WASHINGTON COUNTY SERVICE AUTHORITY

Financial Statements

For the Year Ended June 30, 2021

Washington County Service Authority
Financial Statements
For the Year Ended June 30, 2021

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

Independent Auditors' Report

To the Board of Directors
Washington County Service Authority
Abingdon, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Washington County Service Authority, as of June 30, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 and schedules related to pension and OPEB funding on pages 40-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2022, on our consideration of Washington County Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Washington County Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington County Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates

Blacksburg, Virginia
July 1, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington County Service Authority's (”WCSA”) discussion and analysis of the financial statements is designed to (a) assist the reader in understanding the significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the financial position and its ability to address subsequent year issues, (d) point out material deviations from the approved budget, and (e) identify individual fund issues or concerns.

Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities and facts and must be read in conjunction with the financial statements so that this report may be understood in its entirety.

Financial Highlights

The following comparisons relate WCSA's current position at June 30, 2021 to its position at June 30, 2020. WCSA's total assets increased by $20,864,040 (14.46%). Unrestricted cash and cash equivalents increased by $2,137,751 (12.08%). Inventory held for use increased by $18,303 (3.61%). Capitalized assets (excluding accumulated depreciation) increased by $22,905,125 (20.57%).

Total liabilities increased by $18,170,914 (22.26%).

The Authority's operating revenues increased $97,135 (0.52%), while operating expenses increased by $189,589 (1.29%). Operating net income decreased by ($92,454) (-2.23% decrease from 2020). Activities increased net position for the year by $3,200,870.

A discussion of significant department operating expense differences from the 2020-2021 budget follows:

Operating revenue for the water fund was under budget in the amount of $666,481. Total operating expenses for the Water Fund were under budget by $527,980. Operating revenue for the sewer fund was under budget in the amount of $9,779. Total operating expenses for the Sewer Fund were under budget by $132,451.

Interest expense was under budget by $134,189 and interest income was under budget by $95,038. While WCSA is aggressive in seeking the best return on its investment, it has no control over market rates.

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Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the successes of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and noncapital and capital financing activities and provides answers to such as where did the cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

NET POSITION

	FY 2021	FY 2020	Dollar Change	Percent Change
ASSETS				
Current and other assets	$ 30,869,784	$ 32,910,869	$ (2,041,085)	-6.20%
Capital assets	134,248,453	111,343,328	22,905,125	20.57%
TOTAL ASSETS	**$ 165,118,237**	**$ 144,254,197**	**$ 20,864,040**	**14.46%**
DEFERRED OUTFLOWS OF RESOURCES	**$ 879,269**	**$ 555,836**	**$ 323,433**	**58.19%**
LIABILITIES				
Long-term debt outstanding	$ 92,066,326	$ 77,666,668	$ 14,399,658	18.54%
Other liabilities	7,743,923	3,972,667	3,771,256	94.93%
TOTAL LIABILITIES	**$ 99,810,249**	**$ 81,639,335**	**$ 18,170,914**	**22.26%**
DEFERRED INFLOWS OF RESOURCES	**$ 434,502**	**$ 618,813**	**$ (184,311)**	**-29.78%**
NET POSITION				
Net investment in capital assets	$ 45,021,727	$ 42,922,178	$ 2,099,549	4.89%
Restricted	3,125,356	3,108,565	16,791	0.54%
Unrestricted	17,605,672	16,521,142	1,084,530	6.56%
TOTAL NET POSITION	**$ 65,752,755**	**$ 62,551,885**	**$ 3,200,870**	**5.12%**

As can be seen from the table above, net position increased $3,200,870 to $65,752,755 in 2021 up from $62,551,885 in 2020. The increase in net position was primarily due to an increase in assets. The increase in current and other assets is largely due to an increase in reserves.

	FY 2021	FY 2020	Dollar Change	Percent Change
REVENUES				
Operating revenues	$ 18,912,399	$ 18,815,264	$ 97,135	0.52%
Non-operating revenues & capital contributions	946,105	389,829	556,276	142.70%
TOTAL REVENUES	**$ 19,858,504**	**$ 19,205,093**	**$ 653,411**	**3.40%**
EXPENSES				
Depreciation expense	$ 4,047,091	$ 3,975,112	$ 71,979	1.81%
Other operating expenses	10,812,558	10,694,948	117,610	1.10%
Non-operating expenses	1,797,985	1,965,108	(167,123)	-8.50%
TOTAL EXPENSES	**$ 16,657,634**	**$ 16,635,168**	**$ 22,466**	**0.14%**
Change in net position	$ 3,200,870	$ 2,569,925	$ 630,945	
Beginning net position	$ 62,551,885	$ 59,981,960		
Ending net position	$ 65,752,755	$ 62,551,885		

While the Statement of Net Position shows the change in financial position of the net position, the Statement of Revenue, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in the schedule above, the current year's net income of $3,200,870 was the source of the increase in net position for 2021.

The Authority's net income increased by $630,945 to $3,200,870 in 2021 from $2,569,925 in 2020 with operating expenses being under budget. Non-operating revenues increased by $556,276 in 2021.

Capital & Operating Highlights

The Authority has continued with its Capital Improvements Plan that includes planned departmental expenditures to update and add infrastructure, computer information systems, machinery and equipment, furniture and fixtures and automobiles.

WCSA has continued to focus on replacing failing and inadequate sized infrastructure and extending service to unserved residents in Washington County.

WCSA has continued to focus labor and financial resources towards continuous improvement efforts in all areas of its operations. The Authority has invested time and money in assessing the vulnerability of our operations and implementing procedures and devices that increase the safety and reliability of our system. WCSA is in the eighth year of replacing substandard waterlines. WCSA also continues to focus on training in an effort to ensure that in all areas of service to our customers. WCSA employees have the best training and resources to excel in their positions.

