



# **DINWIDDIE COUNTY WATER AUTHORITY**

**A Component Unit of Dinwiddie County, Virginia**

## **FINANCIAL REPORT**

**June 30, 2020**

**BOARD OF DIRECTORS**

F. Edward Pearson, II, Chairman

David E. Blaha, Vice-Chairman

Gene R. Witt, Secretary and Treasurer

Robert Perkins

Thomas B. Wray

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Dinwiddie County Water Authority  
Dinwiddie, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Dinwiddie County Water Authority, a component unit of Dinwiddie County, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Dinwiddie County Water Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, specifications and the Guide 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 the Dinwiddie County Water Authority as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Summarized Comparative Information***

We have previously audited the Dinwiddie County Water Authority's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 7 and schedule of changes in net pension and other postemployment benefit (OPEB) liabilities and related ratios and schedule of contributions and related notes on pages 35 - 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 and disclosing pension and OPEB activities. 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 audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Dinwiddie County Water Authority's basic financial statements. The accompanying financial information, listed as supplementary information and other information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statements and schedules are the responsibility of management and were 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The pledged revenue coverage schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, on our consideration of Dinwiddie County Water 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dinwiddie County Water Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
September 21, 2020

**DINWIDDIE COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020 and 2019**

As management of the Dinwiddie County Water Authority, we offer readers of the Dinwiddie County Water Authority's financial statements this narrative overview and analysis of the financial activities of Dinwiddie County Water Authority for the fiscal years ended June 30, 2020 and 2019.

**Summary of Dinwiddie County Water Authority Operations**

The Dinwiddie County Water Authority (DCWA or the Authority) staff consists of 11 employees including 1 part-time employee. DCWA maintains two water distribution pump stations, 26 wastewater pump stations, 5 elevated water tanks (4 on DCWA and 1 in McKenney), one well system (Lew Jones - approximately 26 customers), one wastewater treatment plant, approximately 82 miles of water lines, and approximately 66 miles of wastewater collection lines.

Water is purchased from the Appomattox River Water Authority (ARWA) and distributed to the Authority's customers through the Main Water Pump Station on Ferndale Avenue (across from the Ferndale Park) and Booster Water Pump Station located on Central State's property on the north side of Boydton Plank Road then through the Authority's pipe network. The Lew Jones subdivision is served by a community well. Water service is also provided to a few customers adjacent to the County of Prince George by the County of Prince George and near the Town of McKenney by the Town of McKenney.

Wastewater service in the north end of the Dinwiddie County is collected in the Authority's gravity collection system and various wastewater pump stations and sent through two metering stations, one on Piney Beach and one near the City of Petersburg along Rohoic Creek. The Authority pays the City of Petersburg for the right to "transport" wastewater through their collection system to the South Central Wastewater Authority (SCWWA). The Authority then pays SCWWA to treat the wastewater.

Wastewater service to the Courthouse area is provided by a small collection system around the Courthouse area. Wastewater is also collected by various pump stations from the Route 85 rest stops, Dinwiddie Middle School, Dinwiddie High School, Dinwiddie Fire Department, and twenty five (25) residential and commercial connections. In the Courthouse area itself, there are some additional pump stations that serve the Pamplin building and elementary school. The wastewater collected is then sent to the Authority's Courthouse Wastewater Treatment Plant for treatment and discharge to Stony Creek.

**DINWIDDIE COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020 and 2019**

**Financial Highlights**

Selected financial information for 2020, 2019, and 2018 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total capital assets	\$ 21,055,597	\$ 21,721,441	\$ 18,244,531
Total assets and deferred outflows of resources	\$ 28,603,850	\$ 29,183,767	\$ 28,479,463
Total long-term liabilities	\$ 3,498,913	\$ 4,115,000	\$ 4,722,000
Total liabilities and deferred inflows of resources	\$ 4,582,360	\$ 5,437,160	\$ 5,868,304
Total operating revenues	\$ 3,895,178	\$ 3,693,671	\$ 3,707,850
Total operating expenses, excluding depreciation	\$ 2,912,645	\$ 2,772,484	\$ 2,770,868
Change in net position	\$ 274,883	\$ 1,135,448	\$ 1,947,348
Net position:			
Net investment in capital assets	\$ 16,996,967	\$ 13,884,479	\$ 12,992,639
Restricted	241,076	625,847	457,095
Unrestricted	<u>6,783,447</u>	<u>9,236,281</u>	<u>9,161,425</u>
Total net position, end of year	<u>\$ 24,021,490</u>	<u>\$ 23,746,607</u>	<u>\$ 22,611,159</u>

- Operating revenues increased from fiscal year 2019 to fiscal year 2020 by \$201,507 or approximately 5.46%. This increase is a result of increased water sales and corresponding sewer collection revenue. From a climatic standpoint, FY20 was considered a dry year.
- Contributions from the County for FY20 decreased by \$185,510 which is approximately 63.86% below FY19. The County did not make contributions to DCWA projects in FY20 as they did in FY19.
- The Authority's activities are divided into three operating funds; Fund 10 - the Operating (Main System) Fund, Fund 20 - the Courthouse Fund, and Fund 80 - the Church Road Fund. Total operating expenses excluding depreciation are \$139,876 or approximately 5.05% higher in fiscal year 2020 than fiscal year 2019. This is due to increased costs to repair and maintain water and sewer lines and a significant investment in upgrading our 15 year old SCADA system.
- The Courthouse Fund operating expenses, excluding depreciation, decreased by \$31,669 or approximately 12.28% from FY19. This decrease is attributed to reduced sewage pumping costs and reduced hours at the plant due to automation.
- The Church Road System Fund, Fund 80, realized a \$10,838 or approximately 4.81% decrease in operating expenses. The majority of this decrease is a result of reduced water sales and reduced pumping costs.
- During 2020, the Authority's liabilities decreased by \$835,149 or approximately 15.49%. The reduction in liabilities is primarily the result of continuing to make payments on the Authority's bonds.

(Continued)

**DINWIDDIE COUNTY WATER AUTHORITY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2020 and 2019**

**Financial Highlights (Continued)**

- The Authority has agreed by resolution with financial support from Dinwiddie County to participate in the required nutrient improvements for the South Central Wastewater Authority (SCWWA). The estimated cost of the nutrient improvements at the South Central Wastewater Authority is between \$60 million and \$65 million with Dinwiddie County responsible for 10%.

The Board of Directors for SCWWA agreed to purchase nutrient credits for nitrogen and phosphorous through 2020. It is anticipated that the nutrient project will be delayed until 2021. The current VPDES permit expires in 2021. The Authority will be responsible for a pro rata share for the operating costs of the new system and the debt service and interest. Dinwiddie County is responsible for 10% of the total cost of the nutrient project. Of that 10%, Authority customers are responsible for approximately 50% of the Dinwiddie County share. The Authority is considering a rate study to ensure the rates will fund all expenses including this project and increased operating expenses.

- The Authority participated with the developer of the Lake Jordan Subdivision to oversize the water line through the development adjacent to Route 1 from 8” to 16” in FY07. The oversizing cost of the water line is being reimbursed to the developer through reduced water connection fees for the developer per the Authority’s Rules and Regulations. This reimbursement is still in effect for FY20. During FY20, there were five connections that met the criteria for developer reimbursement. To date, the subdivision has not been built out.
- The unrestricted cash and cash equivalents decreased by \$80,995 or approximately 5.49%. This decrease is a result of fewer commercial connection fees in FY20 compared to FY19.
- The Authority continues to pay off debt service and interest on the existing bonds. This is illustrated by a reduction from FY19 to FY20 in long-term and total liabilities.

**Authority Highlights for 2020**

- Replaced all three pumps at the CHSTP pumping station. Installation, coordination and inspection by Authority staff.
- Built and installed a Lime Feeder system and building at the CHSTP. Coordination and inspection by plant staff. Installation of Building and equipment by contractor. (A&R Electrical)
- Maintained the control system for the Courthouse Wastewater Treatment Plant (CHSTP) treatment process.
- Commissioned Arcadis Engineering firm to develop a tank painting and inspection schedule for the Racetrack Elevated Tank. (500,000 Gal)
- Completed the SCADA project to replace the 15-year system that operates the main water distribution system and wastewater pump station.
- We have maintained continued compliance with the Department of Environmental Quality for the effluent from the CHSTP Wastewater Facility.
- We have maintained continued compliance with the Virginia Department of Health, Office of Drinking Water, for the DCWA Central Water System and the Lew Jones Subdivision Water System.

