DINWIDDIE COUNTY WATER AUTHORITY

A Component Unit of Dinwiddie County, Virginia

FINANCIAL REPORT

June 30, 2019

BROWNEDWARDS
certified public accountants

BOARD OF DIRECTORS

Norman C. Olgers, Jr., Chairman

F. Edward Pearson, II, Vice-Chairman

Gene R. Witt., Secretary and Treasurer

David E. Blaha

Robert Perkins

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BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Dinwiddie County Water Authority, a component unit of Dinwiddie County, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Dinwiddie County Water Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Dinwiddie County Water Authority as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Summarized Comparative Information

The financial statements of Dinwiddie County Water Authority as of June 30, 2018, were audited by other auditors whose report dated October 9, 2018, expressed an unmodified opinion on those financial statements. The 2018 financial information is provided for comparative purposes only.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 6 and schedule of changes in net pension and other postemployment benefit (OPEB) liabilities and related ratios and schedule of contributions on pages 35 - 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context and disclosing pension and OPEB activities. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of Dinwiddie County Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dinwiddie County Water Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 30, 2019

DINWIDDIE COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019 and 2018

As management of the Dinwiddie County Water Authority, we offer readers of the Dinwiddie County Water Authority's financial statements this narrative overview and analysis of the financial activities of Dinwiddie County Water Authority for the fiscal years ended June 30, 2019 and 2018.

Summary of Dinwiddie County Water Authority Operations

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

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

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

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

Financial Highlights

- Selected financial information for 2019, 2018, and 2017 is as follows:

	2019	2018	2017
Total capital assets	$ 18,544,649	$ 18,244,531	$ 17,259,670
Total assets and deferred outflows of resources	$ 29,183,767	$ 28,479,463	$ 27,065,455
Total long-term liabilities	$ 4,115,000	$ 4,722,000	$ 5,279,426
Total liabilities and deferred inflows of resources	$ 5,437,160	$ 5,868,304	$ 6,353,644
Total operating revenues	$ 3,693,671	$ 3,707,850	$ 3,559,535
Total operating expenses, excluding depreciation	$ 2,772,484	$ 2,770,868	$ 2,772,523
Change in net position	$ 1,135,448	$ 1,947,348	$ 415,402
Net position:			
Net investment in capital assets	$ 13,884,479	$ 12,992,639	$ 11,427,856
Restricted	625,847	457,095	498,903
Unrestricted	9,236,281	9,161,425	8,785,052
Total net position, end of year	$ 23,746,607	$ 22,611,159	$ 20,711,811

(Continued)

Financial Highlights (Continued)

- Operating revenues decreased from fiscal year 2018 to fiscal year 2019 by $14,179 or approximately 0.38%. This minor decrease is a result of reduced water sales and corresponding sewer collection revenue. From a climatic standpoint, FY19 was considered a wet year. This meant water sales were below forecasted and the corresponding sewer revenue was also down. The Authority bills one for one. That means the sewer charge is based on the amount of water that goes through the water meter, i.e., less water sold, less sewer revenue billed.
- Contributions from the County for FY19 increased by $90,002 which is approximately 45% above FY18. The County provided funding for the McKenney Tank. This funding is provided by Dinwiddie County Board of Supervisors per resolution. An additional $132,700 was contributed from the County to complete this project in FY19.
- The Authority's activities are divided into three operating funds; Fund 10 - the Operating (Main System) Fund, Fund 20 - the Courthouse Fund, and Fund 80 - the Church Road Fund. Total operating expenses excluding depreciation are $1,616 or approximately 0.06% higher in fiscal year 2019 than fiscal year 2018. This difference is considered inconsequential.
- The Courthouse Fund operating expenses, excluding depreciation, decreased by $40,190 or approximately 13.48% from FY18. This decrease is attributed to reduced sewage pumping costs and no major plant repairs to the treatment plant during this time frame.
- The Church Road System Fund, Fund 80, realized a $17,249 or approximately 7.11% decrease in operating expenses. The majority of this decrease is a result of reduced water sales and reduced pumping costs.
- During 2019, the Authority's liabilities decreased by $351,439 or approximately 6.12%. The reduction is liabilities is primarily the result of continuing to make payments on the Authority's bonds.
- The Authority has agreed by resolution with financial support from Dinwiddie County to participate in the required nutrient improvements for the South Central Wastewater Authority (SCWWA). The estimated cost of the nutrient improvements at the South Central Wastewater Authority is between $65 million and $100 million with Dinwiddie County responsible for 10%.

  The Board of Directors for SCWWA has agreed to purchase nutrient credits for nitrogen and phosphorous through 2020. It is anticipated that the nutrient project will be delayed until 2021. The current VPDES permit expires in 2021. The Authority will be responsible for a pro rata share for the operating costs of the new system and the debt service and interest. Dinwiddie County is responsible for 10% of the total cost of the total nutrient project. Of that 10%, Authority customers are responsible for approximately 50% of the Dinwiddie County share. The Authority is considering a rate study to ensure the rates will fund all expenses including this project and increased operating expenses.
- The Authority participated with the developer of the Lake Jordan Subdivision to oversize the water line through the development adjacent to Route 1 from 8" to 16" in FY07. The oversizing cost of the water line is being reimbursed to the developer through reduced water connection fees for the developer per the Authority's Rules and Regulations. This reimbursement is still in effect for FY19. During FY19, there were no connections that met the criteria for developer reimbursement. To date, the subdivision has not been built out.
- The unrestricted cash and cash equivalents increased by $661,541 or approximately 81%. This increase is a result of the collection of the Aldi connection fees, reimbursement from the County for the Aldi contributions by the Authority during the project and the Southside Lagoon reimbursement for the construction cost to close. Furthermore operating expenses were reduced across the board.

Financial Highlights (Continued)

- The Authority continues to pay off debt service and interest on the existing bonds. This is illustrated by a reduction from FY18 to FY19 in long-term and total liabilities.