Basic Financial Statements

Washington County Service Authority
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 13,343,215	$ 6,485,020	$ 19,828,235
Due From Other Governments	37,255	-	37,255
Accounts Receivable (net of allowance for doubtful accounts)	2,001,995	294,048	2,296,043
Inventories	525,699	-	525,699
Prepaid Items	26,792	3,716	30,508
Total Current Assets	$ 15,934,956	$ 6,782,784	$ 22,717,740
Noncurrent Assets:			
Restricted:			
Cash and Cash Equivalents	$ 7,985,232	$ 166,812	$ 8,152,044
Capital Assets:			
Land	963,426	272,865	1,236,291
Construction in Process	28,488,247	918,002	29,406,249
Water Tanks	6,940,525	-	6,940,525
Lines	83,490,243	23,049,648	106,539,891
Buildings	32,044,106	6,137,251	38,181,357
Improvements	4,101,859	501,273	4,603,132
Automobiles	1,785,933	404,237	2,190,170
Equipment	7,784,238	566,053	8,350,291
Furniture and Fixtures	140,355	28,259	168,614
Computers and Telemetry	1,398,836	94,005	1,492,841
Accumulated Depreciation	(53,098,826)	(11,762,082)	(64,860,908)
Total Capital Assets, Net of Accumulated Depreciation	$ 114,038,942	$ 20,209,511	$ 134,248,453
Total Noncurrent Assets	$ 122,024,174	$ 20,376,323	$ 142,400,497
Total Assets	$ 137,959,130	$ 27,159,107	$ 165,118,237
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	$ 745,895	$ 65,965	$ 811,860
OPEB Related Items	61,884	5,525	67,409
Total Deferred Outflows of Resources	$ 807,779	$ 71,490	$ 879,269
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 2,602,222	$ 278,238	$ 2,880,460
Retainage Payable	931,662	-	931,662
Accrued Liabilities	53,158	6,724	59,882
Accrued Interest Payable	334,220	10,947	345,167
Compensated Absences (current portion)	182,175	6,860	189,035
Bonds Payable (current portion)	2,439,142	446,853	2,885,995
Total Current Liabilities	$ 6,542,579	$ 749,622	$ 7,292,201
Noncurrent Liabilities:			
Compensated Absences (net of current portion)	$ 728,699	$ 27,442	$ 756,141
Net OPEB Liabilities	1,841,500	179,979	2,021,479
Net Pension Liability	516,340	43,757	560,097
Line of Credit	16,072,515	-	16,072,515
Bonds Payable (net of current portion)	64,913,835	8,193,981	73,107,816
Total Noncurrent Liabilities	$ 84,072,889	$ 8,445,159	$ 92,518,048
Total Liabilities	$ 90,615,468	$ 9,194,781	$ 99,810,249
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	$ 382,591	$ 30,719	$ 413,310
OPEB Related Items	19,536	1,656	21,192
Total Deferred Inflows of Resources	$ 402,127	$ 32,375	$ 434,502
NET POSITION			
Net Investment in Capital Assets	$ 33,453,050	$ 11,568,677	$ 45,021,727
Restricted:			
RD Debt Service Reserves	2,254,996	166,812	2,421,808
Health Insurance Premiums	703,548	-	703,548
Unrestricted	11,337,720	6,267,952	17,605,672
Total Net Position	$ 47,749,314	$ 18,003,441	$ 65,752,755

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

Exhibit 2

Washington County Service Authority
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Business-type Activities Enterprise Funds		
	Water	Sewer	Total
Operating Revenues	$ 16,076,985	$ 2,835,414	$ 18,912,399
Operating Expenses			
Commissioners	$ 32,130	$ -	$ 32,130
Administration and Overhead	2,291,218	32,405	2,323,623
Customer Service	902,542	-	902,542
Maintenance	2,830,957	196,545	3,027,502
Production	1,987,948	1,022,909	3,010,857
Water Distribution	557,974	-	557,974
Meter Department	455,314	-	455,314
Chilhowie Regional Treatment Plant	326,859	-	326,859
Damascus	-	175,757	175,757
Depreciation	3,237,402	809,689	4,047,091
Total Operating Expenses	$ 12,622,344	$ 2,237,305	$ 14,859,649
Operating Income (Loss)	$ 3,454,641	$ 598,109	$ 4,052,750
Nonoperating Revenues (Expenses)			
Interest Income	$ 55,919	$ 393	$ 56,312
Interest Expense	(1,592,708)	(205,277)	(1,797,985)
Gain (Loss) on Disposal of Assets	22,700	5,500	28,200
Total Nonoperating Revenues (Expenses)	$ (1,514,089)	$ (199,384)	$ (1,713,473)
Income (Loss) Before Capital Contributions and Transfers	$ 1,940,552	$ 398,725	$ 2,339,277
Capital Contributions and Transfers			
Transfers In (Out)	$ (440,520)	$ 440,520	$ -
Capital Contributions - Local and State Grants	861,593	-	861,593
Total Capital Contributions and Transfers	$ 421,073	$ 440,520	$ 861,593
Increase (Decrease) in Net Position	$ 2,361,625	$ 839,245	$ 3,200,870
Net Position - Beginning	45,387,689	17,164,196	62,551,885
Net Position - Ending	$ 47,749,314	$ 18,003,441	$ 65,752,755

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

Exhibit 3

Washington County Service Authority
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Business-type Activities Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities:			
Receipts from Customers	$ 15,837,759	$ 2,815,609	$ 18,653,368
Payments to Suppliers	(3,239,859)	(722,719)	(3,962,578)
Payments to Employees	(5,754,202)	(607,730)	(6,361,932)
Net Cash Provided by (Used for) Operating Activities	$ 6,843,698	$ 1,485,160	$ 8,328,858
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) other funds	$ (440,520)	$ 440,520	$ -
Cash Flows from Capital and Related Financing Activities:			
Purchase of Property, Plant and Equipment	$ (23,135,971)	$ (290,172)	$ (23,426,143)
Capital Contributions From Other Governments	824,338	-	824,338
Proceeds from Sale of Assets	22,700	5,500	28,200
Principal Paid on Bonds	(2,205,661)	(437,390)	(2,643,051)
Proceeds from Bonds	358,191	-	358,191
Proceeds from Line of Credit	16,072,515	-	16,072,515
Interest Paid on Bonds	(1,649,586)	(205,829)	(1,855,415)
Net Cash Provided by (Used for) Capital and Related Financing Activities	$ (9,713,474)	$ (927,891)	$ (10,641,365)
Cash Flows from Investing Activities:			
Interest Income	$ 55,919	$ 393	$ 56,312
Net Increase (Decrease) in Cash and Cash Equivalents	$ (3,254,377)	$ 998,182	$ (2,256,195)
Cash and Cash Equivalents at Beginning of Year (includes restricted amounts of $12,394,835 and $151,155 for the water and sewer fund, respectively)	24,582,824	5,653,650	30,236,474
Cash and Cash Equivalents at End of Year (includes restricted amounts of $7,985,232 and $166,812 for the water and sewer fund, respectively)	$ 21,328,447	$ 6,651,832	$ 27,980,279
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	$ 3,454,641	$ 598,109	$ 4,052,750
Adjustments to reconcile operating income (loss) to net cash provided (used) for operating activities:			
Depreciation Expense	$ 3,237,402	$ 809,689	$ 4,047,091
(Increase) Decrease in Assets and Deferred Outflows of Resources:			
Accounts Receivable	(239,226)	(19,805)	(259,031)
Inventory	(18,303)	-	(18,303)
Prepaid Items	88,453	9,026	97,479
Land purchase option	2,000	-	2,000
Deferred Outflows of Resources	(292,762)	(30,671)	(323,433)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:			
Accounts Payable	311,318	73,013	384,331
Net OPEB Liabilities	145,228	37,815	183,043
Net Pension Liability	454,130	38,826	492,956
Accrued Liabilities	(160,274)	(12,818)	(173,092)
Compensated Absences	31,223	(3,845)	27,378
Deferred Inflows of Resources	(170,132)	(14,179)	(184,311)
Total Adjustments	$ 3,389,057	$ 887,051	$ 4,276,108
Net Cash Provided by (Used for) Operating Activities	$ 6,843,698	$ 1,485,160	$ 8,328,858
Schedule of non-cash capital and related financing activities:			
Purchase of property, plant and equipment included in accounts and retainage payable	$ 2,890,636	$ -	$ 2,890,636
Donated capital assets during the fiscal year	1,254,730	-	1,254,730

