

**DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Dickenson County Public Service Authority
Clintwood, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Dickenson County Public Service Authority, a component unit of Dickenson County, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Dickenson County Public Service 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 Dickenson County Public Service Authority, as of June 30, 2018, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pension funding on pages 36-38 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Dickenson County Public Service Authority's basic financial statements. The other supplementary information is 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 other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019, on our consideration of Dickenson 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 the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dickenson County Public Service Authority's internal control over financial reporting and compliance.



Blacksburg, Virginia
January 18, 2019

Basic Financial Statements

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Statement of Net Position
As of June 30, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 2,561,636
Restricted cash and cash equivalents:	
Customer deposits	278,245
Prepaid items	45,145
Grants receivable	296,008
Accounts receivable (net of allowance for uncollectibles)	224,579
Due from Dickenson County, Virginia	142,440
Total current assets	\$ 3,548,053
Noncurrent assets:	
Restricted cash and cash equivalents:	
Revenue bond covenant accounts	\$ 314,478
Capital assets (net of accumulated depreciation):	
Land	34,592
Construction in progress	2,793,493
Water and sewer systems	31,594,513
Buildings and improvements	173,014
Equipment and software	198,164
Total noncurrent assets	\$ 35,108,254
Total assets	\$ 38,656,307

DEFERRED OUTFLOWS OF RESOURCES

Pension related items	\$ 102,378
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LIABILITIES

Current liabilities:	
Accounts payable - operations	\$ 238,626
Accounts payable - construction	324,991
Customer deposits payable	278,245
Interest payable	8,087
Compensated absences - current portion	98,904
Revenue bonds payable - current portion	340,804
Total current liabilities	\$ 1,289,657
Noncurrent liabilities:	
Net pension liability	\$ 371,945
Compensated absences - net of current portion	32,968
Revenue bonds payable - net of current portion	7,529,151
Total noncurrent liabilities	\$ 7,934,064
Total liabilities	\$ 9,223,721

DEFERRED INFLOWS OF RESOURCES

Pension related items	\$ 50,546
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NET POSITION

Net investment in capital assets	\$ 26,598,830
Restricted for debt reserves	314,478
Unrestricted	2,571,110
Total net position	\$ 29,484,418

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2018

Operating revenues:	
Water charges	\$ 1,960,498
Sewer charges	393,384
Coal road	724,120
Penalties	12,119
Miscellaneous	61,067
Total operating revenues	\$ <u>3,151,188</u>
Operating expenses:	
Salaries and taxes	\$ 669,517
Retirement and life	6,494
Health insurance	231,672
Liability insurance	31,146
Water purchased	511,413
Utilities	145,226
Sampling	23,478
Permits	7,500
Contract services	21,608
Repairs and maintenance	661,217
Telephone and telemetry	10,048
Legal and professional services	2,910
Office expense	19,265
Postage and shipping	19,292
Advertising	1,416
Accounting	17,800
Equipment expense	4,714
Vehicle expense	45,964
Travel	2,679
Miscellaneous	45,086
Depreciation	897,030
Total operating expenses	\$ <u>3,375,475</u>
Operating income (loss)	\$ <u>(224,287)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 627
Interest expense	<u>(149,770)</u>
Total nonoperating revenues (expenses)	\$ <u>(149,143)</u>
Income (loss) before capital contributions	\$ <u>(373,430)</u>
Capital contributions:	
Federal grants	\$ 1,106,949
Contributions from Dickenson County, Virginia	473,725
Other grants	<u>695,523</u>
Total capital contributions:	\$ <u>2,276,197</u>
Change in net position	\$ 1,902,767
Net position, beginning of year	<u>27,581,651</u>
Net position, end of year	\$ <u><u>29,484,418</u></u>