Authority Highlights for 2019

- Replaced all three pumps at the Ferndale WWPS. Design, coordination and inspection with Authority staff. Installation – mechanical and electrical with contractors.
- Added water and sewer lines to Dinwiddie County base GIS mapping. The purpose of this mapping is to assist staff with locating assets in the field and determining areas affected during water line breaks and sewer stoppages.
- Replaced the distributed control system for the Courthouse Wastewater Treatment Plant (CHSTP) treatment process.
- Commissioned a tank inspection firm to inspect all the elevated water tanks by remote operated vehicles (ROV's). This information and reports were used to develop a tank painting and inspection schedule.
- Began the SCADA project to replace the Windows Xp system that operates the main water distribution system and wastewater pump station.
- Continued compliance with the Department of Environmental Quality for the CHSTP.
- Continued compliance with the Department of Health for the main water system and Lew Jones Water System.
- Painted the McKenney Elevated Tank
- Hired a new office manager.
- Part time meter reader retired. Split duties between staff.
- Successful FY18 annual audit.
- Procured an annual contractor for cement asbestos pipe cutting, removal and disposal.
- Continued annual funding of capital improvement program.
- Completed utility improvements for the ALDI Distribution Warehouse – 24" water line, 6" force main and wastewater pump station; easement acquisition, project management, project inspection. The Authority managed the project and provided a significant savings for Dinwiddie County.
- Successful closure of Southside Lagoon for the School Board. The Authority negotiated the closure plan and managed the closure. This provided a significant savings for both the County and School Board.
- Began providing email reminders for delinquent bills and cut-off to improve customer service.
- Donated retired F250 4X4 pickup to school board.
- Began catastrophic planning – Ferndale Road 30" river crossing.
- Successful extension of the Authority's Charter through 2028.
- Developed flushing program for Lake Jordan Subdivision to improve water quality.
- Purchased a new standby diesel pump for the School House Lane WWPS.
- Added twenty-four new residential connections.
- Added one large industrial user, the Aldi Distribution Warehouse.
- Supported Dinwiddie County in economic development.

(Continued)

DINWIDDIE COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019 and 2018

Overview of the Financial Statements

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

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

Economic Conditions

The Authority continues to operate under sound management. Overall finances for the Authority for fiscal year 2019 as viewed by management, including the Board of Directors, is considered sound.

DINWIDDIE COUNTY WATER AUTHORITY

STATEMENT OF NET POSITION
June 30, 2019

	2019	For Comparative Purposes Only 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,476,248	$ 814,707
Accounts receivable, net	587,477	549,215
Due from County	136,329	335,958
Prepaid expenses	-	40,727
Total current assets	2,200,054	1,740,607
RESTRICTED ASSETS		
Cash and cash equivalents	616,335	517,210
Net pension asset	219,859	200,902
Total restricted assets	836,194	718,112
CAPITAL ASSETS, NET	21,721,441	21,608,192
OTHER ASSETS		
Cash and cash equivalents, rate stabilization fund	630,295	615,383
Cash and cash equivalents, board designated	3,755,062	3,734,956
Total other assets	4,385,357	4,350,339
Total assets	29,143,046	28,417,250
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on bond refunding	18,830	25,108
Pension deferrals	17,081	34,272
OPEB deferrals	4,810	2,833
Total deferred outflows of resources	40,721	62,213
	$ 29,183,767	$ 28,479,463

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

DINWIDDIE COUNTY WATER AUTHORITY

STATEMENT OF NET POSITION **(Continued)**
June 30, 2019

	2019	For Comparative Purposes Only 2018
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 451,678	$ 213,828
Accrued interest payable	15,083	17,216
Bonds payable, current portion	607,000	598,000
Unearned connection fees	16,246	16,246
Total current liabilities	1,090,007	845,290
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer deposits	186,368	175,524
LONG-TERM LIABILITIES		
Bonds payable, less current portion	4,072,000	4,679,000
Net OPEB liability	43,000	43,000
Total long-term liabilities	4,115,000	4,722,000
Total liabilities	5,391,375	5,742,814
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	41,785	120,490
OPEB deferrals	4,000	5,000
Total deferred inflows of resources	45,785	125,490
NET POSITION		
Net investment in capital assets	13,635,759	12,992,639
Restricted, capital projects	430,692	342,411
Restricted, pension	219,859	200,902
Unrestricted	9,460,297	9,075,207
Total net position	23,746,607	22,611,159
	$ 29,183,767	$ 28,479,463

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

DINWIDDIE COUNTY WATER AUTHORITY

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

	2019	For Comparative Purposes Only 2018
OPERATING REVENUES		
Operating revenues:		
Sewer charges	$ 1,568,223	$ 1,593,278
Sale of water	1,702,015	1,720,609
County use and operation fees	298,125	244,038
Penalty and service charges	91,070	97,367
Fire hydrant rental	1,199	1,198
Miscellaneous	33,039	51,360
Total operating revenues	3,693,671	3,707,850
OPERATING EXPENSES, other than depreciation		
Water, source of supply	434,674	524,915
Water, pumping	45,174	42,536
Water, transmission and distribution	130,259	108,430
Sewage, pumping	137,562	161,411
Sewage, treatment	921,771	869,449
Sewage, transmission and distribution	86,761	93,681
Maintenance shop	143,148	125,836
Customer accounts	252,050	277,609
Administrative	621,085	567,001
Total operating expenses, other than depreciation	2,772,484	2,770,868
Operating income before depreciation	921,187	936,982
DEPRECIATION	(1,015,397)	(984,784)
Operating loss	(94,210)	(47,802)
NONOPERATING REVENUES (EXPENSES)		
Interest earned	95,055	49,163
Contributions from the County	290,510	200,508
Economic development expenses	-	(35,561)
Loss on disposal of fixed assets	(16,019)	-
Service and connection fees	387,044	53,662
Interest expense	(115,987)	(128,114)
Total nonoperating revenues	640,603	139,658
Income before contributed capital	546,393	91,856