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Washington County Service Authority, (the "Authority") was created pursuant to the Water and Sewer Authorities Act, Chapter 28, Title 15.1, Code of Virginia of 1950, as amended by the action of the Board of Supervisors of Washington County. The State Corporation Commission chartered the Authority on March 25, 1953, as the Goodson-Kinderhook Water Authority. Its name was changed to Washington County Service Authority in 1976. As presently chartered, the Authority is authorized to acquire, finance, construct, operate, and maintain one or more water systems; one or more sewer systems; one or more sewage disposal systems, or any combination thereof; and provide garbage and refuse collection and disposal systems in Washington County and counties adjacent thereto. The Authority does not currently provide garbage refuse collection and disposal services.

The Authority currently provides a full range of water services to the more densely populated areas of Washington County and to the Towns of Abingdon, Damascus and Glade Spring, Virginia. The Authority also provides water services to sections of the Town of Saltville, Virginia; the City of Bristol, Tennessee; Sullivan County, Tennessee; and Smyth County, Virginia. A seven-member board of commissioners appointed by the Board of Supervisors of Washington County governs the Authority.

The Authority currently provides sewer services to customers in the Emory-Meadowview, Glade Spring, Oak Park, Westwood, West Central, Virginia, Sinking Creek and Damascus sections and other small portions of Washington County, Virginia.

The accounting policies of the Authority relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The basic criterion for determining whether a legally separate organization should be included in the governmental unit's reporting entity is financial accountability and whether the nature and significance of the organization's relationship with the governmental unit are such that exclusion would cause the reporting entity financial statements to be misleading or incomplete. The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

Basic Financial Statements

The financial statements include a Management's Discussion and Analysis (MD&A) section, providing an analysis of the Authority's overall financial position and results of operations.

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's Discussion and Analysis
- Enterprise fund financial statements
    - Statement of Net Position
    - Statement of Revenues, Expenses and Changes in Net Position
    - Statement of Cash Flows
    - Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements (Continued)

- Required supplementary information
  - Schedules related to OPEB funding progress
  - Schedules related to pension funding progress
  - Notes to Required Supplementary Information

Basis of Presentation

The Authority's funds are enterprise funds. Enterprise funds are proprietary funds used to account for business like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges to customers for sales and service. The Authority also recognizes as operating revenue the portion of tap fees intended to recover a portion of growth related expenses of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary Fund Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as charges to customers for water service and other revenue generated from operations.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including gifts, and other revenue sources that are defined as nonoperating revenues by GASB.

Nonoperating expenses include interest on debt related to the purchase of capital assets and losses on the disposal of capital assets. All other expenses are classified as operating expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

Net Position

For reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Inventory

The Authority maintains inventories of maintenance materials and supplies, including pipe and meters, for use in day-to-day operations. Inventories of materials and supplies are stated at the lower of cost (first-in, first-out) or market.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

Waterlines and sewer systems	40 years
Buildings and improvements	10 – 40 years
Machinery and equipment	5 – 7 years
Office equipment	5 – 10 years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these amounts.

Compensated Absences

The Authority's employees earn vacation and sick pay based on their length of service. Vacation and sick pay may either be taken or accumulated and paid upon retirement or termination. Accumulation of vacation pay is limited to 30 days, or days accumulated. Sick pay, based on 25% of sick days accumulated, is paid upon retirement or termination or 50% is paid at 20 years of service. There is no limit on the number of sick days that may be accumulated for employees hired before January 1, 2014. Employees hired after January 1, 2014 may not accrue more than 480 hours of sick leave and none will be paid out upon retirement or termination.

Cash and Cash Equivalents

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

Restricted cash consists of reserve accounts established as required by Rural Development bond covenants and unspent bond proceeds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Allowance for Uncollectible Accounts

The Authority calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $288,326 and $47,674 at June 30, 2021 for the water and sewer fund, respectively.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position.

Reclassifications

Certain reclassifications have been made in the current year's financial statements. There was no effect on prior year combined net position or combined net position as a result of reclassifications.

Pensions

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

Other Postemployment Benefits (OPEB)

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

Long-term Obligations

Long-term obligations are reported as liabilities in the Authority's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

NOTE 2 DEPOSITS AND INVESTMENTS

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

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

Credit Risk of Debt Securities

The Authority's rated debt investments as of June 30, 2021 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Authority's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
LGIP	$ 450,086
VML/VACO	703,548
SNAP	5,597,562
Total	$ 6,751,196

Interest Rate Risk

The Authority invests funds in low-risk investments backed by U.S. government agencies.

Rated Debt Investments	Investment Maturities	
	Fair Value	< 1 year
LGIP	$ 450,086	$ 450,086
VML/VACO	703,548	703,548
SNAP	5,597,562	5,597,562
Total	$ 6,751,196	$ 6,751,196

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. While the Authority does not have a policy regarding custodial credit risk, the Authority's investments at June 30, 2021 were held in the Authority's name by the custodial banks.

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

At June 30, 2021 the Authority did not have any investments that exceeded 5% of total investments requiring concentration of credit risk disclosures.

External Investment Pools

The value of the positions in the external investment pool (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

Fair Value Measurements and Redemption Restrictions

Fair value of the position in the VML/VACO Pool is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority has measured fair value of the VML/VACO investment pool at the net asset value (NAV). The Authority is limited to two withdrawals per month.