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Receipts from customers	\$ 3,172,592
Payments to employees for services	(952,841)
Payments to suppliers for goods and services	(1,389,947)
Net cash provided by (used for) operating activities	\$ <u>829,804</u>
Cash flows from capital and related financing activities:	
Due from other governmental units	\$ (11,964)
Construction/acquisition of capital assets	(2,838,128)
Contributions and grants	2,039,661
Principal paid on debt	(332,884)
Interest paid on debt	(153,309)
Net cash provided by (used for) capital and related financing activities	\$ <u>(1,296,624)</u>
Cash flows from investing activities:	
Interest income	\$ <u>627</u>
Increase (decrease) in cash and cash equivalents	\$ (466,193)
Cash and cash equivalents at beginning of year (including restricted cash and cash equivalents of \$556,497)	<u>3,620,552</u>
Cash and cash equivalents at end of year (including restricted cash and cash equivalents of \$592,723)	\$ <u><u>3,154,359</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (224,287)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	897,030
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(2,724)
(Increase) decrease in prepaid items	10,270
(Increase) decrease in deferred outflows	28,222
Increase (decrease) in operating payables	170,545
Increase (decrease) in customer deposits	24,128
Increase (decrease) in compensated absences	3,951
Increase (decrease) in net pension liability	(122,502)
Increase (decrease) in deferred inflows	45,171
Net cash provided by (used for) operating activities	\$ <u><u>829,804</u></u>

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Dickenson County Public Service Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. The Financial Reporting Entity:

The Authority is a discretely presented component unit of the County of Dickenson, Virginia and is presented as such in the County's financial report for the fiscal year ended June 30, 2018.

B. Basis of Accounting:

Proprietary Funds - The accrual basis of accounting is used for the Authority. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

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

C. 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 estimated fair market 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized during the current or previous fiscal year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water & sewer systems	5-40
Equipment	3-10
Buildings and improvements	30-50
Software	3-7

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

D. Allowance for Uncollectible Accounts:

The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2018, the allowance amounted to approximately \$173,771.

E. Cash, Cash Equivalents, and Investments:

For the purposes of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less. Certificates of deposits are reported in the accompanying financial statements as cash and cash equivalents.

F. Use of Estimates:

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

G. Restricted Net Position:

Included in restricted cash and cash equivalents are amounts held in debt service reserve accounts in the amounts of \$314,478.

H. 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 obligation 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 obligation are also included in this component of net position.

I. Net Position Flow Assumption:

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

J. Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

K. 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 contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date. For more detailed information on these items, reference the pension note.

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 are reported as deferred inflows of resources. For more detailed information on these items, reference the pension note.

L. Pensions:

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

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DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). At June 30, 2018, the Authority had no investments.

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DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION:

A summary of changes in capital assets for the year follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 34,592	\$ -	\$ -	\$ 34,592
Construction in progress	467,449	3,006,250	(680,206)	2,793,493
Total assets not being depreciated	<u>\$ 502,041</u>	<u>\$ 3,006,250</u>	<u>\$ (680,206)</u>	<u>\$ 2,828,085</u>
Capital assets being depreciated:				
Water and sewer systems	\$ 41,411,889	\$ 680,206	\$ -	\$ 42,092,095
Building and improvements	173,869	58,297	-	232,166
Equipment and software	883,177	39,100	-	922,277
Total assets being depreciated	<u>\$ 42,468,935</u>	<u>\$ 777,603</u>	<u>\$ -</u>	<u>\$ 43,246,538</u>
Accumulated Depreciation:				
Water and sewer systems	\$ (9,655,740)	\$ (841,842)	-	\$ (10,497,582)
Building and improvements	(52,973)	(6,179)	-	(59,152)
Equipment and software	(675,104)	(49,009)	-	(724,113)
Total accumulated depreciation	<u>\$ (10,383,817)</u>	<u>\$ (897,030)</u>	<u>\$ -</u>	<u>\$ (11,280,847)</u>
Total assets being depreciated, net	<u>\$ 32,085,118</u>	<u>\$ (119,427)</u>	<u>\$ -</u>	<u>\$ 31,965,691</u>
Total capital assets, net	<u>\$ 32,587,159</u>	<u>\$ 2,886,823</u>	<u>\$ (680,206)</u>	<u>\$ 34,793,776</u>