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

DINWIDDIE COUNTY WATER AUTHORITY

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

(Continued)

	2019	For Comparative Purposes Only 2018
Contributed capital, developer paid infrastructure	$ 589,055	$ 1,855,492
Change in net position	1,135,448	1,947,348
Net position, beginning of year	22,611,159	20,663,811
Net position, end of year	$ 23,746,607	$ 22,611,159

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

DINWIDDIE COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

	2019	For Comparative Purposes Only 2018
OPERATING ACTIVITIES		
Cash receipts from customers	$ 3,622,370	$ 3,607,053
Cash receipts from other income	33,039	51,360
Cash payments to employees for services	(599,770)	(593,263)
Cash payments for water related services and supplies	(628,414)	(713,197)
Cash payments for sewage related services and supplies	(847,975)	(1,006,692)
Cash payments for shop maintenance expenses	(105,226)	(93,347)
Cash payments for customer accounts expenses	(93,373)	(111,461)
Cash payments for administrative expenses	(333,987)	(330,743)
Net cash provided by operating activities	1,046,664	809,710
NONCAPITAL FINANCING ACTIVITIES		
Service and connection fees	387,044	53,662
Costs reimbursed by (paid on behalf) of School Board	115,695	(115,698)
Change in customer deposits	10,844	20,261
Net cash provided (used) by noncapital financing activities	513,583	(41,775)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(493,759)	(114,153)
County contributions	290,510	200,508
Economic development costs received (paid)	53,473	(85,947)
Interest paid	(111,842)	(123,129)
Principal retired	(598,000)	(587,000)
Net cash used by capital and related financing activities	(859,618)	(709,721)
INVESTING ACTIVITIES		
Interest received	95,055	49,163
Net increase in cash and cash equivalents	795,684	107,377
CASH AND CASH EQUIVALENTS		
Beginning of year	5,682,256	5,574,879
End of year	$ 6,477,940	$ 5,682,256

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

DINWIDDIE COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

(Continued)

		2019		For Comparative Purposes Only 2018
RECONCILIATION OF CASH TO THE STATEMENTS OF NET POSITION				
Cash and cash equivalents, current assets	$	1,476,248	$	814,707
Cash and cash equivalents, restricted assets		616,335		517,210
Cash and cash equivalents, rate stabilization fund		630,295		615,383
Cash and cash equivalents, board designated		3,755,062		3,734,956
	$	6,477,940	$	5,682,256
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES				
Operating loss	$	(94,210)	$	(47,802)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation		1,015,397		984,784
Amortization of sewer contract costs		186,869		186,869
Changes in current assets and liabilities:				
Accounts receivable, net		(38,262)		(49,437)
Due from County		30,461		(166,787)
Prepaid expenses		40,727		21,995
Accounts payable and accrued expenses		(10,870)		(24,202)
Net pension asset/liability and related deferred inflows/outflows of resources		(80,471)		(92,877)
Net OPEB liability and related deferred inflows/outflows of resources		(2,977)		(2,833)
Net cash provided by operating activities	$	1,046,664	$	809,710
SUPPLEMENTAL DISCLOSURES				
Contributed capital	$	589,055	$	1,855,492
Capital purchases accrued at year-end	$	248,720	$	-

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

1. Organization and Nature of Business

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

2. Summary of Significant Accounting Policies

Reporting entity

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

Basis of accounting

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

Fund accounting

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

Operating Fund

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

2. Summary of Significant Accounting Policies (Continued)

Courthouse Fund

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

Church Road System Fund

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

Cash and cash equivalents

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

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

Accounts receivable

The Authority evaluates its accounts receivable individually. A charge to income to absorb possible credit losses is provided when, in the opinion of management, it is appropriate. At June 30, 2019, $31,155 of accounts receivable were not considered collectible and, as such, an allowance has been recorded.

Unbilled receivables

Unbilled receivables represent an estimate of the amount of July billings subsequent to year end that relate to service provided prior to year end. At June 30, 2019, unbilled receivables of $305,139 were included in Accounts receivable on the statement of net position. These amounts are considered to be fully collectible and, as such, no allowance has been recorded.

Property, plant and equipment

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

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

(Continued)

2. Summary of Significant Accounting Policies (Continued)

Depreciable lives are as follows:

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

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

South Central Wastewater Authority (SCWWA) treatment plant rights

The Authority and other participating localities have an agreement with SCWWA to benefit from a certain wastewater treatment plant of the SCWWA. The Authority and other participating localities are not authorized to hold legal title to the plant; thus SCWWA holds title to these assets. Through long-term contracts, the risks and benefits of operating and maintaining the assets have been transferred to the Authority and other participating localities, and thus have been included in the Authority's capital assets as purchased capacity. The Authority and other participating localities are responsible for a portion of the debt incurred for these facilities. Unamortized sewer contract costs are being amortized over forty years using the straight-line method. The amortization of $186,869 for fiscal year 2019 is included in sewage-treatment expense and are included in operating fund capital assets (See Note 4).

Unamortized deferred amount on refunding

The deferred amount on refunding, resulting from the advance refunding of the Series 1999 Revenue Bonds is being amortized using the effective interest method over the life of the Series 2012 Bond. The amortization of $6,278 is included in interest expense for fiscal year 2019.

Compensated absences

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

Operating revenues and expenses

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

Credit risk

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

2. Summary of Significant Accounting Policies (Continued)

The Authority has an agreement with the Commonwealth of Virginia, Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) for the acceptance of wastewater generated at DMHMRSAS facilities. DMHMRSAS shall reimburse the Authority for the costs of all changes and improvements for the purposes of metering their flow. DMHMRSAS will pay the Authority, on a monthly basis, in accordance with the Authority's published service rates. The agreement shall remain in effect until 2036. Revenues of $151,297 for the year ended June 30, 2019, are included in water and sewer charges on the statement of revenues, expenses and changes in net assets.