NOTE 3 CAPITAL ASSETS

Water fund:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	$ 963,426	$ -	$ -	$ 963,426
Construction in Progress	2,772,836	26,275,650	560,239	28,488,247
Total capital assets, not being depreciated	$ 3,736,262	$ 26,275,650	$ 560,239	$ 29,451,673
Capital assets being depreciated:				
Buildings, Improvements, Lines	$ 125,941,420	$ 635,313	$ -	$ 126,576,733
Machinery and Equipment	10,840,546	382,963	114,147	11,109,362
Total capital assets, being depreciated	$ 136,781,966	$ 1,018,276	$ 114,147	$ 137,686,095
Accumulated depreciation:				
Buildings, Improvements, Lines	$ 40,316,157	$ 2,958,551	$ -	$ 43,274,708
Machinery and Equipment	9,659,414	278,851	114,147	9,824,118
Total accumulated depreciation	$ 49,975,571	$ 3,237,402	$ 114,147	$ 53,098,826
Total capital assets being depreciated, net	$ 86,806,395	$ (2,219,126)	$ -	$ 84,587,269
Total water fund	$ 90,542,657	$ 24,056,524	$ 560,239	$ 114,038,942

NOTE 3 CAPITAL ASSETS (Continued)

Sewer fund:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	$ 272,865	$ -	$ -	$ 272,865
Construction in Progress	988,303	227,418	297,719	918,002
Total capital assets, not being depreciated	$ 1,261,168	$ 227,418	$ 297,719	$ 1,190,867
Capital assets being depreciated:				
Buildings, Improvements, Lines	$ 29,420,143	$ 268,029	$ -	$ 29,688,172
Machinery and Equipment	1,099,067	20,801	27,314	1,092,554
Total capital assets, being depreciated	$ 30,519,210	$ 288,830	$ 27,314	$ 30,780,726
Accumulated depreciation:				
Buildings, Improvements, Lines	$ 10,040,256	$ 732,096	$ -	$ 10,772,352
Machinery and Equipment	939,451	77,593	27,314	989,730
Total accumulated depreciation	$ 10,979,707	$ 809,689	$ 27,314	$ 11,762,082
Total capital assets being depreciated, net	$ 19,539,503	$ (520,859)	$ -	$ 19,018,644
Total sewer fund	$ 20,800,671	$ (293,441)	$ 297,719	$ 20,209,511

NOTE 3 CAPITAL ASSETS (Continued)

Water Fund Construction in Progress	Beginning Balance	Additions	Transfers	Ending Balance
Abingdon Water Storage Tank	$ 174,832	$ 2,027,082	$ -	$ 2,201,914
Galvanized Line Phase III	1,110,613	16,222,799	-	17,333,412
Mill Creek	878,597	13,260	-	891,857
Small projects	51,035	-	51,035	-
Green Spring Road Project	-	230	-	230
Southfork Intake - non-reimbursable	28,952	-	28,952	-
Mill Creek Plant Upgrade	18,268	41,980	-	60,248
Sugar Cove Rd	395,550	69,460	465,010	-
Hidden Valley II	72,552	545,332	-	617,884
Mendota-Archery Range-Mary's Ch	27,195	500	-	27,695
Mill Creek #2	-	337	-	337
VDOT RT 58 16383 betterment	12,057	-	12,057	-
Meter Replacement Project	-	6,096,398	-	6,096,398
Town of Saltville Interconnection	3,185	-	3,185	-
Fleenors Mem Road South	-	75	-	75
Monroe Road WL Ext Project	-	95	-	95
Hobbs Road WL Ext Project	-	75	-	75
Taylors Valley Rd WL Ext Project	-	80	-	80
Prices Bridge WL Ext Project	-	150	-	150
Abrams Falls Rd WL Ext Project	-	3,067	-	3,067
Town of Chilhowie	-	1,254,730	-	1,254,730
Total water fund	$ 2,772,836	$ 26,275,650	$ 560,239	$ 28,488,247

Sewer Fund Construction in Progress	Beginning Balance	Additions	Transfers	Ending Balance
Small Projects	$ 42,777	$ -	$ 42,777	$ -
Exit 13 Force Main	926	-	-	926
Lee Hwy Sewer Study	153,794	-	-	153,794
Lee Hwy Corridor	533,220	199,883	-	733,103
Damascus WWTP	13,279	16,900	-	30,179
Hall Creek Improvements	244,307	10,635	254,942	-
Total sewer fund	$ 988,303	$ 227,418	$ 297,719	$ 918,002

NOTE 4 LONG-TERM OBLIGATIONS

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

	Beginning Balances	Increases/ Issuances	Decreases/ Retirements	Ending Balances
Water fund:				
Bonds payable	$ 17,679,602	$ 358,191	$ 1,067,037	$ 16,970,756
Bonds payable premium	1,500,480	-	202,877	1,297,603
Bonds payable from direct borrowings	49,408,362	814,880	1,138,624	49,084,618
Line of credit	-	16,072,515	-	16,072,515
Compensated absences	879,651	251,136	219,913	910,874
Net pension liability	62,210	1,224,112	769,982	516,340
Net OPEB liabilities	1,696,272	254,183	108,955	1,841,500
Total water fund	$ 71,226,577	$ 18,975,017	$ 3,507,388	$ 86,694,206

	Beginning Balances	Increases/ Issuances	Decreases/ Retirements	Ending Balances
Sewer fund:				
Bonds payable	$ 5,482,442	$ -	$ 352,077	$ 5,130,365
Bonds payable from direct borrowings	3,595,782	-	85,313	3,510,469
Compensated absences	38,147	5,692	9,537	34,302
Net pension liability	4,931	104,052	65,226	43,757
Net OPEB liabilities	142,164	45,406	7,591	179,979
Total sewer fund	$ 9,263,466	$ 155,150	$ 519,744	$ 8,898,872

The following is a summary of principal and interest payment requirements to amortize long-term debt:

	Water Fund		Water Fund		Sewer Fund		Sewer Fund	
Fiscal	Bonds Payable		Bonds Payable - Direct Borrowings		Bonds Payable		Bonds Payable - Direct Borrowings	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 1,081,331	$ 546,996	$ 1,167,607	$ 1,133,324	$ 359,101	$ 101,952	$ 87,752	$ 93,627
2023	1,103,649	521,189	1,194,904	1,106,099	366,379	94,675	90,270	91,109
2024	1,139,480	484,603	1,207,099	1,064,124	373,920	87,133	92,869	88,511
2025	1,175,740	446,580	1,267,145	1,064,616	381,735	79,317	95,551	85,827
2026	1,198,860	406,947	1,280,674	1,020,559	389,835	71,219	98,322	83,058
2027-2031	5,457,483	1,429,573	6,866,787	4,641,241	2,081,399	223,869	536,451	370,450
2032-2036	3,708,099	558,928	7,708,205	3,802,350	1,134,913	19,102	620,793	286,107
2037-2041	925,516	224,680	8,653,018	2,879,160	43,083	-	707,537	186,605
2042-2046	838,249	102,112	9,713,909	1,800,646	-	-	535,047	103,833
2047-2051	367,439	19,146	8,545,063	651,561	-	-	598,691	40,188
2052-2056	-	-	1,678,672	91,306	-	-	47,186	248
2057-2060	-	-	109,142	4,200	-	-	-	-
Total	$ 16,995,846	$ 4,740,754	$ 49,392,225	$ 19,259,186	$ 5,130,365	$ 677,267	$ 3,510,469	$ 1,429,563
Less amounts not yet drawn down	(25,090)	-	(307,607)	-	-	-	-	-
Add premium	1,297,603	-	-	-	-	-	-	-
Payable Within One Year (including premium)	(1,271,535)	(546,996)	(1,167,607)	(1,133,324)	(359,101)	(101,952)	(87,752)	(93,627)
Long-Term Amounts Due After One Year	$ 16,996,824	$ 4,193,758	$ 47,917,011	$ 18,125,862	$ 4,771,264	$ 575,315	$ 3,422,717	$ 1,335,936

