PULASKI COUNTY PUBLIC SERVICE AUTHORITY

(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

Pulaski County Public Service Authority
(A Component Unit of Pulaski County, Virginia)
Annual Financial Report
Year Ended June 30, 2020

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FINANCIAL SECTION

Independent Auditors' Report

To the Honorable Members of
Pulaski County Public Service Authority
Pulaski, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Pulaski County Public Service Authority, as of June 30, 2020, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Beginning Balances

As described in Note 15 to the financial statements, in 2020, the Authority restated beginning balance for the correction of an error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-9 and 41-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pulaski County Public Service Authority's basic financial statements. The supporting schedule and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

The statistical section 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 January 8, 2021, on our consideration of Pulaski County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pulaski County Public Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pulaski County Public Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates
Blacksburg, Virginia
January 8, 2021

As management of the Pulaski County Public Service Authority, (the Authority), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information contained in the audit report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its financial statements are comprised of four sections:

1. Enterprise fund financial statements as described in several exhibits;
2. Notes to financial statements;
3. Required supplementary information;
4. Supporting schedules;
5. Compliance statements describing the overall findings by the auditor.

Enterprise Fund Financial Statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business.

The statement of net position presents information on the Authority's gross assets and liabilities, with the difference between the two reported as net position (see Exhibit 1). Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net position (Exhibit 2) presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g. earned but unused vacation leave or long-term debt).

The basic enterprise fund financial statements can be found in Exhibits 1-3 of this report.

Notes to financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights

- As noted in Exhibit 1, the assets of the Authority exceeded its liabilities by $22,301,162 (net position) as of June 30, 2020. Of this amount, $7,508,301 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors. Of the remaining net position, $337,380 is restricted for debt service and $14,455,481 is in the form of capital assets including installed facilities and equipment such as the water treatment plant, utility lines and distribution system and vehicles.

- As reported in Exhibit 2, the total net position of the Authority increased by $535,007 from $21,766,155 (as restated), in FY-19 to $22,301,162 in FY-20.

- From the cash perspective (described in Exhibit 3), Authority cash flows provided from operations were $1,776,766, cash flows used for non-capital financing activities were $33,979, cash flows provided by capital and related financing activities were $523,339, and cash flows from investing activities were $152,728. Those combined for an overall net increase of $2,418,854 in cash.

- As part of the above cash transactions of the Authority, the Authority's total long-term debt increased by a net of $1,617,308 during FY- 20.

Financial Highlights – (continued)

- Total depreciation expense for the Authority was $1,489,501 or approximately 16% of the total operating expenses. It should be noted that depreciation for water and sewer is an estimate and should be taken into consideration when analyzing the profitability of both the water and sewer services.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The net position of the Authority totaled $22,301,162 on June 30, 2020. A year earlier on June 30, 2019, the net position of the Authority was $21,766,155 (as restated), resulting in a net increase in net position of the Authority of $535,007 during FY-20.

The Authority's net position reflected in its investment in capital assets net of related outstanding debt used to acquire those assets (such as utility lines, pump stations and trucks) totaled $14,455,481, or approximately 65%, of total net position. Since the Authority uses these capital assets to provide services to its customers, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

	2020	2019
Assets:		
Current and Other Assets	$ 9,356,061	$ 6,909,582
Capital Assets	25,443,052	26,109,464
Total Assets	$ 34,799,113	$ 33,019,046
Deferred Outflows of Resources	$ 379,013	$ 161,427
Liabilities:		
Current Liabilites	$ 899,384	$ 1,347,812
Non-Current Liabilities	11,841,352	9,894,773
Total Liabilities	$ 12,740,736	$ 11,242,585
Deferred Inflows of Resources	$ 136,228	$ 171,733
Net Position:		
Invested in Capital Assets, net of related debt	$ 14,455,481	$ 16,736,924
Restricted	337,380	281,481
Unrestricted	7,508,301	4,747,750
Total Net Position	$ 22,301,162	$ 21,766,155

As of June 30, 2020, the Authority maintains a positive balance in net position.