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DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 4 - LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations:

The following is a summary of changes in long-term obligations of the Authority for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Revenue bonds	\$ 8,202,839	\$ -	\$ (332,884)	\$ 7,869,955
Net pension liability	494,447	243,440	(365,942)	371,945
Compensated absences	127,921	99,892	(95,941)	131,872
Total	<u>\$ 8,825,207</u>	<u>\$ 343,332</u>	<u>\$ (794,767)</u>	<u>\$ 8,373,772</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2019	\$ 340,804	\$ 144,797
2020	346,051	139,355
2021	351,373	133,740
2022	357,771	127,965
2023	364,249	122,028
2024-2028	1,911,357	515,120
2029-2033	1,973,338	339,348
2034-2038	777,812	212,897
2039-2043	557,753	147,294
2044-2048	507,467	77,953
2049-2053	333,636	18,179
2054-2057	48,344	1,084
	<u>\$ 7,869,955</u>	<u>\$ 1,979,760</u>

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 4 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations:

	Total Amount	Amount due Within One Year
Revenue Bonds:		
\$266,000 Rural Development Bond issue September 27, 2001 payable in monthly installments of principal and interest of \$1,022 through December 1, 2030; interest accruing at 3.25%	\$ 198,874	\$ 5,888
\$155,889 Virginia Resource Authority bond issued December 21, 2000 payable in semi-annual principal installments of \$2,646 through December 1, 2030; interest free loan	62,589	5,007
\$186,130 Virginia Resource Authority bond issued December 21, 2000 payable in semi-annual principal installments of \$2,843 through December 1, 2030; interest free loan	71,065	5,685
\$540,000 Virginia Resource Authority bond issued September 27, 2001 payable in semi-annual principal installments of \$9,000 through September 1, 2032; interest free loan	261,000	18,000
\$520,795 Virginia Resource Authority bond issued February 2, 2007 payable in semi-annual principal installments of \$8,680 through September 1, 2037; interest free loan	338,517	17,360
\$49,118 Virginia Resource Authority bond issued December 20, 2007 payable in semi-annual installments of principal of \$862 through September 1, 2037; interest free loan	31,707	1,626
\$321,200 Virginia Resource Authority bond issued June 13, 2008 payable in semi-annual installments of principal of \$5,353 through September 1, 2037; interest free loan	214,133	10,707
\$867,000 Rural Development bond issued March 18, 2009 payable in monthly installments of principal and interest of \$3,841 through March 1, 2049; interest accruing at 4.25%	788,732	12,819
\$480,000 Virginia Resource Authority bond issued July 2, 2009 payable in semi-annual installments or principal of \$8,000 through June 1, 2040; interest free loan	352,000	16,000

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 4 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations: (Continued)

	Total Amount	Amount Due Within One Year
Revenue Bonds: (continued)		
\$750,000 Virginia Resource Authority Bond issued July 2, 2009 payable in semi-annual installments of principal of \$12,500 through March 1, 2040; interest free loan	\$ 550,000	\$ 25,000
\$273,000 Rural Development Bond issued December 15, 2011 payable in semi-annual installments of principal of \$5,178 through December 15, 2054; interest accruing at 2.25%	251,345	5,113
\$598,000 Rural Development Bond issued November 28, 2012 payable in monthly payments of interest only for the 24 months, and then full payments of \$1,912 through June 30, 2051; interest accruing at 2.125%	559,794	11,180
\$3,918,000 Carter Bank & Trust Revenue Bond issued May 30, 2013 payable in semi-annual installments of principal and interest of \$136,013; interest accruing at 3.30%	1,274,000	67,000
\$594,000 Rural Development Bond issued August 20, 2013 payable in monthly installments of principal and interest of \$1,901 through August 20, 2053; interest accruing at 2.125%	564,252	10,927
\$232,885 Virginia Resource Authority bond issued September 18, 2015 payable in semi-annual installments of principal of \$6,973 through November 1, 2035; interest free loan	198,022	13,945
\$436,000 Rural Development Bond issued October 6, 2016 payable in monthly installments of principal and interest of \$1,208 through September 6, 2056; interest accruing at 1.375%	430,302	8,621
\$1,881,000 Virginia Resource Authority bond issued December 20, 2017 payable in semi-annual installments of principal varying of \$47,000-\$145,000 through December 1, 2032; interest accruing at 3.30%	1,723,623	105,926
Total revenue bonds payable	\$ 7,869,955	\$ 340,804