NOTE 4 LONG-TERM OBLIGATIONS (Continued)

Details of the Authority's long-term obligations at June 30, 2021 are as follows:

	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance at 6/30/2021	Due Within One Year
Water Fund:						
RD WTP 91-19	2.500%	5/27/2010	2050	$ 9,000,000	$ 7,587,287	$ 184,334
RD Route 58 Loan No. 20	2.380%	7/29/2010	2050	5,360,000	4,459,146	110,125
RD Whites Mill Loan No. 21	2.250%	12/1/2010	2050	3,000,000	2,352,608	65,456
RD WTP 91-20	2.250%	12/1/2010	2050	9,000,000	7,548,073	180,593
RD WTP 91-18	2.250%	12/1/2010	2050	8,580,000	7,026,501	180,425
RD Galvanized Line 1-1	2.250%	12/15/2010	2050	4,000,000	3,373,213	81,901
RD Galvanized Line 1-2	2.250%	12/15/2010	2050	6,000,000	4,983,090	124,589
RD Galvanized Line 2-1	2.380%	12/15/2010	2050	6,000,000	5,484,095	111,436
RD Galvanized Line 2-2	2.380%	12/15/2010	2050	4,000,000	3,670,593	73,942
RD Loan #30a (2017C)	2.000%	9/26/2017	2057	1,327,455	1,770,432	35,054
RD Loan Number 34	2.000%	9/26/2017	2057	341,000	14,700	6,298
RD Loan Town of Chilhowie	2.375%	10/14/2018	2059	814,880	814,880	13,454
Total Bonds Payable from Direct Borrowings					$ 49,084,618	$ 1,167,607
EPA DW RLF Loan #WSL-18-98	2.000%	9/22/2000	2026	$ 231,900	$ 51,479	$ 5,495
EPA DW RLF Loan #WSL-11-99	0.000%	8/31/2001	2032	83,388	30,569	2,780
EPA DW RLF Loan #WSL-17-99	0.000%	9/25/2001	2032	2,248,791	855,596	74,400
Series 2002A PLBP #2	3.100%	6/6/2002	2022	640,000	50,000	50,000
DWSRF Hanger Line	0.000%	9/1/2002	2022	395,215	158,124	13,174
DWSRF Providence Road	0.000%	6/30/2003	2033	153,114	63,685	5,094
DWSRF Goldenview Drive	0.000%	10/15/2003	2034	382,195	159,248	12,740
Blackhollow Road 15-04	3.000%	6/30/2005	2025	545,503	155,313	32,737
DWSRF Logan Creek	3.000%	11/26/2005	2026	193,021	66,189	11,245
EPA DW RLF Loan #WSL-03-06	3.000%	1/18/2007	2027	891,158	331,022	51,145
EPA DW RLF Loan #WSL-24-06	3.000%	3/1/2007	2027	156,290	62,440	8,838
Mendota Road Phase 1	3.000%	12/2/2008	2029	231,380	111,330	12,509
Walker Mtn Road/Lime Hill	3.050%	12/2/2008	2029	690,012	326,551	37,489
VRA Loan WSL #07-09	2.450%	2/9/2010	2031	647,003	353,448	33,478
Tumbling Creek	3.000%	2/11/2010	2031	62,563	30,963	3,422
VRA Loan WSL #19-08	3.050%	12/9/2010	2050	802,670	470,236	20,286
Reedy Creek WSL 23-10	2.250%	12/9/2010	2050	3,259,531	1,774,472	205,013
VRA Loan WSL #22-06	3.000%	12/28/2010	2031	304,774	178,193	15,528
Nordyke WSL #03-11	3.000%	12/4/2013	2044	387,829	307,060	5,346
VRA Rich Valley Whites Mill WSL #05-11	3.000%	12/4/2013	2044	1,394,102	1,217,798	35,274
Tumbling Creek South WSL #04-11	3.000%	5/21/2014	2044	72,911	62,775	1,872
Hidden Valley Rd WSL 003-14	2.000%	5/28/2015	2046	296,475	254,102	4,135
Childress Hollow	2.500%	12/31/2015	2046	220,172	168,301	6,428
Haskell Station	2.000%	4/20/2017	2047	114,009	99,367	2,877
WSL-006-18	2.500%	4/11/2019	2049	164,780	103,396	5,378
WSL-002-18	2.500%	4/11/2019	2049	1,663,900	1,625,185	39,689
VPFP 2019C	2.250%	11/20/2019	2034	2,310,000	2,205,000	110,000
VPFP 2019C	4.000%	11/20/2019	2034	5,470,000	5,220,000	265,000
WSL-004-18 - Sugar Cove Road	2.500%	3/5/2020	2050	326,840	318,797	7,807
WSL-005-18	1.000%	8/26/2020	2051	186,212	160,117	2,152
Subtotal Bonds Payable					$ 16,970,756	$ 1,081,331
Bond premium - VPFP 2019C	N/A	N/A	N/A	N/A	1,297,603	190,204
Total Bonds Payable with Premiums					$ 18,268,359	$ 1,271,535
Line of Credit	Prime + 0.5	12/3/2020	2023	$ 34,200,000	$ 16,072,515	$ -
Compensated Absences	N/A	N/A	N/A	N/A	910,874	182,175
Net Pension Liability	N/A	N/A	N/A	N/A	516,340	-
Net OPEB Liabilities	N/A	N/A	N/A	N/A	1,841,500	-
Total Water Fund					$ 86,694,206	$ 2,621,317

NOTE 4 LONG-TERM OBLIGATIONS (Continued)

Details of the Authority's long-term obligations at June 30, 2021 are as follows:

	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance at 6/30/2021	Due Within One Year
Sewer Fund:						
Exit 13 P1 - Loan 1 91-14	2.250%	12/15/2011	2052	$ 1,579,000	$ 1,363,109	$ 31,622
Exit 13 P1 - Loan 1 91-28	2.250%	12/15/2011	2052	1,677,000	1,446,522	33,605
Damascus	4.500%	8/15/2012	2042	973,000	700,838	22,525
Total Bonds Payable from Direct Borrowings					$ 3,510,469	$ 87,752
2008 Series Refunding Bond	3.900%	5/6/2008	2033	$ 4,100,000	$ 2,393,029	$ 168,781
Exit 13 P1 Force Main	1.000%	8/30/2012	2033	1,383,334	879,703	69,350
VRA 2017B	0.000%	8/16/2017	2038	1,171,550	911,757	58,578
Exit Phase IIA	0.000%	10/11/2016	2038	1,247,843	945,876	62,392
Total Bonds Payable					$ 5,130,365	$ 359,101
Compensated Absences	N/A	N/A	N/A	N/A	$ 34,302	$ 6,860
Net Pension Liability	N/A	N/A	N/A	N/A	43,757	-
Net OPEB Liabilities	N/A	N/A	N/A	N/A	179,979	-
Total Sewer Fund					$ 8,898,872	$ 453,713

In the event of default, the lender may declare the entire unpaid principal and interest on the bonds payable as due and payable. The bonds payable also have requirements that net revenues available for debt service will equal at least 115% of the amount required during the current fiscal year to pay the principal and interest of all parity bonds. The Authority is considered to be in compliance with the aforementioned covenant.