(Continued)

**DINWIDDIE COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020 and 2019**

**Authority Highlights for 2020 (Continued)**

- Successful FY19 annual audit.
- Reduced the laboratory monthly cost at the CHSTP Wastewater Facility.
- Continued annual funding of capital improvement program.
- The Authority continues to manage projects and provide significant savings for Dinwiddie County while supporting economic development.
- We continue to have a successful Land Development Committee with Dinwiddie County.
- We continue working with Arcadis Engineering on our catastrophic planning and grant writing to help pay for the possible second river crossing to provide water for Dinwiddie and Petersburg.
- We continue our flushing program for the Lake Jordan Subdivision to improve our water quality in that area.
- Bigg's Construction installed our new standby diesel pump and piping for the School House Lane Wastewater Pumping station.

**Overview of the Financial Statements**

The Authority's basic financial statements are comprised of two components: (1) financial statements and (2) notes to the financial statements. Additionally, supplementary combining information by fund accounts is included.

The financial statements of the Authority offer short and long-term financial information about its activities. The statement of net position provides information about the nature and amounts of the Authority's cash, investments and receivables (assets), and its obligations to creditors (liabilities). All of the Authority's current fiscal year revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. These statements measure whether the Authority successfully recovered all of its costs through user charges from its customers. The statement of cash flows provides information on the Authority's cash receipts, cash payments, and net changes in cash resulting from operating, investing, capital, and non-capital financial activities. It also provides insight on the source of cash, the use of cash, and cash changes during the reporting period.

**Economic Conditions**

The Authority continues to operate under sound management. Overall finances for the Authority for fiscal year 2020 as viewed by management, including the Board of Directors, is considered sound.

# DINWIDDIE COUNTY WATER AUTHORITY

## STATEMENT OF NET POSITION

June 30, 2020

	2020	For Comparative Purposes Only 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 1,395,253	\$ 1,476,248
Accounts receivable, net	599,253	587,477
Due from County	145,495	136,329
	<hr/>	<hr/>
Total current assets	2,140,001	2,200,054
	<hr/>	<hr/>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents (Note 3)	307,593	616,335
Net pension asset (Note 8)	129,551	219,859
	<hr/>	<hr/>
Total restricted assets	437,144	836,194
	<hr/>	<hr/>
<b>CAPITAL ASSETS, NET (Notes 4)</b>	21,055,597	21,721,441
	<hr/>	<hr/>
<b>OTHER ASSETS</b>		
Cash and cash equivalents, rate stabilization fund (Note 3)	640,563	630,295
Cash and cash equivalents, board designated (Note 3)	4,251,058	3,755,062
	<hr/>	<hr/>
Total other assets	4,891,621	4,385,357
	<hr/>	<hr/>
Total assets	28,524,363	29,143,046
	<hr/>	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on bond refunding (Note 5)	13,370	18,830
Pension deferrals (Note 8)	57,713	17,081
OPEB deferrals (Note 9)	8,404	4,810
	<hr/>	<hr/>
Total deferred outflows of resources	79,487	40,721
	<hr/>	<hr/>
	<u>\$ 28,603,850</u>	<u>\$ 29,183,767</u>

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

**DINWIDDIE COUNTY WATER AUTHORITY**

**STATEMENT OF NET POSITION**

**June 30, 2020**

**(Continued)**

	<b>2020</b>	<b>For Comparative Purposes Only 2019</b>
	<hr/>	<hr/>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 217,024	\$ 451,678
Accrued interest payable	12,916	15,083
Bonds payable, current portion (Note 6)	618,000	607,000
Unearned connection fees	12,580	16,246
	<hr/>	<hr/>
Total current liabilities	860,520	1,090,007
	<hr/>	<hr/>
<b>FROM RESTRICTED ASSETS</b>		
Customer deposits	196,793	186,368
	<hr/>	<hr/>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable, less current portion (Note 6)	3,454,000	4,072,000
Net OPEB liability (Note 9)	44,913	43,000
	<hr/>	<hr/>
Total long-term liabilities	3,498,913	4,115,000
	<hr/>	<hr/>
Total liabilities	4,556,226	5,391,375
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals (Note 8)	21,939	41,785
OPEB deferrals (Note 9)	4,195	4,000
	<hr/>	<hr/>
Total deferred inflows of resources	26,134	45,785
	<hr/>	<hr/>
<b>NET POSITION</b>		
Net investment in capital assets	16,996,967	13,635,759
Restricted, capital projects (Note 7)	111,525	430,692
Restricted, pension (Note 7)	129,551	219,859
Unrestricted	6,783,447	9,460,297
	<hr/>	<hr/>
Total net position	24,021,490	23,746,607
	<hr/>	<hr/>
	<u>\$ 28,603,850</u>	<u>\$ 29,183,767</u>

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

# DINWIDDIE COUNTY WATER AUTHORITY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2019

	2020	For Comparative Purposes Only 2019
OPERATING REVENUES		
Operating revenues:		
Sewer charges	\$ 1,604,751	\$ 1,568,223
Sale of water	1,782,621	1,702,015
County use and operation fees	302,357	298,125
Penalty and service charges	79,561	91,070
Fire hydrant rental	1,199	1,199
Miscellaneous	124,689	33,039
Total operating revenues	3,895,178	3,693,671
OPERATING EXPENSES, other than depreciation		
Water, source of supply	457,360	434,674
Water, pumping	67,274	45,174
Water, transmission and distribution	116,637	130,259
Sewage, pumping	146,459	137,562
Sewage, treatment	921,384	921,771
Sewage, transmission and distribution	103,044	86,761
Maintenance shop	126,926	143,148
Customer accounts	297,137	252,050
Administrative	676,424	621,085
Total operating expenses, other than depreciation	2,912,645	2,772,484
Operating income before depreciation	982,533	921,187
DEPRECIATION	(1,052,994)	(1,015,397)
Operating loss	(70,461)	(94,210)
NONOPERATING REVENUES (EXPENSES)		
Interest earned	73,305	95,055
Contributions from the County	105,000	290,510
Loss on disposal of capital assets	-	(16,019)
Service and connection fees	270,697	387,044
Interest expense	(103,658)	(115,987)
Total nonoperating revenues	345,344	640,603
Income before contributed capital	274,883	546,393

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

**DINWIDDIE COUNTY WATER AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
Year Ended June 30, 2019**

**(Continued)**

	<b>2020</b>	<b>For Comparative Purposes Only 2019</b>
Contributed capital, developer paid infrastructure	<u>\$ -</u>	<u>\$ 589,055</u>
Change in net position	274,883	1,135,448
Net position, beginning of year	<u>23,746,607</u>	<u>22,611,159</u>
Net position, end of year	<u><u>\$ 24,021,490</u></u>	<u><u>\$ 23,746,607</u></u>

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

# DINWIDDIE COUNTY WATER AUTHORITY

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

	2020	For Comparative Purposes Only 2019
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 3,769,138	\$ 3,633,214
Cash receipts from other income	124,689	33,039
Cash payments to employees for services	(601,387)	(599,770)
Cash payments for water related services and supplies	(621,566)	(628,414)
Cash payments for sewage related services and supplies	(930,969)	(847,975)
Cash payments for shop maintenance expenses	(92,744)	(105,226)
Cash payments for customer accounts expenses	(123,855)	(93,373)
Cash payments for administrative expenses	(327,908)	(333,987)
Net cash provided by operating activities	1,195,398	1,057,508
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Service and connection fees	267,031	387,044
Costs reimbursed by (paid on behalf) of School Board	-	115,695
Net cash provided by noncapital financing activities	267,031	502,739
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(822,739)	(493,759)
County contributions	110,897	290,510
Economic development costs received (paid)	-	53,473
Interest paid	(100,365)	(111,842)
Principal retired	(607,000)	(598,000)
Net cash used by capital and related financing activities	(1,419,207)	(859,618)
<b>INVESTING ACTIVITIES</b>		
Interest received	73,305	95,055
Net increase in cash and cash equivalents	116,527	795,684
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	6,477,940	5,682,256
End of year	\$ 6,594,467	\$ 6,477,940