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Financial Analysis: (continued)

Change in Net Position

		2020		2019
Revenues:				
Operating Revenues	$	9,753,329	$	9,269,645
Investment Income		8,278		38,934
Other Income		107,039		78,400
Contributions		42,386		135,930
Total Revenues	$	9,911,032	$	9,522,909
Expenses:				
Operating Expenses	$	7,567,573	$	7,591,315
Depreciation Expense		1,489,501		1,441,820
Interest Expense		318,951		309,406
Total Expenses	$	9,376,025	$	9,342,541
Increase (Decrease) in Net Position	$	535,007	$	180,368
Beginning Net Position		21,766,155		21,585,787
Ending Net Position	$	22,301,162	$	21,766,155

As shown in the above table, the Authority's net position increased by $535,007 during the 2019-20 fiscal year. Operating revenues increased by $483,684 due to utility rate increases. Overall operating expenses decreased by $17,623 during FY-20. Key elements of these changes are explained in greater detail under the Review of Operations section below.

Capital Asset and Debt Administration

Capital Assets – As summarized below, the Authority's investment in capital assets as of June 30, 2020 totaled $25,443,052 (net of accumulated depreciation). The net investment in capital assets decreased by $666,412 from the prior year. Below is a listing of capital assets as of June 30, 2020 with a comparison to the prior fiscal year.

		2020		2019
Land and improvements	$	225,354	$	225,354
Construction in progress		221,770		2,109,040
Buildings and improvements		503,384		503,384
Vehicles and other equipment		6,550,591		5,834,957
Water and sewer system (infrastructure)		49,936,935		47,959,635
Accumulated depreciation		(31,994,982)		(30,522,906)
Total capital assets	$	25,443,052	$	26,109,464

More detailed information on the Authority's capital assets is presented in Note 4 of the notes to the financial statements.

Capital Asset and Debt Administration: (continued)

The Authority has several bond issues outstanding, funded through Rural Development, the Virginia Resource Authority, and local banks. As noted in Note 5, the Authority retired $1,179,040 in long-term obligations during the FY-20 fiscal year. In addition, long-term obligations were increased by $3,098,107 due to the issuance of revenue bonds and increases in both the net pension liability, compensated absences, and the net OPEB liabilities. Additional information related to the pension liability can be found in Note 8 of the financial statements. Additional information related to the compensated absences can be found in Note 7 while additional information on the OPEB liability can be found in Note 9 – Group Life Insurance (GLI) Program (OPEB Plan) and Note10 – Other Postemployment Benefits – Health Insurance.

Review of Operations

Operational Revenues – As shown in Schedule 1, operating revenues increased by $483,684, or 5%, from $9,269,645 to $9,753,329 during the 2019-2020 fiscal year. Water services reported just over half of the overall increase in operational revenues resulting from an increase in utility rates and ongoing efforts to collect delinquent accounts. In order to better understand the operating revenues, it is helpful to further divide all PSA financial transactions operations into specific cost centers based on actual services provided to the citizens of the County. The chart below breaks down cost centers for water, sewer, refuse, and street lighting.

Operational Expenses – As further described in Schedule 1, total operational expenses increased by $23,939 from $9,033,135 in the 2019 fiscal year to $9,057,074 in the 2020 fiscal year. The water treatment plant, sewer department, street lighting and administration departments experienced a decrease in operating expenses while the remaining departments saw an increase in operating expenses. The Public Service Authority Board of Directors and staff continue to search for expenditure reductions that have a long-term impact.

Change in Net Position by Service Based Cost Centers – The Pulaski County Public Service Authority provides four basic types of service: water, sewer, refuse and streetlights. Since each of these functional areas had a different customer base, it is helpful to view PSA revenues and expenses from the perspective of these four services since an excessive financial imbalance in any of the four services result in one customer base subsidizing another.

The following table provides a breakdown of PSA revenues and expenses based on the provision of each specific service. Thus, otherwise unclassified revenues and expenses, such as revenues from penalty and interest, billing and administrative expenses and all non-operating expenses have been classified into the four operational cost centers as noted beside each item.