Pensions

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

Other post-employment benefits

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

Deferred outflows/inflows of resources

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

(Continued)

2. Summary of Significant Accounting Policies (Continued)

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

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

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

<u>Risk management</u>

The Authority carries commercial insurance for various risks of loss including property, workers' compensation, theft, general liability, errors and omissions, employee health and accident, and public officials' liability. There have been no claims which have exceeded the amount insured resulting from these risks during the current year and there was no reduction in coverage during fiscal years 2019.

<u>Estimates</u>

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

<u>Subsequent events</u>

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 30, 2019, the date the financial statements were issued.

3. Cash, Cash Equivalents and Investments

Deposits

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

Cash and cash equivalents consist of the following:

Petty cash	$ 800
Demand deposits, local banks	2,675,148
Local Government Investment Pool	3,801,992
	$ 6,477,940

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Concentration of credit risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. government or agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. government or agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. government or agency securities. As of June 30, 2019, the Authority's deposits with LGIP were rated AAAm by Standard & Poor's.

(Continued)

4. Capital Assets

Capital assets owned by the Authority consist of the following:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Operating fund:				
Capital assets, non-depreciable:				
Construction in process	$ -	$ 401,860	$ -	$ 401,860
Land and improvements	321,244	-	-	321,244
Total capital assets, non-depreciable	321,244	401,860	-	723,104
Capital assets, depreciable:				
Unamortized sewer contract costs	7,389,111	-	-	7,389,111
Buildings	219,092	-	-	219,092
Equipment	1,402,797	-	(18,200)	1,384,597
Infrastructure	23,372,667	809,259	(60,993)	24,120,933
Total capital assets, depreciable	32,383,667	809,259	(79,193)	33,113,733
Accumulated depreciation for:				
Unamortized sewer contract costs	(4,025,450)	(186,869)	-	(4,212,319)
Buildings	(171,607)	(3,888)	-	(175,495)
Equipment	(803,526)	(60,827)	18,200	(846,153)
Infrastructure	(12,270,689)	(530,250)	45,280	(12,755,659)
Total accumulated depreciation	(17,271,272)	(781,834)	63,480	(17,989,626)
Total capital assets, depreciable, net	15,112,395	27,425	(15,713)	15,124,107
Operating capital assets, net	15,433,639	429,285	(15,713)	15,847,211
Courthouse fund:				
Capital assets, depreciable:				
Buildings	2,595,208	39,559	(1,307)	2,633,460
Equipment	493,840	80,856	(1,207)	573,489
Infrastructure	4,349,442	-	-	4,349,442
Total capital assets, depreciable	7,438,490	120,415	(2,514)	7,556,391
Accumulated depreciation for:				
Buildings	(1,660,222)	(73,058)	1,001	(1,732,279)
Equipment	(124,324)	(24,958)	1,207	(148,075)
Infrastructure	(2,000,759)	(188,130)	-	(2,188,889)
Total accumulated depreciation	(3,785,305)	(286,146)	2,208	(4,069,243)
Courthouse Fund capital assets, net	3,653,185	(165,731)	(306)	3,487,148

(Continued)

4. Capital Assets (Continued)

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Church Road System Fund:				
Capital assets, depreciable:				
Buildings	$ 1,025,547	$ -	$ -	$ 1,025,547
Equipment	10,000	-	-	10,000
Infrastructure	3,838,575	-	-	3,838,575
Total capital assets, depreciable	4,874,122	-	-	4,874,122
Accumulated depreciation for:				
Buildings	(386,179)	(21,266)	-	(407,445)
Equipment	(3,833)	(1,000)	-	(4,833)
Infrastructure	(1,962,742)	(112,020)	-	(2,074,040)
Total accumulated depreciation	(2,352,754)	(134,286)	-	(2,487,040)
Church Road System Fund capital assets, net	2,521,368	(134,286)	-	2,387,082
	$ 21,608,192	$ 129,268	$ (16,019)	$ 21,721,441

Construction in process consists of the following:

	Incurred through June 30,2019	Committed at June 30,2019
McKenney Tank Painting	$ 235,977	$ 109,395
School House Lane Standby Diesel Pump	39,000	-
SCADA Replacement - Main System	126,883	190,323
	$ 401,860	$ 299,718

5. Advance Refunding

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

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

(Continued)

6. Bonds Payable

Bonds payable consist of the following issues:

Description	Original Amount	Amount Outstanding June 30, 2019
Series 2016A - Main System Bonds:		
$3,486,000 due in annual installments ranging from $186,000 to $257,000, through 2032, bearing a 2.27% interest. The revenues of the Authority's Water and Sewer System, exclusive of the Courthouse and Church Road System Funds, are pledged to pay the principal and interest of the bonds. No debt service reserve is required.	$ 3,486,000	$ 2,914,000
Series 2016B - Main System Bonds:		
$962,000 due in annual installments ranging from $189,000 to $198,000, through 2021, bearing a 1.31% interest. The revenues of the Authority's Courthouse Fund are pledged to pay the principal and interest of the bonds. No debt service reserve is required.	962,000	390,000
Series 2012 Water System Revenue Refunding Bond:		
$2,640,000 due in annual installments ranging from $195,000 to $240,000, through 2025, with an interest rate ranging between 2.7% and 2.1%. The revenues of the Authority's Church Road System Fund are pledged to pay the principal and interest of the bond. No debt service reserve is required.	2,640,000	1,375,000
Total bonds payable		$ 4,679,000
Bonds payable, current		$ 607,000
Bonds payable, noncurrent		4,072,000
		$ 4,679,000

Activity in the bonds payable and related accounts for fiscal year 2019 follows:

	Balance June 30, 2018	Issued	Retired	Balance June 30, 2019	Amount Due Within One Year
Total bonds outstanding	$ 5,277,000	$ -	$ (598,000)	$ 4,679,000	$ 607,000

(Continued)

6. Bonds Payable (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2020	$ 607,000	$ 100,365	$ 707,365
2021	618,000	88,005	706,005
2022	429,000	77,095	506,095
2023	444,000	66,881	510,881
2024	448,000	56,152	504,162
2025 - 2029	1,382,000	160,968	1,542,968
2030 - 2032	751,000	28,670	779,670
	$ 4,679,000	$ 578,146	$ 5,257,146

7. Restricted Net Position

Restricted net position represent the portion of total net position held for customer deposits and purposes restricted by granting entity.