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

# DINWIDDIE COUNTY WATER AUTHORITY

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

(Continued)

	<u>2020</u>	<u>For Comparative Purposes Only 2019</u>
<b>RECONCILIATION OF CASH TO THE STATEMENTS OF NET POSITION</b>		
Cash and cash equivalents, current assets	\$ 1,395,253	\$ 1,476,248
Cash and cash equivalents, restricted assets	307,593	616,335
Cash and cash equivalents, rate stabilization fund	640,563	630,295
Cash and cash equivalents, board designated	4,251,058	3,755,062
	<u>\$ 6,594,467</u>	<u>\$ 6,477,940</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (70,461)	\$ (94,210)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,052,994	1,015,397
Amortization of sewer contract costs	186,869	186,869
Changes in current assets and liabilities:		
Accounts receivable, net	(11,776)	(38,262)
Due from County	(15,063)	30,461
Prepaid expenses	-	40,727
Accounts payable and accrued expenses	14,066	(10,870)
Change in customer deposits	10,425	10,844
Net pension asset/liability and related deferred inflows/outflows of resources	29,830	(80,471)
Net OPEB liability and related deferred inflows/outflows of resources	(1,486)	(2,977)
	<u>\$ 1,195,398</u>	<u>\$ 1,057,508</u>
Net cash provided by operating activities		
	<u>\$ 1,195,398</u>	<u>\$ 1,057,508</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Contributed capital	<u>\$ -</u>	<u>\$ 589,055</u>
Capital purchases accrued at year-end	<u>\$ -</u>	<u>\$ 248,720</u>

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

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 1. Organization and Nature of Business

Dinwiddie County Water Authority (Authority) was created by the Board of Supervisors of Dinwiddie County, Virginia under the provisions of the Virginia Water and Sewer Authorities Act. The Act provides that the Authority is subject in all respects to the jurisdiction of the Virginia State Water Control Board pursuant to the provisions of the State Water Control Law. The Authority was established for the purpose of providing and maintaining water and sewer facilities to residential and commercial customers within Dinwiddie County and is constantly improving and expanding its facilities to serve a greater number of residents and businesses.

### 2. Summary of Significant Accounting Policies

#### Reporting entity

The Authority is considered a component unit of Dinwiddie County (County) for governmental accounting standards purposes. The criteria for including the Authority within the County's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose the primary government's will or the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the primary government. The Authority's Board of Directors is appointed by the Board of Supervisors of Dinwiddie County. The Authority and Dinwiddie County have Support Agreements, whereby the County will, subject to appropriation, pay the Authority budgeted amounts for debt service of the Series 2005 and Series 2006 Water and Sewer Revenue Bonds and Series 2012 Water System Revenue Refunding Bond, for operation and maintenance of the Courthouse System and Church Road System, and for deficiencies in the operating revenues of the Authority's main water and sewer system. The Support Agreements also require the Director of the Authority to notify the County Administrator if in any month the Authority is unable to make its required debt service payment, and to request an appropriation from the Board of Directors to make up any deficiency. The existence of these Support Agreements satisfies the criteria of "imposing a financial burden on the primary government," thus making the County financially accountable for the Authority.

#### Basis of accounting

The Authority utilizes the economic resources measurement focus and the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses when incurred.

#### Fund accounting

The accounts of the Authority are organized on the basis of funds which are divided based on the geographic location of the customers served. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses as appropriate. The following funds have been consolidated for financial reporting purposes and all inter-fund balances and activity have been removed:

(Continued)

# **DINWIDDIE COUNTY WATER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

### **2. Summary of Significant Accounting Policies (Continued)**

#### **Operating Fund**

The Operating Fund is used to account for activities which are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the Authority's business activities are accounted for through the Operating Fund.

#### **Courthouse Fund**

The Courthouse Fund accounts for the operations of the courthouse facilities in accordance with the Series 2004 Water and Sewer Revenue Refunding Bond Trust Agreement, which also governs the Series 2005 and Series 2006 Water and Sewer Revenue Bonds. The Series 2004 Water and Sewer Revenue Refunding Bonds were paid off in FY11.

#### **Church Road System Fund**

The Church Road System Fund accounts for the operations of the Church Road Water System facilities in accordance with the Series 1999 Water System Revenue Bond (replaced in fiscal year 2014 with the Series 2012 Water System Revenue Refunding Bond) Trust Agreement.

#### Cash and cash equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Some cash and cash equivalents have been designated by the board to offset the impact of future rate changes for customers, and also to fund future capital improvements.

#### Accounts receivable

The Authority evaluates its accounts receivable individually. A charge to income to absorb possible credit losses is provided when, in the opinion of management, it is appropriate. At June 30, 2020, \$31,155 of accounts receivable were not considered collectible and, as such, an allowance has been recorded.

#### Unbilled receivables

Unbilled receivables represent an estimate of the amount of July billings subsequent to year end that relate to service provided prior to year-end. At June 30, 2020, unbilled receivables of \$318,597 were included in accounts receivable on the statement of net position. These amounts are considered to be fully collectible and, as such, no allowance has been recorded.

#### Capital assets

Capital assets are stated at cost and are depreciated using the straight-line method based on estimated useful lives of 5 to 50 years. When assets are disposed, the related costs and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized currently.

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 2. Summary of Significant Accounting Policies (Continued)

Developer paid infrastructure is capitalized when ownership is transferred to the Authority. Such contributions are recognized at the estimated fair market value and are included as contributed capital on the statement of revenues, expenses, and changes in net position and are depreciated using the straight-line method based on estimated lives of 50 years.

Depreciable lives are as follows:

Buildings	40 years
Equipment	5 to 15 years
Infrastructures	20 to 50 years

Maintenance and ordinary repairs are charged to expense as incurred. Expenditures which materially increase values, change capacities or extend useful lives are capitalized.

#### South Central Wastewater Authority (SCWWA) treatment plant rights

The Authority and other participating localities have an agreement with SCWWA to benefit from a certain wastewater treatment plant of the SCWWA. The Authority and other participating localities are not authorized to hold legal title to the plant; thus SCWWA holds title to these assets. Through long-term contracts, the risks and benefits of operating and maintaining the assets have been transferred to the Authority and other participating localities, and thus have been included in the Authority's capital assets as purchased capacity. The Authority and other participating localities are responsible for a portion of the debt incurred for these facilities. Unamortized sewer contract costs are being amortized over forty years using the straight-line method. The amortization of \$186,869 for fiscal year 2020 is included in sewage-treatment expense and are included in operating fund capital assets (See Notes 4 and 10).

#### Deferred amount on refunding

The deferred amount on refunding, resulting from the advance refunding of the Series 1999 Revenue Bonds is being amortized using the effective interest method over the life of the Series 2012 Bond. The amortization of \$5,460 is included in interest expense for fiscal year 2020.

#### Compensated absences

All salaried and full time hourly employees are granted vacation benefits in varying amounts to specified maximums depending on length of service with the Authority. There is no accumulation of vacation from fiscal year to fiscal year. Sick leave is earned each month and may be accumulated without limit and is included in accounts payable and accrued expenses on the statement of net position. Employees who retire from the Authority will be paid for 25% of sick leave accumulated, up to a maximum of \$2,500.

#### Operating revenues and expenses

The Authority's policy is to report all revenues and expenses resulting from providing and maintaining water and sewer facilities to residential and commercial customers as operating revenues and expenses.

(Continued)

## DINWIDDIE COUNTY WATER AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

#### 2. Summary of Significant Accounting Policies (Continued)

##### Credit risk

Financial instruments that potentially subject the Authority to concentrations of credit risk consist principally of cash, cash equivalents, and trade accounts receivable. The Authority places its cash and cash equivalents with high credit quality financial institutions whose credit ratings are monitored by management to minimize credit risk. The concentration of credit risk for accounts receivable is limited due to the mixture of customers between commercial and residential, and support agreements with Dinwiddie County.

The Authority has an agreement with the Commonwealth of Virginia, Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) for the acceptance of wastewater generated at DMHMRSAS facilities. DMHMRSAS shall reimburse the Authority for the costs of all changes and improvements for the purposes of metering their flow. DMHMRSAS will pay the Authority, on a monthly basis, in accordance with the Authority's published service rates. The agreement shall remain in effect until 2036. Revenues of \$150,686 for the year ended June 30, 2020, are included in water and sewer charges on the statement of revenues, expenses and changes in net assets.

