Required Supplementary Information
 Pension Plan
 For the Year Ended June 30, 2021

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

Authority's Share of Tazewell County, Virginia's GLI OPEB Plan (a cost-sharing multiple employer plan administered by VRS)

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2020	0.007887%	\$ 131,556	\$ 1,691,060	7.78%	52.64%
2019	0.007919%	128,778	1,551,202	8.30%	52.00%
2018	0.007728%	117,365	1,472,884	7.97%	51.22%
2017	0.007901%	118,863	1,434,412	8.29%	48.86%

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

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2021

Authority's Share of Tazewell County, Virginia's GLI OPEB Plan (a cost-sharing multiple employer plan administered by VRS)

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 8,610	\$ 8,610	\$ -	\$ 1,594,411	0.54%
2020	8,794	8,794	-	1,691,060	0.52%
2019	8,066	8,066	-	1,551,202	0.52%
2018	7,853	7,853	-	1,472,884	0.53%
2017	7,581	7,581	-	1,434,412	0.53%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, prior data was not available. However, additional years will be included as they become available.

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2021

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

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Schedule of Authority's Proportionate Share of the Total OPEB Liability
Health Insurance
For the Measurement Dates of July 1, 2016 through July 1, 2019

Authority's Share of Tazewell County, Virginia's Health Insurance OPEB Plan

Date (1)	Proportion of the Total OPEB Liability (TOL) (2)	Proportionate Share of the TOL (3)	Covered Payroll (4)	Proportionate Share of the TOL as a Percentage of Covered Payroll (3)/(4) (5)
2020	2.90%	\$ 634,000	\$ 1,055,951	60.04%
2019	3.82%	765,000	1,455,451	52.56%
2018	3.50%	661,000	1,334,636	49.53%
2017	4.87%	1,119,000	1,472,884	75.97%
2016	4.73%	1,088,000	1,434,412	75.85%

Schedule is intended to show information for 10 years. Information prior to the 2016 valuation is not available. However, additional years will be included as they become available.

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Schedule of Employer Contributions
Health Insurance

For the Years Ended June 30, 2017 through June 30, 2021

Authority's Share of Tazewell County, Virginia's Health Insurance OPEB Plan

			Contributions in Relation to			Contributions
	Contractually	Contractually	Contractually	Contribution	Employer's	as a % of
	Required	Required	Required	Deficiency	Covered	Covered
	Contribution	Contribution	Contribution	(Excess)	Payroll	Payroll
Date	(1)	(2)	(3)	(4)	(5)	
2021	\$ 25,860	\$ 25,860	\$ -	\$ 1,055,951	2.45%	
2020	35,881	35,881	-	1,455,451	2.47%	
2019	34,303	34,303	-	1,334,636	2.57%	
2018	41,000	41,000	-	1,472,884	2.78%	
2017	41,000	41,000	-	1,434,412	2.86%	

Schedule is intended to show information for 10 years. Information prior to the 2016 valuation is not available. However, additional years will be included as they become available.

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Notes to Required Supplementary Information
Health Insurance
For the Year Ended June 30, 2021

Valuation Date: 7/1/2020
 Measurement Date: 7/1/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Participation Rate	53% of eligible employees will elect coverage upon retirement, 100% of same employees are expected to carry a spouse in the plan
Discount Rate	2.45% for accounting and funding disclosures
Medical Trend Rate	6.50% for fiscal year 2021, decreasing 0.50% per year to an ultimate rate of 5.00%
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RPH-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2020.

Other Statistical Information

Table 1

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Virginia Resource Authority (VRA) Rate Covenant Compliance
Last Ten Fiscal Years (1)

Fiscal Year	Revenues	Operation and Maintenance Expenses (4)	Net Revenues Available for Debt Services	Debt Service (3)	Coverage (2)
2020-21	\$ 8,627,041	\$ 5,636,517	\$ 2,990,524	\$ 2,469,000	121.12%
2019-20	8,495,656	5,839,475	2,656,181	2,346,780	113.18%
2018-19	8,232,245	5,153,244	3,079,001	2,395,115	128.55%
2017-18	7,763,431	5,201,005	2,562,426	2,170,709	118.05%
2016-17	7,709,347	4,993,259	2,716,088	2,678,428	101.41%

(1) Only five years available

(2) Net revenues available for debt service/debt service (100% required for compliance)

(3) Debt service excludes line of credit payments

(4) Operation and maintenance expenses exclude depreciation

COMPLIANCE SECTION



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

To the Board Members of
Tazewell County Public Service Authority
Tazewell, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Tazewell County Public Service Authority, a component unit of Tazewell County, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Tazewell County Public Service Authority's basic financial statements and have issued our report thereon dated November 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tazewell County Public Service 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 Tazewell County Public Service Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Tazewell County Public Service Authority's internal control.

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


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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Robinson, Famer, Cox Associates". The script is cursive and fluid.

Blacksburg, Virginia
November 2, 2021

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the Board Members of
Tazewell County Public Service Authority
Tazewell, Virginia

Report on Compliance for Each Major Federal Program

We have audited Tazewell County Public Service Authority's compliance with the types of compliance requirements described 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, 2021. Tazewell County Public Service Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Tazewell County Public Service Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tazewell County Public Service Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Tazewell County Public Service 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, 2021.

Report on Internal Control over Compliance

Management of Tazewell County Public Service Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tazewell County Public Service Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Blacksburg, Virginia
November 2, 2021

Tazewell County Public Service Authority
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Environmental Protection Agency:			
Pass-through payments:			
Virginia Resource Authority:			
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WSL-013-20E	\$ 1,707,083
Department of Treasury:			
Pass-through payments:			
County of Tazewell, Virginia			
COVID-19 Coronavirus Relief Fund (CRF)	21.019	Not Available	9,864
Department of Housing and Urban Development:			
Pass-through payments:			
Town of Pocahontas, Virginia			
Community Development Block Grants/State's Program			
and Non-entitlement Grants in Hawaii	14.228	50797	8,000
Total Expenditures of Federal Awards			<u>\$ 1,724,947</u>

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Tazewell County Public Service Authority under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 -- Subrecipients

No awards were passed through to subrecipients.

Note 4 -- De Minimis Cost Rate

The Authority did not elect to use the 10 percent de minimis indirect cost rate as it typically only requests direct costs for reimbursement.

Note 5 -- Relationship to the Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Authority's basic financial statements as follows:

Loans	\$ 1,683,204
(Less state loans included in the above)	(555,599)
Capital Contributions	711,801
(Less state and local contributions included in the above)	(114,459)
Total federal expenditures per financial statements	<u>\$ 1,724,947</u>

Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs to report.

**Tazewell County Public Service Authority
(A Component Unit of Tazewell County, Virginia)
Schedule of Prior Audit Findings
For the Year Ended June 30, 2021**

Status of Prior Audit Findings:

There are no prior year findings.