8. Defined Benefit Pension Plan

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

Plan description

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

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

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

8. Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms

As of the June 30, 2017, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	5
Inactive members:	
Vested	2
Non-vested	7
Active elsewhere in VRS	4
Total inactive members	13
Active members	10
	28

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2019, was 2.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $14,427 for the year ended June 30, 2019.

Net pension liability (asset)

A political subdivision's net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

8. Defined Benefit Pension Plan (Continued)

<u>Actuarial assumptions</u>

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

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

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

8. Defined Benefit Pension Plan (Continued)

Long-term expected rate of return

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

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

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

8. Defined Benefit Pension Plan (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability (asset)

	Total Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	$ 1,945,381	$ 2,146,283	$ (200,902)
Changes for the year:			
Service cost	61,857	-	61,857
Interest	135,261	-	135,261
Difference between expected and actual experience	4,527	-	4,527
Contributions, employer	-	34,268	(34,268)
Contributions, employee	-	27,240	(27,240)
Net investment income	-	160,570	(160,570)
Benefit payments, including refunds of employee contributions	(26,148)	(26,148)	-
Administrative expense	-	(1,331)	1,331
Other changes	-	(145)	145
Net changes	175,497	194,454	(18,957)
Balances at June 30, 2018	$ 2,120,878	$ 2,340,737	$ (219,859)

8. Defined Benefit Pension Plan (Continued)

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

The following represents the net pension liability calculated using the stated discount rate of 7.00%, as well as what the net position liability would be if it were calculated using a stated discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Authority's Net Pension Liability (Asset)	$ 62,348	$ (219,859)	$ (457,002)

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

For the year ending June 30, 2019 and 2018, the Authority recognized pension expense (recovery) of $(66,049) and $(57,558), respectively. At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,654	$ 14,841
Changes of assumptions	-	5,508
Employer contributions made subsequent to measurement date	14,427	-
Net difference between projected and actual earnings on plan investments	-	21,436
	$ 17,081	$ 41,785

$14,427 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction (increase) to the Net Pension Liability (Asset) in the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense in future periods as follows:

(Continued)

8. Defined Benefit Pension Plan (Continued)

Year Ending June 30,		Reduction to Pension Expense
2020	$	(13,130)
2021		(2,234)
2022		(21,940)
2023		(1,827)

Pension plan data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

9. Other Post-Employment Benefits

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

Group life insurance program

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

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

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

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the GLI Program from the entity were $2,810 for the year ended June 30, 2019.

(Continued)

9. Other Post-Employment Benefits (Continued)

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

At June 30, 2019, the Authority reported a liability of $43,000 for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the Authority's actuarially determined employer contributions to the GLI program for the year ended June 30, 2018, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Authority's proportion was 0.00286% as compared to 0.00285% at June 30, 2017.

For the year ended June 30, 2019, the Authority recognized GLI OPEB expense of $0. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,000	$ 1,000
Changes of assumptions	-	2,000
Employer contributions made subsequent to measurement date	2,810	-
Net difference between projected and actual earnings on plan investments	-	1,000
	$ 4,810	$ 4,000

$2,810 reported as deferred outflows of resources related to the GLI OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future periods as follows:

Year Ending June 30,	Reduction to OPEB Expense
2020	$ (1,000)
2021	(1,000)

9. Other Post-Employment Benefits (Continued)

Actuarial assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	7.0 Percent, net of investment expenses, including inflation*

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

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

Net GLI OPEB liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability	$ 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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

9. Other Post-Employment Benefits (Continued)

Long-term expected rate of return

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

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

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

Discount rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

(Continued)

9. Other Post-Employment Benefits (Continued)

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

The following presents the Authority's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Authority's proportionate share of the GLI program net OPEB liability	$ 56,000	$ 43,000	$ 32,000

GLI program fiduciary net position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

10. Purchase Agreements and Other Commitments

The County of Dinwiddie has a contract with the Appomattox River Water Authority (ARWA) for the purchase of an adequate supply of filtered water for the inhabitants of Dinwiddie County. That amount is then, by agreement, billed to the Authority. Water purchases for resale under this agreement for the year ended June 30, 2019, were $413,589. ARWA is in the initial stages of an approximately $90,000,000 improvement which will be financed through the issuance of bonds. The County of Dinwiddie will be responsible for 6.75% of the debt service costs, which are expected to be passed on to the Authority.

The Authority has an agreement with the Town of McKenney for the supply of water and sewage disposal for customers of the Authority located around the Town. This agreement is automatically renewed annually unless either party gives notice of termination. For the year ended June 30, 2019, water purchases for resale were $9,160, and sewage disposal charges totaled $8,364.

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

(Continued)

10. Purchase Agreements and Other Commitments (Continued)

The agreement with SCWWA for wastewater conveyance expires July 2036. Sewage disposal charges were $666,478 for the year ended June 30, 2019. These amounts are subject to final adjustment, which is not known until the following fiscal year; therefore, the final adjustment is not reflected in these financial statements. However, the impact is not expected to be significant. The Authority's cost of $7,389,111 for ten percent of sewer treatment capacity and the connection fee to SCWWA are being amortized over forty years. The SCWWA is in the initial stages of an approximately $60,000,000 improvement which will be financed through the issuance of bonds. Dinwiddie County will be responsible for 10% of the debt service costs.