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Review of Operations: (continued)

	Fiscal Year Ending June 30, 2020					
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues	$ -	$ 3,385,205	$ 1,262,576	$ 4,496,403	$ 11,609	$ 9,155,793
Reconnection fees	-	6,500	-	-	-	6,500
Penalty and interest (1)	332,236	122,839	45,815	163,161	421	332,236
Miscellaneous income	-	165,948	57,610	35,242	-	258,800
Subtotal categorized operating revenue	$ 332,236	$ 3,680,492	$ 1,366,001	$ 4,694,806	$ 12,030	$ 9,753,329
Operating expenses	$ -	$ 2,522,839	1,540,382	4,265,642	6,048	8,334,911
Billing expenses (1)	186,440	56,432	34,456	95,416	135	186,440
Administrative expenses (2)	535,723	162,154	99,007	274,172	389	535,723
Subtotal categorized operating expenses	$ 722,163	$ 2,741,426	$ 1,673,846	$ 4,635,230	$ 6,573	$ 9,057,074
Net Operating Income	$ (389,927)	$ 939,067	(307,845)	59,575	5,458	696,255
Non-operating revenues (expenses):						
Interest earned (1)	$ 8,278	$ 3,061	1,142	4,064	11	8,278
Interest on Notes Rec	57,089	-	57,089	-	-	57,089
Contributions	-	27,179	9,435	5,772	-	42,386
Interest expense	-	(146,717)	(172,234)	-	-	(318,951)
Connection fees	-	26,050	23,900	-	-	49,950
Subtotal net non-operating items	$ 65,367	$ (90,428)	(80,669)	9,836	11	(161,248)
Net income (loss)	$ (324,560)	$ 848,639	$ (388,514)	$ 69,412	$ 5,469	$ 535,007

	Fiscal Year Ending June 30, 2019					
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues	$ -	$ 3,109,730	$ 1,359,528	$ 4,401,887	$ 14,337	$ 8,885,482
Reconnection fees	-	12,830	-	-	-	12,830
Penalty and interest (1)	255,094	89,277	39,031	126,374	412	255,094
Miscellaneous income	116,239	40,681	17,785	57,585	188	116,239
Subtotal categorized operating revenue	$ 371,333	$ 3,252,518	$ 1,416,344	$ 4,585,846	$ 14,936	$ 9,269,645
Operating expenses	$ -	$ 2,478,662	1,625,900	4,147,257	14,027	8,265,846
Billing expenses (1)	182,001	54,576	35,800	91,316	309	182,001
Administrative expenses (2)	585,288	175,509	115,127	293,659	993	585,288
Subtotal categorized operating expenses	$ 767,289	$ 2,708,747	$ 1,776,827	$ 4,532,231	$ 15,330	$ 9,033,135
Net Operating Income	$ (395,956)	$ 543,772	(360,484)	53,614	(393)	236,510
Non-operating revenues (expenses):						
Interest earned (1)	$ 38,934	$ 13,626	5,957	19,287	64	38,934
Interest on Notes Rec	-	60,217	-	-	-	60,217
Grants	9,000	9,000	-	-	-	9,000
Interest expense	(309,406)	(136,971)	(172,435)	-	-	(309,406)
Connection fees	-	28,900	40,500	-	-	69,400
Subtotal net non-operating items	$ (261,472)	$ (25,229)	(125,979)	19,287	64	(131,855)
Net income (loss)	$ (657,428)	$ 518,543	$ (486,462)	$ 72,902	$ (330)	$ 104,655
Change from FY19 to FY20 Increase(dec)		$ 330,095	$ 97,948	$ (3,490)	$ 5,799	$ 430,352

(1) Distributed proportionally based on operating revenue
(2) Distributed proportionally based on operating expenses

Both fiscal years 2020 and 2019 are presented for comparative purposes. As noted in the above table, FY-20 had overall net income of $535,007. The Water, Refuse, and Street Lights departments had net incomes in FY-20 while the Sewer department continued to show a net operating loss. The PSA Board continues

Review of Operations: (continued)

analyzing the impact of rate changes on both Water and Sewer services in order to meet not only operating expense and to also fund future capital improvement needs without relying solely on external financing for water and sewer line construction and significant maintenance. The allocation of depreciation between water and sewer is an estimate and should be considered when analyzing profitability on both water and sewer services. Depreciation expense on infrastructure has a large impact on net operating income/loss and profitability.