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 4 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Other Obligations:		
Net pension liability	\$ 371,945	\$ -
Compensated absences	<u>131,872</u>	<u>98,904</u>
Total other obligations	<u>\$ 503,817</u>	<u>\$ 98,904</u>
Total long-term obligations	<u><u>\$ 8,373,772</u></u>	<u><u>\$ 439,708</u></u>

NOTE 5 - COMPENSATED ABSENCES:

In accordance with Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, the Authority has an accrued liability arising from outstanding compensated absences. The Authority's employees earn vacation leave at various rates. No benefit or pay is received for unused sick leave upon termination. Accumulated vacation is paid upon termination. The Authority has outstanding accrued vacation pay totaling \$131,872.

NOTE 6 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment, through the County of Dickenson. 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 County of Dickenson 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.

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NOTE 6 - PENSION PLAN (Continued)

Plan Description (Continued)

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

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NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.</p>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

Pension Plan Data

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

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 9.80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$54,273 and \$52,992 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Authority reported a liability of \$371,945 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2017 and 2016 as a basis for allocation. At June 30, 2017 and 2016, the Authority's proportion was 7.9871% and 8.4128%, respectively.

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NOTE 6 - PENSION PLAN: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Dickenson County Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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.

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NOTE 6 - PENSION PLAN: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

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NOTE 6 - PENSION PLAN: (Continued)

Long-Term Expected Rate of Return

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

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

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

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NOTE 6 - PENSION PLAN: (Continued)

Discount Rate

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Authority's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	\$ 714,018	\$ 371,945	\$ 88,702

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DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

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

For the year ended June 30, 2018, the Authority recognized pension expense of \$56,318. 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, 2018, 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	\$ 24,118	\$ 3,770
Change in assumptions	-	11,366
Net difference between projected and actual earnings on pension plan investments	-	28,920
Change in proportionate share	23,987	6,490
Employer contributions subsequent to the measurement date	<u>54,273</u>	<u>-</u>
Total	\$ <u>102,378</u>	\$ <u>50,546</u>

\$54,273 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (1,464)
2020	25,048
2021	(5,082)
2022	(20,943)

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 7 - RISK MANAGEMENT:

The Authority participates with entities in a public entity risk pool for its coverage of general liability, auto, property, equipment and machinery, and crime insurance with the Virginia Association of Counties. Each member of the risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Virginia Association of Counties contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

NOTE 8 - COMMITMENTS AND CONTINGENCIES:

Operating Lease:

The Authority entered into an operating lease for maintenance and repairs on the Authority's wastewater plant and lift stations. The lease began January 1, 2014 and continued through December 31, 2015 with an annual fee of \$158,000 payable in monthly installments. The lease will be automatically renewed for successive terms of three years unless cancelled by either party no less than 120 days prior to expiration.

Construction Commitments:

The Authority was involved in major construction projects during the fiscal year as presented below, along with the anticipated funding source.