11. Related Parties

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

12. Leases

The Authority entered into a communications site lease agreement with a wireless communications services company for the use of land owned by the Authority. The lease, beginning in October 2006, is for a five year period with five optional renewal periods of five year terms. The base rent of $1,500 increases by 3% each year. For the year ended June 30, 2019 **and 2018**, lease revenue to the Authority was $25,477, with the current renewal period expiring in September 2021.

Minimum future lease revenue is as follows:

Year Ending June 30,	
2020	$ 26,241
2021	27,028
2022	6,807
	$ 60,076

REQUIRED SUPPLEMENTARY INFORMATION

DINWIDDIE COUNTY WATER AUTHORITY

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

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

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

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

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

DINWIDDIE COUNTY WATER AUTHORITY

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

Fiscal Year Ended June 30,*		**2019**		**2018**
Employer's proportion of the net OPEB liability		0.00286%		0.00285%
Employer's proportionate share of the net OPEB liability	$	43,000	$	43,000
Employer's covered payroll	$	544,800	$	525,576
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll		7.89%		8.18%
Plan fiduciary net position as a percentage of the total OPEB liability		51.22%		48.86%

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

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

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

DINWIDDIE COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

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

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

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

DINWIDDIE COUNTY WATER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

1. Changes of Benefit Terms, Pension

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

2. Changes of Benefit Terms, OPEB

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

3. Changes of Assumptions, Pension and OPEB

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

Largest 10 – Non-Hazardous Duty:
- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates

Largest 10 – Hazardous Duty:
- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates

All Others (Non 10 Largest) – Non-Hazardous Duty:
- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:
- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%

SUPPLEMENTARY INFORMATION

DINWIDDIE COUNTY WATER AUTHORITY

COMBINING STATEMENT OF NET POSITION
June 30, 2019

	Operating Fund	Courthouse Fund	Church Road System Fund	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 854,886	$ 283,970	$ 337,392	$ 1,476,248
Accounts receivable, net	478,278	7,330	101,869	587,477
Due from County	104,600	3	31,726	136,329
Due (to) from other funds	(106,867)	6,682	100,185	-
Total current assets	1,330,897	297,985	571,172	2,200,054
RESTRICTED ASSETS				
Cash and cash equivalents	526,335	90,000	-	616,335
Net pension asset	177,216	30,916	11,727	219,859
Total restricted assets	703,551	120,916	11,727	836,194
CAPITAL ASSETS, NET	15,847,211	3,487,148	2,387,082	21,721,441
OTHER ASSETS				
Cash and cash equivalents, rate stabilization fund	630,295	-	-	630,295
Cash and cash equivalents, board designated	2,697,885	288,396	768,781	3,755,062
Total other assets	3,328,180	288,396	768,781	4,385,357
Total assets	21,209,839	4,194,445	3,738,762	29,143,046
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on bond refundings	-	-	18,830	18,830
Pension deferrals	15,454	1,559	68	17,081
OPEB deferrals	3,877	676	257	4,810
Total deferred outflows of resources	19,331	2,235	19,155	40,721
	$ 21,229,170	$ 4,196,680	$ 3,757,917	$ 29,183,767

See Independent Auditor's Report.

DINWIDDIE COUNTY WATER AUTHORITY

COMBINING STATEMENT OF NET POSITION **(Continued)**
June 30, 2019

	Operating Fund		Courthouse Fund		Church Road System Fund		Total
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	$	397,029	$	13,127	$	41,522	$ 451,678
Accrued interest payable		5,512		1,277		8,294	15,083
Bonds payable, current portion		195,000		192,000		220,000	607,000
Unearned connection fees		16,246		-		-	16,246
Total current liabilities		613,787		206,404		269,816	1,090,007
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS							
Customer deposits		185,643		725		-	186,368
LONG-TERM LIABILITIES							
Net OPEB liability		34,652		6,050		2,298	43,000
Bonds payable, less current portion		2,719,000		198,000		1,155,000	4,072,000
Total liabilities		3,553,082		411,179		1,427,114	5,391,375
DEFERRED INFLOWS OF RESOURCES							
Pension deferrals		37,804		3,814		167	41,785
OPEB deferrals		3,223		563		214	4,000
Total deferred inflows of resources		41,027		4,377		381	45,785
NET POSITION							
Net investment in capital assets		9,507,699		3,097,148		1,030,912	13,635,759
Restricted, capital projects		340,692		90,000		-	430,692
Restricted, pension		177,216		30,916		11,727	219,859
Unrestricted		7,609,454		563,060		1,287,783	9,460,297
Total net position		17,635,061		3,781,124		2,330,422	23,746,607
	$	21,229,170	$	4,196,680	$	3,757,917	$ 29,183,767

DINWIDDIE COUNTY WATER AUTHORITY

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

	Operating Fund	Courthouse Fund	Church Road System Fund	Total
OPERATING REVENUES				
Operating revenues:				
Sewer charges	$ 1,543,177	$ 25,046	$ -	$ 1,568,223
Sale of water	1,133,157	-	568,858	1,702,015
County use and operation fees	-	298,125	-	298,125
Penalty and service charges	91,045	25	-	91,070
Fire hydrant rental	1,199	-	-	1,199
Miscellaneous	31,583	1,456	-	33,039
Total operating revenues	2,800,161	324,652	568,858	3,693,671
OPERATING EXPENSES				
Water, source of supply	277,703	-	156,971	434,674
Water, pumping	21,497	-	23,677	45,174
Water, transmission and distribution	129,459	-	800	130,259
Sewage, pumping	120,442	17,120	-	137,562
Sewage, treatment	864,441	57,330	-	921,771
Sewage, transmission and distribution	86,379	382	-	86,761
Maintenance shop	79,724	63,424	-	143,148
Customer accounts	246,058	3,411	2,581	252,050
Administrative	463,519	116,189	41,377	621,085
Total operating expenses, other than depreciation	2,289,222	257,856	225,406	2,772,484
Operating income before depreciation	510,939	66,796	343,452	921,187
DEPRECIATION	(594,965)	(286,146)	(134,286)	(1,015,397)
Operating income (loss)	(84,026)	(219,350)	209,166	(94,210)
NONOPERATING REVENUES (EXPENSES)				
Interest earned	71,709	8,546	14,800	95,055
Contributions from the County	-	290,510	-	290,510
Loss on disposal of asset	(15,713)	(306)	-	(16,019)
Service and connection fees	387,044	-	-	387,044
Interest expense	(69,032)	(6,360)	(40,595)	(115,987)
Total nonoperating revenues (expenses)	374,008	292,390	(25,795)	640,603
Income before transfers	289,982	73,040	183,371	546,393

See Independent Auditor's Report.