Bonds payable from direct borrowings have reserve requirements whereby 10% of the monthly payment(s) must be accumulated until a year's payments has been established for each individual borrowing. The Authority is considered to be in compliance with the aforementioned covenant.

All bonds payable issuances are revenues bonds and are collateralized by the underlying revenue stream.

During the year, the Authority issued a $34,200,000 line of credit (LOC), of which $16,072,515 was outstanding as of June 30, 2021 leaving $18,127,485 not utilized at year end. The LOC is to fund projects until long-term funding is in place from Rural Development. The LOC has interest at the prime rate plus 0.5 but will not fall below 3.75%. The LOC matures on December 3, 2022 and is collateralized by the underlying project.

NOTE 5 PENSION PLAN

Plan Description

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

Benefit Structures

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

a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 5 PENSION PLAN (Continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	30
Inactive members:	
Vested inactive members	10
Non-vested inactive members	6
Inactive members active elsewhere in VRS	10
Total inactive members	26
Active members	73
Total covered employees	129

NOTE 5 PENSION PLAN (Continued)

Contributions

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

The Washington County Service Authority's contractually required employer contribution rate for the year ended June 30, 2021 was 3.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Washington County Service Authority were $127,814 and $137,738 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) 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 Washington County Service Authority, the net pension liability was measured as of June 30, 2020. The total pension asset used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions - General Employees

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

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

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

NOTE 5 PENSION PLAN (Continued)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

NOTE 5 PENSION PLAN (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5 PENSION PLAN (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	$ 14,519,785	$ 14,452,644	$ 67,141
Changes for the year:			
Service cost	$ 357,790	$ -	$ 357,790
Interest	960,352	-	960,352
Differences between expected and actual experience	(236,891)	-	(236,891)
Contributions - employer	-	137,738	(137,738)
Contributions - employee	-	183,210	(183,210)
Net investment income	-	277,055	(277,055)
Benefit payments, including refunds of employees contributions	(584,691)	(584,691)	-
Administrative expenses	-	(9,382)	9,382
Other changes	-	(326)	326
Net changes	$ 496,560	$ 3,604	$ 492,956
Balances at June 30, 2020	$ 15,016,345	$ 14,456,248	$ 560,097

NOTE 5 PENSION PLAN (Continued)

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

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

		Rate	
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Washington County Service Authority's Net Pension Liability (Asset)	$ 2,545,637	$ 560,097	$ (1,095,655)

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

For the year ended June 30, 2021, the Washington County Service Authority recognized pension expense of $117,636. At June 30, 2021, the Washington County Service Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 369,008
Change in proportionate share	1,888	1,888
Change in assumptions	248,462	42,414
Net difference between projected and actual earnings on pension plan investments	433,696	-
Employer contributions subsequent to the measurement date	127,814	-
Total	$ 811,860	$ 413,310

NOTE 5 PENSION PLAN (Continued)

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

$127,814 reported as deferred outflows of resources related to pensions resulting from the Washington County Service Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30		
2022	$	(144,042)
2023		156,496
2024		145,807
2025		112,475

Pension Plan Data

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

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE

In addition to the pension benefits described in Note 5, the Authority administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Authority's pension plan. The plan does not issue a publicly available financial report.

Benefits Provided

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the Authority and is eligible to receive an early or regular retirement benefit from VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plan sponsored by the Authority. Employees at the Authority are allowed to stay on the plan until they reach the age of 65. The employee pays 100% of the required premium.

Plan Membership

At June 30, 2021 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	70
Total retirees with coverage	3
Total	73

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority. For fiscal year 2021, the Authority did not make contributions for premiums or prefunding amounts.

Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by using the alternative measurement method as of that date.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary Increases	2.30%
Discount Rate	1.94%

Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the 20-year tax exempt municipal bond yield. The final equivalent single discount rate used for this year's valuation is 1.94% as of the end of the fiscal year with the expectation that the Authority will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2020	$ 1,524,699
Changes for the year:	
Service cost	$ 71,528
Interest	39,060
Effect of Economic/Demographic Gains or Losses	(10,316)
Effect of Assumption Changes or Inputs	88,274
Net changes	$ 188,546
Balances at June 30, 2021	$ 1,713,245

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.94%) or one percentage point higher (2.94%) than the current discount rate:

Rates		
1% Decrease (0.94%)	Current Discount Rate (1.94%)	1% Increase (2.94%)
$ 1,910,594	$ 1,713,245	$ 1,545,630

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE (Continued)

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Rates	
1% Decrease	Healthcare Cost Trend	1% Increase
$ 1,504,912	$ 1,713,245	$ 1,962,259

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

For the year ended June 30, 2021, the Authority recognized OPEB expense in the amount of $188,546. At June 30, 2021, the Authority reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

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

NOTE 7 GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN)

Plan Description

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

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

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

Eligible Employees

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

NOTE 7 GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

Benefit Amounts

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were $20,147 and $19,766 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entity reported a liability of $308,234 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.01850% as compared to 0.01928% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of $10,077. 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.

NOTE 7 GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 19,770	$ 2,768
Net difference between projected and actual earnings on GLI OPEB plan investments	9,259	-
Change in assumptions	15,415	6,436
Changes in proportionate share	2,818	11,988
Employer contributions subsequent to the measurement date	20,147	-
Total	$ 67,409	$ 21,192

$20,147 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2022	$ 2,966
2023	5,580
2024	8,337
2025	8,747
2026	721
Thereafter	(281)

NOTE 7 GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be reference in the VRS Annual Report.

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

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

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

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

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

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

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

NOTE 7 GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

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

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

NOTE 7 GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to 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.