	<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2018</u>	<u>Funding Source</u>
George's Fork Sewer Project		\$ 8,061,364	\$ 3,592,248	Various Sources

NOTE 9 - LITIGATION:

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 10 - UPCOMING PRONOUNCEMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 10 - UPCOMING PRONOUNCEMENTS: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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Required Supplementary Information

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Schedule of the Authority's Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2015 through June 30, 2018

Dickenson County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)

Date (1)	Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
2017	7.9871%	\$ 371,945	\$ 567,935	65.49%	85.64%
2016	8.4128%	494,447	565,268	87.47%	81.06%
2015	8.3263%	393,355	558,405	70.44%	84.15%
2014	8.3263%	319,828	551,049	58.04%	86.32%

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Schedule of Employer Contributions
For the Years Ended June 30, 2015 through June 30, 2018

Dickenson County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the 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)
2018	\$ 54,273	\$ 54,273	-	\$ 566,738	9.58%
2017	52,992	52,992	-	567,935	9.33%
2016	61,715	61,715	-	565,268	10.92%
2015	60,755	60,755	-	558,405	10.88%

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Other Supplementary Information

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Combining Statement of Net Position
As of June 30, 2018

<u>ASSETS</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 2,088,481	\$ 473,155	\$ 2,561,636
Restricted cash and cash equivalents:			
Customer deposits	278,245	-	278,245
Prepaid items	38,373	6,772	45,145
Grants receivable	-	296,008	296,008
Accounts receivable (net of allowance for uncollectibles)	190,892	33,687	224,579
Interfund balances	821,703	(821,703)	-
Due from Dickenson County, Virginia	142,440	-	142,440
Total current assets	\$ 3,560,134	\$ (12,081)	\$ 3,548,053
Noncurrent assets:			
Restricted cash and cash equivalents:			
Revenue bond covenant accounts	\$ 314,478	\$ -	\$ 314,478
Capital assets (net of accumulated depreciation):			
Land	29,403	5,189	34,592
Construction in progress	20,783	2,772,710	2,793,493
Water and sewer systems	34,232,630	7,859,465	42,092,095
Buildings and improvements	197,341	34,825	232,166
Equipment and software	783,935	138,342	922,277
Less: accumulated depreciation	(8,417,202)	(2,863,645)	(11,280,847)
Total noncurrent assets	\$ 27,161,368	\$ 7,946,886	\$ 35,108,254
Total assets	\$ 30,721,502	\$ 7,934,805	\$ 38,656,307
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related items	\$ 66,414	\$ 35,964	\$ 102,378
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable - operations	\$ 209,331	\$ 29,295	\$ 238,626
Accounts payable - construction	269,743	55,248	324,991
Customer deposits payable	278,245	-	278,245
Interest payable	4,583	3,504	8,087
Compensated absences - current portion	84,068	14,836	98,904
Revenue bonds payable - current portion	261,859	78,945	340,804
Total current liabilities	\$ 1,107,829	\$ 181,828	\$ 1,289,657
Noncurrent liabilities:			
Net pension liability	\$ 316,153	\$ 55,792	\$ 371,945
Compensated absences - net of current portion	28,023	4,945	32,968
Revenue bonds payable - net of current portion	6,136,074	1,393,077	7,529,151
Total noncurrent liabilities	\$ 6,480,250	\$ 1,453,814	\$ 7,934,064
Total liabilities	\$ 7,588,079	\$ 1,635,642	\$ 9,223,721
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related items	\$ 44,959	\$ 5,587	\$ 50,546
<u>NET POSITION</u>			
Net investment in capital assets	\$ 20,179,214	\$ 6,419,616	\$ 26,598,830
Restricted for debt reserves	314,478	-	314,478
Unrestricted	2,661,186	(90,076)	2,571,110
Total net position	\$ 23,154,878	\$ 6,329,540	\$ 29,484,418

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Combining Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2018