DINWIDDIE COUNTY WATER AUTHORITY

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

	Operating Fund	Courthouse Fund	Church Road System Fund	Total
TRANSFERS	$ (56,407)	$ 38,408	$ 17,999	$ -
Income before contributed capital	233,575	111,448	201,370	546,393
CONTRIBUTED CAPITAL	589,055	-	-	589,055
Change in net position	822,630	111,448	201,370	1,135,448
Net position, beginning of year	16,812,431	3,669,676	2,129,052	22,611,159
Net position, end of year	$ 17,635,061	$ 3,781,124	$ 2,330,422	$ 23,746,607

See Independent Auditor's Report.

DINWIDDIE COUNTY WATER AUTHORITY

COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

	Operating Fund	Courthouse Fund	Church Road System Fund	Total
OPERATING ACTIVITIES				
Cash receipts from customers	$ 2,737,039	$ 322,956	$ 562,375	$ 3,622,370
Cash receipts from other income	31,583	1,456	-	33,039
Cash payments to employees for services	(484,149)	(83,690)	(31,931)	(599,770)
Cash payments for water related services and supplies	(422,356)	-	(206,058)	(628,414)
Cash payments for sewage related services and supplies	(776,032)	(71,943)	-	(847,975)
Cash payments for shop maintenance expenses	(58,075)	(47,151)	-	(105,226)
Cash payments for customer accounts expenses	(89,260)	(2,696)	(1,417)	(93,373)
Cash payments for administrative expenses	(257,966)	(62,335)	(13,686)	(333,987)
Net cash provided by operating activities	680,784	56,597	309,283	1,046,664
NONCAPITAL FINANCING ACTIVITIES				
Service and connection fees	387,044	-	-	387,044
Reimbursements from the School Board	-	115,695	-	115,695
Change in customer deposits	10,844	-	-	10,844
Net cash provided by noncapital financing activities	397,888	115,695	-	513,583
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(373,344)	(120,415)	-	(493,759)
County contributions	-	290,510	-	290,510
Reimbursement of County economic development costs paid	53,473	-	-	53,473
Interest paid	(69,394)	(6,989)	(35,459)	(111,842)
Principal retired	(191,000)	(192,000)	(215,000)	(598,000)
Net cash used by capital and related financing activities	(580,265)	(28,894)	(250,459)	(859,618)
INVESTING ACTIVITIES				
Transfers (to) from other funds	50,460	31,726	(82,186)	-
Interest received	71,709	8,546	14,800	95,055
Net cash provided (used) by investing activities	122,169	40,272	(67,386)	95,055
Net increase (decrease) in cash and cash equivalents	620,576	183,670	(8,562)	795,684
CASH AND CASH EQUIVALENTS				
Beginning of year	4,088,825	478,696	1,114,735	5,682,256
End of year	$ 4,709,401	$ 662,366	$ 1,106,173	$ 6,477,940

See Independent Auditor's Report.

DINWIDDIE COUNTY WATER AUTHORITY

COMBINING STATEMENT OF CASH FLOWS **(Continued)**
Year Ended June 30, 2019

	Operating Fund	Courthouse Fund	Church Road System Fund	Total
RECONCILIATION OF CASH TO THE STATEMENTS OF NET POSITION				
Cash and cash equivalents, current assets	$ 854,886	$ 283,970	$ 337,392	$ 1,476,248
Cash and cash equivalents, restricted assets	526,335	90,000	-	616,335
Cash and cash equivalents, rate stabilization fund	630,295	-	-	630,295
Cash and cash equivalents, board designated	2,697,885	288,396	768,781	3,755,062
	$ 4,709,401	$ 662,366	$ 1,106,173	$ 6,477,940
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ (84,026)	$ (219,350)	$ 209,166	$ (94,210)
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation	594,965	286,146	134,286	1,015,397
Amortization	186,869	-	-	186,869
Change in current assets and liabilities:				
Accounts receivable, net	(31,539)	(240)	(6,483)	(38,262)
Due from County	41,778	-	(11,317)	30,461
Prepaid expenses	32,597	4,065	4,065	40,727
Accounts payable and accrued expenses	1,506	652	(13,028)	(10,870)
Net pension asset/liability and related deferred inflows/outflows of resources	(58,852)	(14,309)	(7,310)	(80,471)
Net OPEB liability and related deferred inflows/outflows of resources	(2,514)	(367)	(96)	(2,977)
Net cash provided by operating activities	$ 680,784	$ 56,597	$ 309,283	$ 1,046,664
SUPPLEMENTAL DISCLOSURES				
Contributed capital	$ 589,055	$ -	$ -	$ 589,055
Capital purchases accrued at year-end	$ 248,720	$ -	$ -	$ 248,720

See Independent Auditor's Report.