NOTE 7 GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Washington County Service Authority's proportionate share of the GLI Plan Net OPEB Liability	$ 405,198	$ 308,234	$ 229,491

GLI Plan Fiduciary Net Position

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

NOTE 8 SUMMARY OF OPEB BALANCES

	Water Fund				Sewer Fund			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Authority Health Insurance Plan (Note 6)	$ -	$ -	$ 1,557,347	$ 171,389	$ -	$ -	$ 155,898	$ 17,157
Group Life Insurance Plan (Note 7)	61,884	19,536	284,153	9,290	5,525	1,656	24,081	787
Totals	$ 61,884	$ 19,536	$ 1,841,500	$ 180,679	$ 5,525	$ 1,656	$ 179,979	$ 17,944

NOTE 9 RISK MANAGEMENT

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

NOTE 10 COMMITMENTS AND CONTINGENCIES

At June 30, 2021, the Authority had several major projects underway, which are presented in the financial statements as construction in progress. Presented below is a list of major projects, contract amounts, expenditures to date, and balances of contracts remaining:

Project	Contract Amount	Expenditures to Date	Balance of Contract
Abingdon Tank - King General	$ 2,334,967	$ 1,804,633	$ 530,334
Hidden Valley Phase 2 - McFall Excavating	680,709	503,395	177,314
Galv Phase III - Div 1/Div 1A - Boring Contractors	4,545,426	3,761,628	783,798
Galv Phase III - Div 1A - Boaring Contractors	5,456,587	2,761,078	2,695,509
Galv Phase III - Div 2 - Little B Enterprises	2,209,380	1,745,967	463,413
Galv Phase III - Div 2A - Thomas Construction	3,157,952	1,312,182	1,845,770
Galv Phase III - Div 2B - Central Buildres	2,839,394	1,242,700	1,596,694
Galv Phase III - Div 3 - Thomas Construction	5,097,340	882,198	4,215,142
Galv Phase III - Div 3A - Boring Contractors	6,600,959	3,688,382	2,912,577

NOTE 11 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2021 consisted of the following:

Fund	Transfers In	Transfers Out
Water Fund	$ -	$ 440,520
Sewer Fund	440,520	-

Transfers are used to (1) move revenues from the fund that statue or budget requires to collect them to the fund that statute or budget requires to expend them or (2) to adjust for payroll related expenditures and balances.

NOTE 12 SUBSEQUENT EVENTS

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Authority, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the Authority is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

On October 27, 2021, the Authority issued bonds payable in the amount of $7,000,000 and $8,450,000 with Rural Development. Proceeds of the bonds were used to pay down the line of credit balances outstanding. Interest accrues at 1.25% and the bonds mature 40 years from issuance.

NOTE 13 UPCOMING PRONOUNCEMENTS

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

NOTE 13 UPCOMING PRONOUNCEMENTS (Continued)

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

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

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

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

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

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

Required Supplementary Information

Exhibit 4

Washington County Service Authority
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability (Asset)							
Service cost	$ 357,790	$ 334,451	$ 322,487	$ 345,698	$ 348,934	$ 344,820	$ 303,720
Interest	960,352	913,738	865,463	864,854	817,665	770,771	726,494
Changes of assumptions	-	439,587	-	(221,000)	-	-	-
Difference between expected and actual experience	(236,891)	(29,684)	(119,256)	(607,671)	(135,635)	(102,805)	-
Benefit payments	(584,691)	(383,423)	(374,661)	(371,704)	(341,979)	(343,770)	(451,577)
Net change in pension liability	$ 496,560	$ 1,274,669	$ 694,033	$ 10,177	$ 688,985	$ 669,016	$ 578,637
Total pension liability (asset) - beginning	14,519,785	13,245,116	12,551,083	12,540,906	11,851,921	11,182,905	10,604,268
Total pension liability (asset) - ending (a)	$ 15,016,345	$ 14,519,785	$ 13,245,116	$ 12,551,083	$ 12,540,906	$ 11,851,921	$ 11,182,905
Plan Fiduciary Net Position							
Contributions - employer	$ 137,738	$ 143,339	$ 227,139	$ 214,674	$ 258,598	$ 260,877	$ 239,588
Contributions - employee	183,210	184,191	177,412	170,627	170,269	172,019	164,990
Net investment income	277,055	913,224	938,581	1,381,932	197,137	481,447	1,419,775
Benefit payments	(584,691)	(383,423)	(374,661)	(371,704)	(341,979)	(343,770)	(451,577)
Administrator charges	(9,382)	(8,840)	(7,918)	(7,811)	(6,717)	(6,403)	(7,647)
Other	(326)	(577)	(844)	(1,236)	(82)	(103)	75
Net change in plan fiduciary net position	$ 3,604	$ 847,914	$ 959,709	$ 1,386,482	$ 277,226	$ 564,067	$ 1,365,204
Plan Fiduciary Net Position - beginning	14,452,644	13,604,730	12,645,021	11,258,539	10,981,313	10,417,246	9,052,042
Plan Fiduciary Net Position - ending (b)	$ 14,456,248	$ 14,452,644	$ 13,604,730	$ 12,645,021	$ 11,258,539	$ 10,981,313	$ 10,417,246
Authority's net pension liability (asset) - ending (a) - (b)	$ 560,097	$ 67,141	$ (359,614)	$ (93,938)	$ 1,282,367	$ 870,608	$ 765,659
Plan fiduciary net position as a percentage of the total pension liability	96.27%	99.54%	102.72%	100.75%	89.77%	92.65%	93.15%
Covered payroll	$ 3,804,567	$ 3,794,010	$ 3,617,228	$ 3,462,831	$ 3,428,140	$ 3,446,371	$ 3,300,771
Authority's net pension liability (asset) as a percentage of covered-employee payroll	14.72%	1.77%	-9.94%	-2.71%	37.41%	25.26%	23.20%

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

Exhibit 5

Washington County Service Authority
Schedule of Employer Contributions
Pension Plan
For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (1) - (2) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (2)/(4) (5)
2021	$ 127,814	$ 127,814	$ -	$ 3,730,931	3.43%
2020	137,738	137,738	-	3,804,567	3.62%
2019	143,910	143,910	-	3,794,010	3.79%
2018	223,064	223,064	-	3,617,228	6.17%
2017	214,905	214,905	-	3,462,831	6.21%
2016	258,598	258,598	-	3,428,140	7.54%
2015	260,877	260,877	-	3,446,371	7.57%
2014	239,579	239,579	-	3,300,771	7.26%
2013	232,703	232,703	-	3,205,279	7.26%
2012	134,090	134,090	-	2,889,888	4.64%

Washington County Service Authority
Note to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2021