##### Pensions

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

##### Other post-employment benefits

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance other postemployment benefit (OPEB) Program liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

## DINWIDDIE COUNTY WATER AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

#### 2. Summary of Significant Accounting Policies (Continued)

##### Deferred outflows/inflows of resources

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Authority has the following items that qualify for reporting in this category:

- Deferred loss on refunding. A deferred loss on refunding is a deferred outflow which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has the following items that qualify for reporting in this category:

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Differences resulting from changes in actuarial assumptions on pension plan or OPEB valuations. These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.

##### Risk management

The Authority carries commercial insurance for various risks of loss including property, workers' compensation, theft, general liability, errors and omissions, employee health and accident, and public officials' liability. There have been no claims which have exceeded the amount insured resulting from these risks during the current year and there was no reduction in coverage during fiscal years 2020.

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 2. Summary of Significant Accounting Policies (Continued)

#### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

### 3. Cash, Cash Equivalents 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.

Cash and cash equivalents consist of the following:

Petty cash	\$ 800
Demand deposits, local banks	2,096,104
Local Government Investment Pool	<u>4,497,563</u>
	<u>\$ 6,594,467</u>

#### 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).

#### Concentration of credit risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. government or agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. government or agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. government or agency securities. At June 30, 2020, the Authority's deposits with LGIP were rated AAAM by Standard & Poor's.

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2020

### 4. Capital Assets

Capital assets owned by the Authority consist of the following:

	<u>Balance June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Operating fund:				
Capital assets, non-depreciable:				
Construction in process	\$ 401,860	\$ 241,105	\$ (642,965)	\$ -
Land and improvements	<u>321,244</u>	<u>-</u>	<u>-</u>	<u>321,244</u>
Total capital assets, non-depreciable	<u>723,104</u>	<u>241,105</u>	<u>(642,965)</u>	<u>321,444</u>
Capital assets, depreciable:				
Unamortized sewer contract costs	7,389,111	-	-	7,389,111
Buildings	219,092	-	-	219,092
Equipment	1,384,597	265,604	(241,240)	1,408,961
Infrastructure	<u>24,120,933</u>	<u>445,435</u>	<u>-</u>	<u>24,566,368</u>
Total capital assets, depreciable	<u>33,113,733</u>	<u>711,039</u>	<u>(241,240)</u>	<u>33,583,532</u>
Accumulated depreciation for:				
Unamortized sewer contract costs	(4,212,319)	(186,869)	-	(4,399,188)
Buildings	(175,495)	(2,540)	-	(178,035)
Equipment	(846,153)	(67,781)	241,240	(672,694)
Infrastructure	<u>(12,755,659)</u>	<u>(553,632)</u>	<u>-</u>	<u>(13,309,291)</u>
Total accumulated depreciation	<u>(17,989,626)</u>	<u>(810,822)</u>	<u>241,240</u>	<u>(18,559,208)</u>
Total capital assets, depreciable, net	<u>15,124,107</u>	<u>(99,873)</u>	<u>-</u>	<u>15,020,324</u>
Operating capital assets, net	<u>15,847,211</u>	<u>141,322</u>	<u>(642,965)</u>	<u>15,345,568</u>
Courthouse fund:				
Capital assets, non-depreciable:				
Construction in process	<u>-</u>	<u>83,648</u>	<u>-</u>	<u>83,648</u>
Capital assets, depreciable:				
Buildings	2,633,460	-	-	2,633,460
Equipment	573,489	36,727	-	610,216
Infrastructure	<u>4,349,442</u>	<u>17,584</u>	<u>-</u>	<u>4,367,026</u>
Total capital assets, depreciable	<u>7,556,391</u>	<u>54,311</u>	<u>-</u>	<u>7,610,702</u>
Accumulated depreciation for:				
Buildings	(1,732,279)	(72,301)	-	(1,804,580)
Equipment	(148,075)	(31,123)	-	(179,198)
Infrastructure	<u>(2,188,889)</u>	<u>(191,332)</u>	<u>-</u>	<u>(2,380,221)</u>
Total accumulated depreciation	<u>(4,069,243)</u>	<u>(294,756)</u>	<u>-</u>	<u>(4,363,999)</u>
Courthouse Fund capital assets, net	<u>3,487,148</u>	<u>(156,797)</u>	<u>-</u>	<u>3,330,351</u>

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2020

### 4. Capital Assets (Continued)

	<u>Balance June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Church Road System Fund:				
Capital assets, depreciable:				
Buildings	\$ 1,025,547	\$ -	\$ -	\$ 1,025,547
Equipment	10,000	-	-	10,000
Infrastructure	<u>3,838,575</u>	<u>126,882</u>	<u>-</u>	<u>3,965,457</u>
Total capital assets, depreciable	<u>4,874,122</u>	<u>126,882</u>	<u>-</u>	<u>5,001,004</u>
Accumulated depreciation for:				
Buildings	(407,445)	(21,998)	-	(429,433)
Equipment	(4,833)	(1,000)	-	(5,833)
Infrastructure	<u>(2,074,040)</u>	<u>(112,020)</u>	<u>-</u>	<u>(2,186,060)</u>
Total accumulated depreciation	<u>(2,487,040)</u>	<u>(135,008)</u>	<u>-</u>	<u>(2,621,326)</u>
Church Road System Fund capital assets, net	<u>2,387,082</u>	<u>(8,126)</u>	<u>-</u>	<u>2,379,678</u>
	<u>\$ 21,721,441</u>	<u>\$ (23,601)</u>	<u>\$ (642,965)</u>	<u>\$ 21,055,597</u>

Construction in process consists of the following:

	<u>Incurred through June 30, 2020</u>	<u>Committed at June 30, 2020</u>
Zinc Improvement Project	<u>\$ 83,648</u>	<u>\$ -</u>

### 5. Advance Refunding

On August 1, 2012, the Authority issued \$2.64 million in Revenue Bonds with a coupon rate ranging between 2.1 and 2.7 percent to advance refund \$3.055 million of outstanding bonds with an interest rate of 5.8 percent. The \$2,584,505 in net proceeds (after a bond discount of \$7,491 and payment of \$48,004 in underwriting fees and other issuance costs), along with \$546,575 in existing reserves, was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. These bonds were discharged in September 2012.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$76,080. This difference, reported in the accompanying financial statements as a deferred amount on bond refunding, is being charged to the Authority's operations through the year 2025 using the effective-interest method. The Authority completed the advance refunding to reduce its total debt service payments over the next 12 years by approximately \$1.3 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1 million.

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2020

### 6. Bonds Payable

Bonds payable consist of the following:

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding June 30, 2020</u>
Series 2016A - Main System Bonds:		
\$3,486,000 due in annual installments ranging from \$186,000 to \$257,000, through 2032, bearing a 2.27% interest. The revenues of the Authority's Water and Sewer System, exclusive of the Courthouse and Church Road System Funds, are pledged to pay the principal and interest of the bonds. No debt service reserve is required.	\$ 3,486,000	\$ 2,719,000
Series 2016B - Main System Bonds:		
\$962,000 due in annual installments ranging from \$189,000 to \$198,000, through 2021, bearing a 1.31% interest. The revenues of the Authority's Courthouse Fund are pledged to pay the principal and interest of the bonds. No debt service reserve is required.	962,000	198,000
Series 2012 Water System Revenue Refunding Bond:		
\$2,640,000 due in annual installments ranging from \$195,000 to \$240,000, through 2025, with an interest rate ranging between 2.7% and 2.1%. The revenues of the Authority's Church Road System Fund are pledged to pay the principal and interest of the bond. No debt service reserve is required.	2,640,000	<u>1,155,000</u>
Total bonds payable		<u>\$ 4,072,000</u>
Bonds payable, current		\$ 618,000
Bonds payable, noncurrent		<u>3,454,000</u>
		<u>\$ 4,072,000</u>

Activity in the bonds payable and related accounts for fiscal year 2020 follows:

	<u>Balance June 30, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2020</u>	<u>Amount Due Within One Year</u>
Total bonds outstanding	<u>\$ 4,679,000</u>	<u>\$ -</u>	<u>\$ 607,000</u>	<u>\$ 4,072,000</u>	<u>\$ 618,000</u>

(Continued)

**DINWIDDIE COUNTY WATER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**6. Bonds Payable (Continued)**

Future principal and interest obligations related to bond indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 618,000	\$ 88,005	\$ 706,005
2022	429,000	77,095	506,095
2023	444,000	66,881	510,881
2024	448,000	56,152	504,162
2025	458,000	44,971	502,971
2026 - 2030	1,168,000	131,660	1,299,660
2031 - 2032	<u>507,000</u>	<u>13,008</u>	<u>520,008</u>
	<u>\$ 4,072,000</u>	<u>\$ 477,712</u>	<u>\$ 4,549,712</u>

**7. Restricted Net Position**

Restricted net position represents the portion of total net position held for capital projects and pensions.