DINWIDDIE COUNTY WATER AUTHORITY

SCHEDULE OF OPERATING EXPENSES - OPERATING FUND
Year Ended June 30, 2019

	Water Source of Supply	Water Pumping	Water Transmission and Distribution	Sewage Pumping	Sewage Treatment	Sewage Transmission and Distribution	Maintenance Shop	Customer Accounts	Administrative	Total
Cost of sewage treatment	$ -	$ -	$ -	$ -	$ 677,572	$ 37,555	$ -	$ -	$ -	$ 715,127
Salaries	-	1,530	26,741	28,363	-	16,252	21,649	156,798	231,215	482,548
Cost of purchased water	277,703	-	-	-	-	-	-	-	-	277,703
Repairs and maintenance	-	-	90,200	52,038	-	-	31,861	-	40,219	214,318
Amortization	-	-	-	-	186,869	-	-	-	-	186,869
Professional services	-	-	1,697	-	-	-	-	-	92,446	94,143
Payroll taxes and fringe benefits	-	296	5,161	5,473	-	3,136	4,177	30,259	40,091	88,593
Utilities	-	16,164	630	30,608	-	630	-	-	8,986	57,018
Supplies and tools	-	3,507	5,030	-	-	28,806	11,621	7,036	-	56,000
Office expense	-	-	-	-	-	-	-	11,974	23,283	35,257
Postage	-	-	-	-	-	-	-	27,338	1,062	28,400
Insurance	-	-	-	-	-	-	-	2,057	12,475	14,532
Vehicle expense	-	-	-	-	-	-	10,416	-	-	10,416
Telephone	-	-	-	3,960	-	-	-	5,238	-	9,198
Payroll service	-	-	-	-	-	-	-	-	8,374	8,374
Dues and subscription	-	-	-	-	-	-	-	-	5,368	5,368
Uniform rental	-	-	-	-	-	-	-	5,296	-	5,296
Bad debts	-	-	-	-	-	-	-	62	-	62
	$ 277,703	$ 21,497	$ 129,459	$ 120,442	$ 864,441	$ 86,379	$ 79,724	$ 246,058	$ 463,519	$2,289,222

See Independent Auditor's Report.

DINWIDDIE COUNTY WATER AUTHORITY

SCHEDULE OF OPERATING EXPENSES - COURTHOUSE FUND
Year Ended June 30, 2019

	Sewage Pumping	Sewage Treatment	Sewage Transmission and Distribution	Maintenance Shop	Customer Accounts	Administrative	Total
Salaries	$ 2,616	$ -	$ 273	$ 16,273	$ 715	$ 64,305	$ 84,182
Repairs and maintenance	-	30,023	-	8,932	-	-	38,955
Utilities	6,026	-	-	24,745	-	-	30,771
Professional services	-	-	-	-	-	28,627	28,627
Payroll taxes and fringe benefits	1,039	-	109	6,466	284	18,736	26,634
Cost of sewage treatment	-	15,832	-	-	-	-	15,832
Supplies and tools	5,639	6,923	-	8	473	-	13,043
Vehicle expense	-	-	-	7,000	-	-	7,000
Telephone	1,800	4,552	-	-	-	-	6,352
Insurance	-	-	-	-	779	4,065	4,844
Uniform rental	-	-	-	-	1,014	-	1,014
Office expense	-	-	-	-	146	456	602
	$ 17,120	$ 57,330	$ 382	$ 63,424	$ 3,411	$ 116,189	$ 257,856

See Independent Auditor's Report.

DINWIDDIE COUNTY WATER AUTHORITY

SCHEDULE OF OPERATING EXPENSES - CHURCH ROAD SYSTEM FUND
Year Ended June 30, 2019

	Water Source of Supply	Water Pumping	Water Transmission and Distribution	Customer Accounts	Administrative	Total
Cost of purchased water	$ 156,971	$ -	$ -	$ -	$ -	$ 156,971
Salaries	-	1,223	-	1,164	29,544	31,931
Utilities	-	14,139	-	-	-	14,139
Supplies and tools	-	8,315	800	-	-	9,115
Professional services	-	-	-	-	6,760	6,760
Insurance	-	-	-	-	4,844	4,844
Payroll taxes and fringe benefits	-	-	-	1,417	223	1,640
Office expense	-	-	-	-	6	6
	$ 156,971	$ 23,677	$ 800	$ 2,581	$ 41,377	$ 225,406

See Independent Auditor's Report.

COMPLIANCE REPORT

BROWN EDWARDS
certified public accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities of Dinwiddie County Water Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Dinwiddie County Water Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dinwiddie County Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Dinwiddie County Water 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 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 over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control (see IC 19-001).

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Compliance and Other Matters

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

Dinwiddie County Water Authority's Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 30, 2019

DINWIDDIE COUNTY WATER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES – FINANCIAL STATEMENTS
June 30, 2019

Finding No. IC 19-001

Condition and Criteria

As part of our audit, we proposed multiple significant adjustments related to pensions, other post-employment benefits, fixed assets, and accounts receivable. These are reviewed and approved by management; however, auditors feel that this review would only detect material misstatements, and that a misstatement that is more than inconsequential may not be prevented or detected.

Effect

Financial statements and related disclosures prepared on a GAAP basis may be misstated by an amount that is more than inconsequential.

Cause

Due to the small size of the Authority, there is a limited accounting staff, which does not allow for the hiring of an accountant with the background needed to prepare GAAP compliant financial statement level adjustments.

Recommendation

Management will meet regularly with the auditors to keep up to date on changes in GAAP and continue to review the draft GAAP financial statements and related disclosures prior to issuance.

View of Management and Planned Corrective Action

Recommendations made by auditors will be implemented.

OTHER INFORMATION

DINWIDDIE COUNTY WATER AUTHORITY

OTHER INFORMATION
PLEDGED REVENUE COVERAGE
Year Ended June 30, 2019

Series 2012 Water System Revenue Refunding Bond

Gross revenues	$	583,658
Less: Operating expenses		(225,406)
Net revenues available for debt service (a)	$	358,252
Debt service:		
Principal	$	215,000
Interest		40,595
Total debt service (b)	$	255,595
Debt service coverage (a) / (b)		140%

See Independent Auditor's Report.