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

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

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

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

Washington County Service Authority
Schedule of Changes in Total OPEB Liability and Related Ratios - Health Insurance
For the Measurement Dates of June 30, 2018 through June 30, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service cost	$ 71,528	$ 47,476	$ 47,476	$ 47,476
Interest	39,060	51,054	37,582	14,674
Effect of Economic/Demographic Gains or Losses	(10,316)	(139,909)	22,109	-
Effect of Assumptions Changes or Inputs	88,274	154,854	(151,731)	(94,280)
Other adjustments	-	-	-	57,233
Net change in total OPEB liability	$ 188,546	$ 113,475	$ (44,564)	$ 25,103
Total OPEB liability - beginning	1,524,699	1,411,224	1,455,788	1,430,685
Total OPEB liability - ending	$ 1,713,245	$ 1,524,699	$ 1,411,224	$ 1,455,788
Covered payroll	N/A	N/A	N/A	N/A
Authority's total OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Washington County Service Authority
Notes to Required Supplementary Information - Health Insurance
For the Year Ended June 30, 2021

Valuation Date: 6/30/2021
Measurement Date: 6/30/2021

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Discount Rate	1.94%
Inflation	2.30%
Healthcare Trend Rate	The medical trend rate is 4.9% for year one, adjusted to 4.8% for year 2, 4.7% for years 3-4, 4.6% for year 5, 4.5% for year 6, 4.4% for year 7, with an ultimate rate of 4.3%. The pharmacy trend rate is 5.9% adjusted to 4.8% in year 2, 4.7% for year 3-4, 4.6% for year 5, 4.5% for year 6, 4.4% for year 7, with an ultimate rate of 4.3% thereafter. The dental trend rate is 3.5% for years 1-2, adjusted to an ultimate rate of 3.00% thereafter. The vision trend rate is 3.00% for year 1 and thereafter.
Salary Increase Rates	2.30%
Retirement Age	The average age at retirement is 62
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2020	0.01850%	$ 308,234	$ 3,800,998	8.11%	52.64%
2019	0.01928%	313,737	3,794,010	8.27%	52.00%
2018	0.01902%	289,000	3,617,228	7.99%	51.22%
2017	0.01880%	283,000	3,468,537	8.16%	48.86%

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

Exhibit 10

Washington County Service Authority
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	$ 20,147	$ 20,147	$ -	$ 3,730,931	0.54%
2020	19,766	19,766	-	3,800,998	0.52%
2019	19,729	19,729	-	3,794,010	0.52%
2018	18,808	18,808	-	3,617,228	0.52%
2017	18,036	18,036	-	3,468,537	0.52%
2016	16,442	16,442	-	3,425,434	0.48%
2015	16,543	16,543	-	3,446,371	0.48%
2014	15,844	15,844	-	3,300,771	0.48%
2013	15,385	15,385	-	3,205,280	0.48%
2012	8,092	8,092	-	2,889,888	0.28%

Washington County Service Authority
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2021

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

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

Non-Largest Ten Locality Employers - General Employees

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

Compliance Section

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

To the Board of Directors
Washington County Service Authority
Abingdon, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Washington County Service Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Washington County Service Authority's basic financial statements and have issued our report thereon dated July 1, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Washington County Service Authority's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox, Associates

Blacksburg, Virginia
July 1, 2022

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

To the Board of Directors
Washington County Service Authority
Abingdon, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Washington County Service Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Washington County Service Authority's major federal programs for the year ended June 30, 2021. Washington County Service Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Washington County Service Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Washington County Service Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Washington County Service Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Washington County Service Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Washington County Service Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Washington County Service Authority's internal control over compliance.

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

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

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

Robinson, Farmer, Cox, Associates

Blacksburg, Virginia
July 1, 2022

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	$ 16,072,515
Total Expenditures of Federal Awards			$ 16,072,515

Notes to the Schedule of Expenditures of Federal Awards

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Washington County Service Authority under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(2) The Authority did not elect the 10% de minimis indirect cost rate because they only request direct costs for reimbursement.

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

NOTE C--SUBRECIPIENTS

The Authority did not have any subrecipients for the year ended June 30, 2021.

NOTE D--RELATIONSHIP TO THE FINANCIAL STATEMENTS

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

Intergovernmental state and federal revenues per the basic financial statements:	
Statement of Revenues, Expenses and Changes in Net Position:	$ 861,593
Reconciling items:	
State and local revenues	$ (861,593)
Line of credit proceeds	16,072,515
Total reconciling items	$ 15,210,922
Total federal expenditures per basic financial statements	$ 16,072,515
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 16,072,515

Washington County Service Authority
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	No

Identification of major programs:

ALN	Name of Federal Program or Cluster
10.760	Water and Waste Disposal System for Rural Communities

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

Washington County Service Authority
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2021

Section II - Financial Statement Findings

2021-001

Criteria: An auditee should have controls in place to prepare financial statements in accordance with current reporting standards. Identification of significant adjustments to the financial statements that were not detected by the entity's internal controls indicates that a significant deficiency exists.

Condition: The Authority's financial statements as provided required significant proposed adjustments to ensure such statements complied with Generally Accepted Accounting Principles.

Cause: The Authority failed to identify all year end accounting adjustments necessary for the books to be prepared in accordance with current reporting standards.

Effect: There is a reasonable possibility that a misstatement of the Authority's financial statements will not be prevented or detected by the Authority's internal controls over

Recommendation: The Authority should review the proposed audit adjustments and incorporate same in the trial balance provided for audit in the future. Management should also implement a monthtly close process to ensure balances are appropriately reported throughout the year for internal reporting purposes.

Management's Response: Management agrees and will work to implement a monthly close process and will also review other proposed adjustments to be incorporated in the Authority's trial balance.

2021-002

Criteria: Bank reconciliations should be prepared in a timely manner each month and reviewed by someone outside of the collecting or disbursing functions. The bank reconciliations should be reconciled to the ledger and any discrepancies should be investigated.

Condition: Bank reconciliations were prepared each month; however, when variances were noted by the preparer, no review was performed to assist with determining what was creating reconciling differences and posting adjustments for same.

Cause: There is a reasonable possibility that a misstatement of the financial statements will not be prevented or detected by the Authority's internal controls over financial reporting.

Effect: The Authority does not have proper controls in place to ensure that monthly bank reconciliations are reviewed in a timely manner.

Recommendation: A process should be put in place to ensure that reconciliations are reviewed monthly. In the event that reconciling differences are noted, there should be a process to review and adjust the reconciliation or ledger as needed in a timely manner. Documentation should be maintained for audit purposes.

Management's Response: Management will implement a formal review process to ensure that reconciling discrepancies are investigated in a timely manner each month.

Washington County Service Authority
Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2021

Section I - Summary of Auditors' Results

2020-001	
Condition:	There is a reasonable possibility that a misstatement of the Authority's financial statements will not be prevented or detected by the Authority's internal controls over
Recommendation:	The Authority should reconcile accounts payable to the subledger on a monthly basis and review the proposed audit adjustments to ensure that same are incorporated in the trial balance provided for audit in the future.
Current Status:	Finding 2020-001 was repeated in the current year as 2021-001. A monthly close process was not formally adopted. Management is working to implement corrective action; however, due to turnover in staff same has not been implemented.