**8. Defined Benefit Pension Plan**

The Authority contributes to the Virginia Retirement System (VRS), an agent, multiple-employer defined benefit pension plan administered by the VRS.

Plan description

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

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

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

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 8. Defined Benefit Pension Plan (Continued)

#### Employees covered by benefit terms

As of the June 30, 2018, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>5</u>
Inactive members:	
Vested	1
Non-vested	7
Active elsewhere in VRS	<u>4</u>
Total inactive members	<u>12</u>
Active members	<u>11</u>
	<u>28</u>

#### Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2020, was 2.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$13,254 for the year ended June 30, 2020.

#### Net pension liability (asset)

A political subdivision's net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 8. Defined Benefit Pension Plan (Continued)

#### Actuarial assumptions

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees - 15 to 20% of deaths are assumed to be service related. Public Safety Employees - 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 - Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Public Safety Employees - Largest 10 - Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 8. Defined Benefit Pension Plan (Continued)

#### Long-term expected rate of return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
	<u>100.00%</u>		5.13%
	Inflation		<u>2.50%</u>
			<u>7.63%</u>

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 8. Defined Benefit Pension Plan (Continued)

#### Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in net pension liability (asset)

	<b>Total Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at June 30, 2018	\$ 2,120,878	\$ 2,340,737	\$ (219,859)
Changes for the year:			
Service cost	66,235	-	66,235
Interest	146,915	-	146,915
Changes of assumptions	68,939	-	68,939
Difference between expected and actual experience	4,649	-	4,649
Contributions, employer	-	13,802	(13,802)
Contributions, employee	-	26,642	(26,642)
Net investment income	-	157,608	(157,608)
Benefit payments, including refunds of employee contributions	(44,186)	(44,186)	-
Administrative expense	-	(1,521)	1,521
Other changes	-	(100)	100
Net changes	<u>242,552</u>	<u>152,245</u>	<u>90,307</u>
Balances at June 30, 2019	<u>\$ 2,363,430</u>	<u>\$ 2,492,981</u>	<u>\$ (129,551)</u>

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 8. Defined Benefit Pension Plan (Continued)

#### Sensitivity of the net pension liability (asset) to changes in the discount rate

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

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Authority's Net Pension Liability (Asset)	\$ 177,768	\$ (129,551)	\$ (378,217)

#### Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ending June 30, 2020, the Authority recognized pension expense of \$42,460. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,544	\$ -
Changes of assumptions	40,915	-
Employer contributions made subsequent to measurement date	13,254	-
Net difference between projected and actual earnings on plan investments	-	21,939
	<u>\$ 57,713</u>	<u>\$ 21,939</u>

The \$13,254 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 (increase) to the Net Pension Liability (Asset) in the fiscal year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to Pension Expense</u>
2021	\$ 28,891
2022	(6,967)
2023	(616)
2024	1,212

(Continued)

## DINWIDDIE COUNTY WATER AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

#### 8. Defined Benefit Pension Plan (Continued)

##### Pension plan data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### 9. Other Post-Employment Benefits

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

##### Group life insurance program

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

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

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

##### Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the GLI Program from the entity were \$2,581 for the year ended June 30, 2020.

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 9. Other Post-Employment Benefits (Continued)

GLI OPEB liabilities, GLI OPEB expense, and deferred outflows of resources and deferred inflows of resources related to the GLI program OPEB

At June 30, 2020, the Authority reported a liability of \$44,913 for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB liability was measured as of June 30, 2019, and the total GLI OPEB liability used to calculate the Net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the Authority's actuarially determined employer contributions to the GLI program for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Authority's proportion was 0.00276% as compared to 0.00286% at June 30, 2018.

For the year ended June 30, 2020, the Authority recognized GLI OPEB expense of \$790. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,987	\$ 583
Changes of assumptions	2,836	1,354
Employer contributions made subsequent to measurement date	2,581	-
Changes in proportionate share	-	1,335
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>923</u>
	<u>\$ 8,404</u>	<u>\$ 4,195</u>

\$2,581 reported as deferred outflows of resources related to the GLI OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future periods as follows:

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2021	\$ (89)
2022	(89)
2023	302
2024	658
2025	674
Thereafter	172

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 9. Other Post-Employment Benefits (Continued)

#### Actuarial assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	6.75% Percent, net of 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 8.

#### Net GLI OPEB liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	<b><u>Group Life Insurance OPEB Program</u></b>
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
Employers' Net GLI OPEB Liability	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 9. Other Post-Employment Benefits (Continued)

#### Long-term expected rate of return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
	<u>100.00%</u>		5.13%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.63%</u>

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

#### Discount rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 9. Other Post-Employment Benefits (Continued)

#### Sensitivity of the Authority's proportionate share of the net GLI OPEB liability to changes in the discount rate

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

	<b>1% Decrease 5.75%</b>	<b>Current Discount Rate 6.75%</b>	<b>1% Increase 7.75%</b>
Authority's proportionate share of the GLI program net OPEB liability	\$ 59,003	\$ 44,913	\$ 33,486

#### GLI program fiduciary net position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### 10. Purchase Agreements and Other Commitments

The County of Dinwiddie has a contract with the Appomattox River Water Authority (ARWA) for the purchase of an adequate supply of filtered water for the inhabitants of Dinwiddie County. That amount is then, by agreement, billed to the Authority. Water purchases for resale under this agreement for the year ended June 30, 2020, were \$436,435. ARWA is in the initial stages of an approximately \$90,000,000 improvement which will be financed through the issuance of bonds. The County of Dinwiddie will be responsible for 6.75% of the debt service costs, which are expected to be passed on to the Authority.

The Authority has an agreement with the Town of McKenney for the supply of water and sewage disposal for customers of the Authority located around the Town. This agreement is automatically renewed annually unless either party gives notice of termination. For the year ended June 30, 2020, water purchases for resale were \$8,895, and sewage disposal charges totaled \$8,667.

The Authority and Dinwiddie County along with the City of Petersburg, the City of Colonial Heights, Chesterfield County, and Prince George County are the members of the South Central Wastewater Authority (SCWWA). The SCWWA is a regional authority created to own and operate the existing 20 million gallon wastewater treatment facility located in the City of Petersburg. This agreement is in effect until the SCWWA's RLF Bond, the City of Petersburg's debt and any other SCWWA bonds have been paid or are deemed no longer outstanding and, all incorporating subdivisions have unanimously agreed to such termination.

(Continued)

# DINWIDDIE COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 10. Purchase Agreements and Other Commitments (Continued)

The agreement with SCWWA for wastewater conveyance expires July 2036. Sewage disposal charges were \$663,079 for the year ended June 30, 2020. This amount is subject to final adjustment, which is not known until the following fiscal year; therefore, the final adjustment is not reflected in these financial statements. However, the impact is not expected to be significant. The Authority's cost of \$7,389,111 for ten percent of sewer treatment capacity and the connection fee to SCWWA are being amortized over forty years. The SCWWA is in the initial stages of an approximately \$60,000,000 to \$65,000,000 improvement which will be financed through the issuance of bonds. Dinwiddie County will be responsible for 10% of the debt service costs.

### 11. Related Parties

The Authority's relationship with SCWWA is discussed at Note 10. The Authority has also entered into several support agreements with Dinwiddie County related to the Courthouse and Church Road systems. Payments received from the County pursuant to these agreements are included in Contributions from County on the Statement of Revenues, Expenses and Changes in Net Position.