Long-Term Trends

Capital Plan – The PSA Board of Directors continues to review and evaluate the 5-year capital plan while also monitoring the need for capital improvements on aging water and sewer utility lines and refuse convenience centers. In addition, the PSA also evaluates the current utility rates to provide adequate funding for smaller capital improvements and to meet certain debt service requirements. The PSA will have water and sewer master plans completed during FY-21 to assist in determining where additional growth may be necessary in water and sewer infrastructure.

Long-Term Debt – The Authority continues to evaluate debt options on all current and future capital projects while also evaluating the market interest rates for potential refinance of current debt issues. Refinancing of long-term debt was not feasible during FY-20 due to the relatively low interest rates on current long-term debt. The Authority is currently considering early repayment of principal on certain debt issues in FY-21.

Cash and Reserves – As noted in Exhibit 1, the Authority had an unrestricted cash balance of $4,627,598 at the end of FY-20. The balance represents approximately 4 months of operational expenses (excluding depreciation). In comparison with the prior year report, the unrestricted cash balance has decreased by $865,761 from FY-19 to FY-20 due to changes in Rural Development grant/loan funding whereby the Authority is now required to pay for all grant/loan project expenses before seeking reimbursement. The Authority obtained reimbursed from Rural Development for the Community Sewers project in FY-20 while the majority of the expenses occurred in FY-18 and FY-19. In addition, the total net position increased by $535,007 while the investment in capital assets net of related debt decreased by $2,281,443 during FY-20.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jared Linkous, Executive Director, Pulaski County Public Service Authority, 143 Third Street, NW, Suite 1, Pulaski, Virginia 24301.

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Financial Statements

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Statement of Net Position
At June 30, 2020

Assets:		
Current Assets:		
Cash	$	4,627,598
Receivables (net of allowance for uncollectibles)		1,699,922
Prepaid expenses		15,389
Due from primary government		45,191
Loans receivable, current portion		132,172
Total Current Assets	$	6,520,272
Noncurrent Assets:		
Restricted cash	$	337,380
Loans receivable, long-term portion		2,498,409
Capital assets		
Land		225,354
Proprietary capital assets (net of accumulated depreciation)		24,995,928
Construction in progress		221,770
Total Capital Assets	$	25,443,052
Total Noncurrent Assets	$	28,278,841
Total Assets	$	34,799,113
Deferred Outflows of Resources:		
Pension related items	$	340,603
OPEB related items		38,410
Total Deferred Outflows of Resources	$	379,013
Liabilities:		
Current Liabilities:		
Accounts payable	$	312,854
Interest payable		15,598
Customer deposits		157,529
Compensated absences, current portion		49,734
Proprietary debt, current portion		363,669
Total Current Liabilities	$	899,384
Noncurrent Liabilities:		
Compensated absences, long-term portion	$	149,202
Net OPEB liabilities		337,303
Net pension liability		730,945
Proprietary debt, long-term portion		10,623,902
Total Noncurrent Liabilities	$	11,841,352
Total Liabilities	$	12,740,736
Deferred Inflows of Resources:		
Pension related items	$	96,133
OPEB related items		40,095
Total Deferred Inflows of Resources	$	136,228
Net Position:		
Net investment in capital assets	$	14,455,481
Restricted for Debt Service		337,380
Unrestricted		7,508,301
Total Net Position	$	22,301,162

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

Exhibit 2

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2020

Operating Revenues:		
Garbage service	$	4,496,403
Water service		3,385,205
Sewer service		1,262,576
Street lights		11,609
Reconnection fees		6,500
Penalties and interest on delinquent accounts		332,236
Miscellaneous		258,800
Total operating revenues	$	9,753,329
Operating Expenses:		
Water Distribution	$	1,172,336
Water Treatment Plant		1,350,503
Sewer Collection and Treatment		1,540,382
Refuse Collection and Disposal		4,265,642
Administration		535,723
Street Lighting		6,048
Billing		186,440
Total operating expenses	$	9,057,074
Operating income (loss)	$	696,255
Nonoperating Revenues (Expenses):		
Interest income	$	8,278
Interest on notes receivable		57,089
Contribution from County of Pulaski		42,386
Connection fees		49,950
Interest expense		(318,951)
Total nonoperating revenues (expenses)	$	(161,248)
Increase (decrease) in Net Position	$	535,007
Net Position, Beginning of Year - as restated		21,766,155
Net Position, End of Year	$	22,301,162