	Water Fund	Sewer Fund	Total
Operating revenues:			
Water charges	\$ 1,960,498	\$ -	\$ 1,960,498
Sewer charges	-	393,384	393,384
Coal road	724,120	-	724,120
Penalties	12,119	-	12,119
Miscellaneous	58,516	2,551	61,067
Total operating revenues	\$ 2,755,253	\$ 395,935	\$ 3,151,188
Operating expenses:			
Salaries and taxes	\$ 569,089	\$ 100,428	\$ 669,517
Retirement and life	36,566	(30,072)	6,494
Health insurance	196,920	34,752	231,672
Liability insurance	26,474	4,672	31,146
Water purchased	511,413	-	511,413
Utilities	123,442	21,784	145,226
Sampling	19,956	3,522	23,478
Permits	6,375	1,125	7,500
Contract services	18,367	3,241	21,608
Repairs and maintenance	586,894	74,323	661,217
Telephone and telemetry	8,541	1,507	10,048
Legal and professional services	2,474	436	2,910
Office expense	16,376	2,889	19,265
Postage and shipping	16,398	2,894	19,292
Advertising	1,204	212	1,416
Accounting	15,130	2,670	17,800
Equipment expense	4,007	707	4,714
Vehicle expense	39,069	6,895	45,964
Travel	2,277	402	2,679
Miscellaneous	38,322	6,764	45,086
Depreciation	731,563	165,467	897,030
Total operating expenses	\$ 2,970,857	\$ 404,618	\$ 3,375,475
Operating income (loss)	\$ (215,604)	\$ (8,683)	\$ (224,287)
Nonoperating revenues (expenses):			
Interest income	\$ 533	\$ 94	\$ 627
Interest expense	(106,290)	(43,480)	(149,770)
Total nonoperating revenues (expenses)	\$ (105,757)	\$ (43,386)	\$ (149,143)
Income (loss) before capital contributions	\$ (321,361)	\$ (52,069)	\$ (373,430)
Capital contributions:			
Federal grants	\$ 404,014	\$ 702,935	\$ 1,106,949
Other grants	-	695,523	695,523
Contributions from Dickenson County, Virginia	-	473,725	473,725
Total capital contributions	\$ 404,014	\$ 1,872,183	\$ 2,276,197
Change in net position	\$ 82,653	\$ 1,820,114	\$ 1,902,767
Net position, beginning of year	23,072,225	4,509,426	27,581,651
Net position, end of year	\$ 23,154,878	\$ 6,329,540	\$ 29,484,418

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,777,065	\$ 395,527	\$ 3,172,592
Payments to employees for services	(809,914)	(142,927)	(952,841)
Payments to suppliers for goods and services	(1,267,606)	(122,341)	(1,389,947)
Net cash provided by (used for) operating activities	\$ 699,545	\$ 130,259	\$ 829,804
Cash flows from capital and related financing activities:			
Due from other governmental units	\$ (11,964)	\$ -	\$ (11,964)
Interfund balances	(852,620)	852,620	-
Construction/acquisition of capital assets	(331,654)	(2,506,474)	(2,838,128)
Contributions and grants	463,486	1,576,175	2,039,661
Principal paid on debt	(253,938)	(78,946)	(332,884)
Interest paid on debt	(109,651)	(43,658)	(153,309)
Net cash provided by (used for) capital and related financing activities	\$ (1,096,341)	\$ (200,283)	\$ (1,296,624)
Cash flows from investing activities:			
Interest income	\$ 533	\$ 94	\$ 627
Net cash provided (used) by investing activities	533	94	627
Increase (decrease) in cash and cash equivalents	\$ (396,263)	\$ (69,930)	\$ (466,193)
Cash and cash equivalents at beginning of year (including restricted cash and cash equivalents of \$556,497)	\$ 3,077,467	\$ 543,085	\$ 3,620,552
Cash and cash equivalents at end of year (including restricted cash and cash equivalents of \$592,723)	\$ 2,681,204	\$ 473,155	\$ 3,154,359
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (215,604)	\$ (8,683)	\$ (224,287)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	731,563	165,467	897,030
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(2,316)	(408)	(2,724)
(Increase) decrease in prepaid items	8,730	1,540	10,270
(Increase) decrease in deferred outflows	43,043	(14,821)	28,222
Increase (decrease) in net pension liability	(94,238)	(28,264)	(122,502)
Increase (decrease) in operating payables	160,383	10,162	170,545
Increase (decrease) in customer deposits	24,128	-	24,128
Increase (decrease) in compensated absences	3,358	593	3,951
Increase (decrease) in deferred inflows	40,498	4,673	45,171
Net cash provided by (used for) operating activities	\$ 699,545	\$ 130,259	\$ 829,804

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 of Directors
Dickenson County Public Service Authority
Clintwood, 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 Dickenson County Public Service Authority, a component unit of Dickenson County, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Dickenson County Public Service Authority's basic financial statements and have issued our report thereon dated January 18, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2018-001 and 2018-002].