### 12. Leases

The Authority entered into a communications site lease agreement with a wireless communications services company for the use of land owned by the Authority. The lease, beginning in October 2006, is for a five year period with five optional renewal periods of five year terms. The base rent of \$1,500 increases by 3% each year. For the year ended June 30, 2020, lease revenue to the Authority was \$26,241, with the current renewal period expiring in September 2021.

Minimum future lease revenue is as follows:

<u>Year Ending</u> <u>June 30,</u>	
2021	\$ 27,028
2022	<u>6,807</u>
	<u>\$ 33,835</u>

### 13. Subsequent Event

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The COVID-19 Outbreak is disrupting supply chains and affecting production and sales across a range of industries. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Authority's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**DINWIDDIE COUNTY WATER AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

	PLAN YEAR					
	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 66,235	\$ 61,857	\$ 64,942	\$ 61,551	\$ 63,717	\$ 57,001
Interest	146,915	135,261	130,860	126,276	117,114	110,002
Changes of assumptions	68,939	-	(28,942)	-	-	-
Differences between expected and actual experience	4,649	4,527	(77,997)	(93,322)	6,145	-
Benefit payments, including refunds of employee contributions	(44,186)	(26,148)	(25,823)	(32,217)	(79,952)	(50,876)
Net change in total pension liability:	242,552	175,497	63,040	62,288	107,024	116,127
Total pension liability, beginning	2,120,878	1,945,381	1,882,341	1,820,053	1,713,029	1,596,902
Total pension liability, ending (a)	<u>\$ 2,363,430</u>	<u>\$ 2,120,878</u>	<u>\$ 1,945,381</u>	<u>\$ 1,882,341</u>	<u>\$ 1,820,053</u>	<u>\$ 1,713,029</u>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions, employer	\$ 13,802	\$ 34,268	\$ 34,106	\$ 44,072	\$ 42,791	\$ 50,135
Contributions, employee	26,642	27,240	26,279	25,387	24,649	25,321
Net investment income	157,608	160,569	233,304	33,384	79,789	237,097
Benefit payments	(44,186)	(26,148)	(25,823)	(32,217)	(79,952)	(50,876)
Administrative expenses	(1,521)	(1,331)	(1,288)	(1,096)	(1,090)	(1,244)
Other changes	(100)	(145)	(210)	(14)	(18)	12
Net change in plan fiduciary net position	152,245	194,453	266,368	69,516	66,169	260,445
Plan fiduciary net position, beginning	2,340,736	2,146,283	1,879,915	1,810,399	1,744,230	1,483,785
Plan fiduciary net position, ending (b)	<u>\$ 2,492,981</u>	<u>\$ 2,340,736</u>	<u>\$ 2,146,283</u>	<u>\$ 1,879,915</u>	<u>\$ 1,810,399</u>	<u>\$ 1,744,230</u>
Authority's net pension liability (asset), ending (a) - (b)	<u>\$ (129,551)</u>	<u>\$ (219,858)</u>	<u>\$ (200,902)</u>	<u>\$ 2,426</u>	<u>\$ 9,654</u>	<u>\$ (31,201)</u>
Plan fiduciary net position as a percentage of the total pension liability	105.5%	110.4%	110.3%	99.9%	99.5%	101.8%
Covered payroll*	<u>\$ 540,347</u>	<u>\$ 544,800</u>	<u>\$ 525,576</u>	<u>\$ 507,747</u>	<u>\$ 492,984</u>	<u>\$ 552,723</u>
Net pension liability (asset) as a percentage of covered payroll	-24.0%	-40.4%	-38.2%	0.5%	2.0%	-5.6%

Notes:

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

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

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

**DINWIDDIE COUNTY WATER AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER'S SHARE OF NET GLI OPEB LIABILITY**

<b>Fiscal Year Ended June 30,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Employer's proportion of the net OPEB liability	0.00276%	0.00286%	0.00285%
Employer's proportionate share of the net OPEB liability	\$ 44,913	\$ 43,000	\$ 43,000
Employer's covered payroll	\$ 540,347	\$ 544,800	\$ 525,576
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	8.31%	7.89%	8.18%
Plan fiduciary net position as a percentage of the total OPEB liability	52.00%	51.22%	48.86%

\*The amounts presented have a measurement date of the previous fiscal year end.

Note: Information in this schedule is presented for the year in which information is available.  
Information will be added each year until a full 10-year trend is presented.

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

**DINWIDDIE COUNTY WATER AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF EMPLOYER CONTRIBUTIONS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION**

<b>Fiscal year Ended June 30,</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to the actuarially determined contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>
2020	\$ 13,254	\$ 13,254	\$ -	\$ 496,419	2.67%
2019	\$ 14,427	\$ 14,427	\$ -	\$ 540,347	2.67%
2018	\$ 34,272	\$ 34,272	\$ -	\$ 544,800	6.29%
2017	\$ 33,059	\$ 33,059	\$ -	\$ 525,576	6.29%
2016	\$ 44,072	\$ 44,072	\$ -	\$ 507,747	8.68%
2015	\$ 42,791	\$ 42,791	\$ -	\$ 492,984	8.68%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB**

<b>Fiscal year Ended June 30,</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to the required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>
2020	\$ 2,581	\$ 2,581	\$ -	\$ 496,419	0.52%
2019	\$ 2,810	\$ 2,810	\$ -	\$ 540,347	0.52%
2018	\$ 2,833	\$ 2,833	\$ -	\$ 544,800	0.52%
2017	\$ 2,733	\$ 2,733	\$ -	\$ 525,576	0.52%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

The Notes to Required Supplementary Information are an integral part to these schedules.

## **DINWIDDIE COUNTY WATER AUTHORITY**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2020**

#### **1. Changes of Benefit Terms, Pension**

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

#### **2. Changes of Benefit Terms, OPEB**

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

#### **3. Changes of Assumptions**

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

##### **Largest 10 - Non-Hazardous Duty:**

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Increased Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%

##### **Largest 10 - Hazardous Duty/Public Safety Employees:**

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%

(Continued)

**DINWIDDIE COUNTY WATER AUTHORITY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

**3. Changes of Assumptions (Continued)**

All Others (Non 10 Largest) - Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%

## **SUPPLEMENTARY INFORMATION**

**DINWIDDIE COUNTY WATER AUTHORITY**

**COMBINING STATEMENT OF NET POSITION**

**June 30, 2020**

	<b>Operating Fund</b>	<b>Courthouse Fund</b>	<b>Church Road System Fund</b>	<b>Total</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 872,736	\$ 216,749	\$ 305,768	\$ 1,395,253
Accounts receivable, net	464,993	17,357	116,903	599,253
Due from County	108,346	3	37,146	145,495
Due (to) from other funds	(106,867)	6,682	100,185	-
Total current assets	1,339,208	240,791	560,002	2,140,001
<b>RESTRICTED ASSETS</b>				
Cash and cash equivalents	301,241	6,352	-	307,593
Net pension asset	116,627	11,792	1,132	129,551
Total restricted assets	417,868	18,144	1,132	437,144
<b>CAPITAL ASSETS, NET</b>	<b>15,345,568</b>	<b>3,330,351</b>	<b>2,379,678</b>	<b>21,055,597</b>
<b>OTHER ASSETS</b>				
Cash and cash equivalents, rate stabilization fund	640,563	-	-	640,563
Cash and cash equivalents, board designated	3,107,158	328,093	815,807	4,251,058
Total other assets	3,747,721	328,093	815,807	4,891,621
Total assets	20,850,365	3,917,379	3,756,619	28,524,363
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on bond refundings	-	-	13,370	13,370
Pension deferrals	51,955	5,253	505	57,713
OPEB deferrals	7,454	762	188	8,404
Total deferred outflows of resources	59,409	6,015	14,063	79,487
	<u>\$ 20,909,774</u>	<u>\$ 3,923,394</u>	<u>\$ 3,770,682</u>	<u>\$ 28,603,850</u>

See Independent Auditor's Report.

**DINWIDDIE COUNTY WATER AUTHORITY**

**COMBINING STATEMENT OF NET POSITION**

**(Continued)**

**June 30, 2020**

	<b>Operating Fund</b>	<b>Courthouse Fund</b>	<b>Church Road System Fund</b>	<b>Total</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 158,144	\$ 10,847	\$ 48,033	\$ 217,024
Accrued interest payable	5,143	648	7,125	12,916
Bonds payable, current portion	200,000	198,000	220,000	618,000
Unearned connection fees	12,580	-	-	12,580
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	375,867	209,495	275,158	860,520
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>				
Customer deposits	196,068	725	-	196,793
<b>LONG-TERM LIABILITIES</b>				
Net OPEB liability	39,834	4,075	1,004	44,913
Bonds payable, less current portion	2,519,000	-	935,000	3,454,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	3,130,769	214,295	1,211,162	4,556,226
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	19,750	1,997	192	21,939
OPEB deferrals	3,720	381	94	4,195
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	23,470	2,378	286	26,134
<b>NET POSITION</b>				
Net investment in capital assets	12,626,568	3,132,351	1,238,048	16,996,967
Restricted, capital projects	105,173	6,352	-	111,525
Restricted, pension	116,627	11,792	1,132	129,551
Unrestricted	4,907,167	556,226	1,320,054	6,783,447
	<hr/>	<hr/>	<hr/>	<hr/>
Total net position	17,755,535	3,706,721	2,559,234	24,021,490
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 20,909,774</u>	<u>\$ 3,923,394</u>	<u>\$ 3,770,682</u>	<u>\$ 28,603,850</u>

See Independent Auditor's Report.

# DINWIDDIE COUNTY WATER AUTHORITY

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2020

	Operating Fund	Courthouse Fund	Church Road System Fund	Total
OPERATING REVENUES				
Operating revenues:				
Sewer charges	\$ 1,575,572	\$ 29,179	\$ -	\$ 1,604,751
Sale of water	1,150,578	-	632,043	1,782,621
County use and operation fees	-	302,357	-	302,357
Penalty and service charges	79,561	-	-	79,561
Fire hydrant rental	1,199	-	-	1,199
Miscellaneous	115,752	8,937	-	124,689
Total operating revenues	2,922,662	340,473	632,043	3,895,178
OPERATING EXPENSES				
Water, source of supply	293,716	-	163,644	457,360
Water, pumping	45,115	-	22,159	67,274
Water, transmission and distribution	115,775	-	862	116,637
Sewage, pumping	116,606	29,853	-	146,459
Sewage, treatment	861,567	59,817	-	921,384
Sewage, transmission and distribution	98,306	4,738	-	103,044
Maintenance shop	73,592	53,334	-	126,926
Customer accounts	291,867	1,295	3,975	297,137
Administrative	575,346	77,150	23,928	676,424
Total operating expenses, other than depreciation	2,471,890	226,187	214,568	2,912,645
Operating income before depreciation	450,772	114,286	417,475	982,533
DEPRECIATION	(623,952)	(294,756)	(134,286)	(1,052,994)
Operating income (loss)	(173,180)	(180,470)	283,189	(70,461)
NONOPERATING REVENUES (EXPENSES)				
Interest earned	55,909	4,918	12,478	73,305
Contributions from the County	-	105,000	-	105,000
Service and connection fees	270,697	-	-	270,697
Interest expense	(64,678)	(3,851)	(35,129)	(103,658)
Total nonoperating revenues (expenses)	261,928	106,067	(22,651)	345,344
Income before transfers	88,748	(74,403)	260,538	274,883

See Independent Auditor's Report.

**DINWIDDIE COUNTY WATER AUTHORITY**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION**

**(Continued)**

**Year Ended June 30, 2020**

	<b><u>Operating Fund</u></b>	<b><u>Courthouse Fund</u></b>	<b><u>Church Road System Fund</u></b>	<b><u>Total</u></b>
TRANSFERS	\$ 31,726	\$ -	\$ (31,726)	\$ -
Change in net position	120,474	(74,403)	228,812	274,883
Net position, beginning of year	<u>17,635,061</u>	<u>3,781,124</u>	<u>2,330,422</u>	<u>23,746,607</u>
Net position, end of year	<u><u>\$ 17,755,535</u></u>	<u><u>\$ 3,706,721</u></u>	<u><u>\$ 2,559,234</u></u>	<u><u>\$ 24,021,490</u></u>

See Independent Auditor's Report.

# DINWIDDIE COUNTY WATER AUTHORITY

## COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

	<u>Operating Fund</u>	<u>Courthouse Fund</u>	<u>Church Road System Fund</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 2,830,620	\$ 321,509	\$ 617,009	\$ 3,769,138
Cash receipts from other income	115,752	8,937	-	124,689
Cash payments to employees for services	(533,846)	(54,222)	(13,319)	(601,387)
Cash payments for water related services and supplies	(434,838)	-	(186,728)	(621,566)
Cash payments for sewage related services and supplies	(839,165)	(91,804)	-	(930,969)
Cash payments for shop maintenance expenses	(55,336)	(37,408)	-	(92,744)
Cash payments for customer accounts expenses	(123,659)	(645)	449	(123,855)
Cash payments for administrative expenses	(283,952)	(33,018)	(10,938)	(327,908)
Net cash provided by operating activities	<u>675,576</u>	<u>113,349</u>	<u>406,473</u>	<u>1,195,398</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Service and connection fees	<u>267,031</u>	<u>-</u>	<u>-</u>	<u>267,031</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(557,898)	(137,959)	(126,882)	(822,739)
County contributions	-	105,000	5,897	110,897
Interest paid	(65,047)	(4,480)	(30,838)	(100,365)
Principal retired	(195,000)	(192,000)	(220,000)	(607,000)
Net cash used by capital and related financing activities	<u>(817,945)</u>	<u>(229,439)</u>	<u>(371,823)</u>	<u>(1,419,207)</u>
<b>INVESTING ACTIVITIES</b>				
Transfers (to) from other funds	31,726	-	(31,726)	-
Interest received	55,909	4,918	12,478	73,305
Net cash provided (used) by investing activities	<u>87,635</u>	<u>4,918</u>	<u>(19,248)</u>	<u>73,305</u>
Net increase (decrease) in cash and cash equivalents	<u>212,297</u>	<u>(111,172)</u>	<u>15,402</u>	<u>116,527</u>
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning of year	<u>4,709,401</u>	<u>662,366</u>	<u>1,106,173</u>	<u>6,477,940</u>
End of year	<u><u>\$ 4,921,698</u></u>	<u><u>\$ 551,194</u></u>	<u><u>\$ 1,121,575</u></u>	<u><u>\$ 6,594,467</u></u>

See Independent Auditor's Report.

**DINWIDDIE COUNTY WATER AUTHORITY**

**COMBINING STATEMENT OF CASH FLOWS**

**(Continued)**

**Year Ended June 30, 2020**

	<b>Operating Fund</b>	<b>Courthouse Fund</b>	<b>Church Road System Fund</b>	<b>Total</b>
<b>RECONCILIATION OF CASH TO THE STATEMENTS OF NET POSITION</b>				
Cash and cash equivalents, current assets	\$ 872,736	\$ 216,749	\$ 305,768	\$ 1,395,253
Cash and cash equivalents, restricted assets	301,241	6,352	-	307,593
Cash and cash equivalents, rate stabilization fund	640,563	-	-	640,563
Cash and cash equivalents, board designated	3,107,158	328,093	815,807	4,251,058
	<u>\$ 4,921,698</u>	<u>\$ 551,194</u>	<u>\$ 1,121,575</u>	<u>\$ 6,594,467</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (173,180)	\$ (180,470)	\$ 283,189	\$ (70,461)
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation	623,952	294,756	134,286	1,052,994
Amortization	186,869	-	-	186,869
Change in current assets and liabilities:				
Accounts receivable, net	13,285	(10,027)	(15,034)	(11,776)
Due from County	(3,746)	-	(11,317)	(15,063)
Accounts payable and accrued expenses	9,835	(2,280)	6,511	14,066
Change in customer deposits	10,425	-	-	10,425
Net pension asset/liability and related deferred inflows/outflows of resources	6,034	13,613	10,183	29,830
Net OPEB liability and related deferred inflows/outflows of resources	2,102	(2,243)	(1,345)	(1,486)
Net cash provided by operating activities	<u>\$ 675,576</u>	<u>\$ 113,349</u>	<u>\$ 406,473</u>	<u>\$ 1,195,398</u>

See Independent Auditor's Report.