Compliance and Other Matters

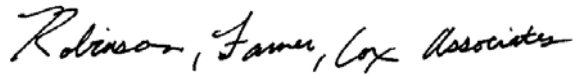
As part of obtaining reasonable assurance about whether Dickenson County Public Service Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

Dickenson County Public Service Authority's Response to Findings

Dickenson County Public Service Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Dickenson County Public Service Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Blacksburg, Virginia
January 18, 2019

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Dickenson County Public Service Authority
Clintwood, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Dickenson County Public Service Authority's, a component unit of Dickenson County, Virginia, 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 Dickenson County Public Service Authority's major federal programs for the year ended June 30, 2018. Dickenson 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 the Dickenson 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 Dickenson County Public Service 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 the Dickenson County Public Service Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Dickenson 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, 2018.

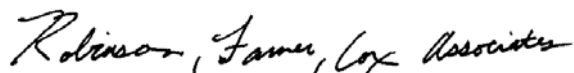
Report on Internal Control over Compliance

Management of the Dickenson 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 the Dickenson 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 Dickenson County Public Service 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
January 18, 2019

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON, COUNTY)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Cluster or Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>UNITED STATES DEPARTMENT OF AGRICULTURE:</i>			
Direct Payments:			
Rural Development:			
Water and Waste Disposal Systems for Rural Communities	10.760	Not applicable	\$ <u>1,911,949</u>
Total Expenditures of Federal Awards			\$ <u><u>1,911,949</u></u>

NOTE 1--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Dickenson County Public Service Authority under programs of the federal government for the year ended June 30, 2018. 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 cost principles contained in the 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.

(3) The Authority did not elect an indirect cost rate because they only request direct costs for reimbursement.

NOTE 3--OUTSTANDING BALANCE OF FEDERAL LOANS:

The Authority did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

NOTE 4--RELATIONSHIP TO THE FINANCIAL STATEMENTS:

Federal expenditures, revenues, and capital contributions are reported in Dickenson County Public Service Authority's basic financial statements as follows:

Federal Revenues	\$ 1,106,949
Expenditures in advance of loan proceeds	<u>805,000</u>
Total Expenditures of Federal Awards	\$ <u><u>1,911,949</u></u>

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) 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>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

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DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

2018-001

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and the related assets.
Condition:	Currently the Authority lacks a proper segregation of duties over the accounts payable and payroll functions.
Cause of Condition:	The Authority lacks the funding to fully support completely segregated accounts payable and payroll functions.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the accounts payable and payroll functions lack proper segregation of duties, however to alleviate the same would require additional staff. Due to cost constraints, the Authority has decided not to address the aforementioned internal control deficiencies.

2018-002

Criteria:	Per auditing standards, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report. In addition, the auditee should have sufficient internal controls over the preparation of financial statements in accordance with generally accepted accounting principles. Furthermore, reliance on the auditors to post such transactions is not a component of the auditee's internal controls.
Condition:	The Authority's records required significant adjustments by the auditors.
Cause of Condition:	Amounts paid by the County on behalf of the Authority for an ongoing construction project were not reflected in the Authority's trial balance as presented for audit.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal controls over financial reporting.
Recommendation:	Management should work to identify any projects that are in progress and ensure that any payments made by other parties on the Authority's behalf are incorporated in the trial balance.
Management's Response:	Management will review construction projects to ensure all activity is included in the trial balance in the future.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

2017-001 is repeated in the current year as 2018-001.
2017-002 is not repeated in the current year.