**DINWIDDIE COUNTY WATER AUTHORITY**

**SCHEDULE OF OPERATING EXPENSES - OPERATING FUND**

**Year Ended June 30, 2020**

	<b>Water Source of Supply</b>	<b>Water Pumping</b>	<b>Water Transmission and Distribution</b>	<b>Sewage Pumping</b>	<b>Sewage Treatment</b>	<b>Sewage Transmission and Distribution</b>	<b>Maintenance Shop</b>	<b>Customer Accounts</b>	<b>Administrative</b>	<b>Total</b>
Cost of sewage treatment	\$ -	\$ -	\$ -	\$ -	\$ 674,698	\$ 22,365	\$ -	\$ -	\$ -	\$ 697,063
Salaries	-	2,101	28,174	25,832	-	17,816	18,247	168,127	268,345	528,642
Cost of purchased water	293,716	-	-	-	-	-	-	-	-	293,716
Payroll taxes and fringe benefits	-	838	11,461	10,189	-	7,092	7,239	66,138	107,946	210,903
Amortization	-	-	-	-	186,869	-	-	-	-	186,869
Repairs and maintenance	-	-	44,953	52,110	-	-	15,417	-	32,898	145,378
Professional services	-	-	1,770	-	-	-	-	-	103,152	104,922
Supplies and tools	-	26,913	8,550	-	-	50,268	7,185	6,516	-	99,432
Utilities	-	15,263	20,867	23,275	-	765	-	-	7,025	67,195
Office expense	-	-	-	-	-	-	-	13,958	21,112	35,070
Postage	-	-	-	-	-	-	-	28,148	539	28,687
Vehicle expense	-	-	-	-	-	-	25,504	-	-	25,504
Insurance	-	-	-	-	-	-	-	-	19,661	19,661
Telephone	-	-	-	5,200	-	-	-	5,716	-	10,916
Payroll service	-	-	-	-	-	-	-	-	8,277	8,277
Dues and subscription	-	-	-	-	-	-	-	-	6,391	6,391
Uniform rental	-	-	-	-	-	-	-	3,204	-	3,204
Bad debts	-	-	-	-	-	-	-	60	-	60
	<u>\$ 293,716</u>	<u>\$ 45,115</u>	<u>\$ 115,775</u>	<u>\$ 116,606</u>	<u>\$ 861,567</u>	<u>\$ 98,306</u>	<u>\$ 73,592</u>	<u>\$ 291,867</u>	<u>\$ 575,346</u>	<u>\$ 2,471,890</u>

See Independent Auditor's Report.

**DINWIDDIE COUNTY WATER AUTHORITY**

**SCHEDULE OF OPERATING EXPENSES - COURTHOUSE FUND**

**Year Ended June 30, 2020**

	<b>Sewage Pumping</b>	<b>Sewage Treatment</b>	<b>Sewage Transmission and Distribution</b>	<b>Maintenance Shop</b>	<b>Customer Accounts</b>	<b>Administrative</b>	<b>Total</b>
Salaries	\$ 2,082	\$ -	\$ 521	\$ 15,918	\$ 650	\$ 34,911	\$ 54,082
Repairs and maintenance	-	32,482	-	7,433	-	-	39,915
Supplies and tools	21,414	9,282	4,054	237	186	-	35,173
Utilities	5,605	-	-	24,351	-	-	29,956
Professional services	-	-	-	-	-	21,260	21,260
Payroll taxes and fringe benefits	599	-	163	4,315	240	10,191	15,508
Cost of sewage treatment	-	11,180	-	-	-	-	11,180
Telephone	153	6,873	-	-	-	-	7,026
Insurance	-	-	-	-	-	6,554	6,554
Office expense	-	-	-	-	219	4,234	4,453
Vehicle expense	-	-	-	1,080	-	-	1,080
	<u>\$ 29,853</u>	<u>\$ 59,817</u>	<u>\$ 4,738</u>	<u>\$ 53,334</u>	<u>\$ 1,295</u>	<u>\$ 77,150</u>	<u>\$ 226,187</u>

See Independent Auditor's Report.

**DINWIDDIE COUNTY WATER AUTHORITY**

**SCHEDULE OF OPERATING EXPENSES - CHURCH ROAD SYSTEM FUND**

**Year Ended June 30, 2020**

	<b><u>Water Source of Supply</u></b>	<b><u>Water Pumping</u></b>	<b><u>Water Transmission and Distribution</u></b>	<b><u>Customer Accounts</u></b>	<b><u>Administrative</u></b>	<b><u>Total</u></b>
Cost of purchased water	\$ 163,644	\$ -	\$ -	\$ -	\$ -	\$ 163,644
Utilities	-	15,277	-	-	-	15,277
Salaries	-	4,258	-	3,973	3,747	11,978
Professional services	-	-	-	-	10,037	10,037
Insurance	-	-	-	-	6,554	6,554
Office expense	-	-	-	-	3,589	3,589
Supplies and tools	-	2,620	862	-	-	3,482
	<b><u>\$ 163,644</u></b>	<b><u>\$ 22,159</u></b>	<b><u>\$ 862</u></b>	<b><u>\$ 3,975</u></b>	<b><u>\$ 23,928</u></b>	<b><u>\$ 214,568</u></b>

See Independent Auditor's Report.

## **COMPLIANCE REPORT**



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

To the Board of Directors  
Dinwiddie County Water Authority  
Dinwiddie, 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 accompanying financial statements of the business-type activities of Dinwiddie County Water Authority (the "Authority") as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2020.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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 deficiency described in the accompanying schedule of findings and responses, as Item 2020-001, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, as Item 2020-002, to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

### **Dinwiddie County Water Authority's Response to Findings**

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
September 21, 2020

## **DINWIDDIE COUNTY WATER AUTHORITY**

### **SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2020**

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

#### **STATE COMPLIANCE MATTERS**

##### *Code of Virginia*

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

**DINWIDDIE COUNTY WATER AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES – FINANCIAL STATEMENTS  
June 30, 2020**

**Finding No. IC 2020-001 (Material Weakness)**

<b>Condition and Criteria</b>	As part of our audit, we noted an overall lack of segregation of duties over financial reporting and processing.
<b>Effect</b>	Financial statements and related disclosures prepared on a GAAP basis may be misstated by an amount that material.
<b>Cause</b>	Prior to the departure of the Executive Director on 12/31/2019, the Executive Director provided a critical role in review and oversight over the financial reporting and transaction processing process. Since the departure of the Executive Director, there has not been sufficient review and oversight of the processes to mitigate the lack of segregation of duties at the Authority caused by the small size of the accounting staff.
<b>Recommendation</b>	The Board of Directors should work with management to analyze the areas where segregation of duties is not being achieved and design and implement processes and procedures to mitigate such control deficiencies.
<b>View of Management and Planned Corrective Action</b>	Recommendations made by auditors will be implemented.

**Finding No. IC 2020-002 (Significant Deficiency)**

<b>Condition and Criteria</b>	As part of our audit, we proposed multiple significant adjustments related to pensions, other post-employment benefits, fixed assets, and accounts receivable. These are reviewed and approved by management; however, we believe that this review would only detect material misstatements, and that a misstatement that is more than inconsequential may not be prevented or detected.
<b>Effect</b>	Financial statements and related disclosures prepared on a GAAP basis may be misstated by an amount that is more than inconsequential.
<b>Cause</b>	Due to the small size of the Authority, there is a limited accounting staff, which does not allow for the hiring of an accountant with the background needed to prepare GAAP compliant financial statement level adjustments.
<b>Recommendation</b>	Management will meet regularly with the auditors to keep up to date on changes in GAAP and continue to review the draft GAAP financial statements and related disclosures prior to issuance.
<b>View of Management and Planned Corrective Action</b>	Recommendations made by auditors will be implemented.

## **OTHER INFORMATION**

**DINWIDDIE COUNTY WATER AUTHORITY**

**OTHER INFORMATION  
PLEDGED REVENUE COVERAGE  
Year Ended June 30, 2020**

**Series 2012 Water System Revenue Refunding Bond**

Gross revenues	\$ 644,521
Less: Operating expenses	<u>(214,568)</u>
Net revenues available for debt service (a)	<u><u>\$ 429,953</u></u>
Debt service:	
Principal	\$ 220,000
Interest	<u>35,129</u>
Total debt service (b)	<u><u>\$ 255,129</u></u>
Debt service coverage (a) / (b)	169%

See Independent Auditor's Report.