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

Exhibit 3

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:		
Cash received from customers	$	9,719,338
Cash paid to suppliers for goods and services		(4,801,390)
Cash paid to employees for services		(3,141,182)
Net cash provided by (used for) operating activities	$	1,776,766
Cash flows from noncapital financing activities:		
Contributions from Pulaski County	$	8,407
Cash flows from capital and related financing activities:		
Connection charges	$	49,950
Acquisition of capital assets		(823,089)
Proceeds from issuance of debt		2,025,294
Retirement of debt		(407,986)
Interest and loan costs paid on debt		(320,830)
Net cash provided by (used for) capital and related financing activities	$	523,339
Cash flows from investing activities:		
Interest income	$	8,278
Interest received from notes receivable		57,089
Loan payments received		87,361
Net cash provided by (used for) investing activities	$	152,728
Net increase (decrease) in cash	$	2,461,240
Cash at beginning of year (including restricted cash of $281,481)		2,503,738
Cash at end of year (including restricted cash of $337,380)	$	4,964,978

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities

Operating income (loss)	$	696,255
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		1,489,501
(Increase) decrease in receivables		(35,692)
(Increase) decrease in prepaid expenses		(2,929)
(Increase) decrease in deferred outflows of resources		(217,586)
Increase (decrease) in operating accounts payable		(423,015)
Increase (decrease) in compensated absences		(291)
Increase (decrease) in net OPEB liabilities		28,033
Increase (decrease) in net pension liability		276,294
Increase (decrease) in deferred inflows of resources		(35,505)
Increase (decrease) in customer deposits		1,701
Net cash provided by (used for) operating activities	$	1,776,766

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. The Financial Reporting Entity:
The Authority is a discretely presented component unit of the County of Pulaski, Virginia and is presented as such in the County’s financial report for the fiscal year ended June 30, 2020.

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest totaled $0 and $0 for fiscal years ending June 30, 2020 and June 30, 2019, respectively.

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

Assets	Years
Infrastructure	5-50
Machinery and equipment	3-10
Buidings and improvements	30-50

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Allowance for Uncollectible Accounts:
The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2020, the allowance amounted to approximately $2,292,721.

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

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

G. Restricted Assets:
Included in restricted cash and cash equivalents are amounts held in debt service reserve accounts in the amount of $337,380.

H. Compensated Absences:
Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the statement of net position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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

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

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

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

K. 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 Pulaski County Public Service Authority's and the deductions from the Pulaski County Public Service Authority'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 benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

L. Other Postemployment Benefits (OPEB)
For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plans' 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.

NOTE 2 – DEPOSITS AND INVESTMENTS:

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

Investments:
Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The Authority had no investments at June 30, 2020.

NOTE 3 – DUE FROM PRIMARY GOVERNMENT:

The amount due from the primary government consists of reimbursements from Pulaski County for CARES and construction expenses. As of June 30, 2020, the Authority had a total of $45,191 due from the primary government.

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NOTE 4 – CAPITAL ASSETS:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 225,354	$ -	$ -	$ 225,354
Construction in progress	2,109,040	30,525	(1,917,795)	221,770
Total capital assets not being depreciated	$ 2,334,394	$ 30,525	$ (1,917,795)	$ 447,124
Capital assets, being depreciated:				
Infrastructure	$ 47,959,635	$ 1,977,300	$ -	$ 49,936,935
Buildings and improvements	503,384	-	-	503,384
Machinery and equipment	5,834,957	733,059	(17,425)	6,550,591
Total capital assets being depreciated	$ 54,297,976	$ 2,710,359	$ (17,425)	$ 56,990,910
Accumulated depreciation:				
Infrastructure	$ (26,566,130)	$ (1,098,437)	$ -	$ (27,664,567)
Buildings and improvements	(38,734)	(12,046)	-	(50,780)
Machinery and equipment	(3,918,042)	(379,018)	17,425	(4,279,635)
Total accumulated depreciation	$ (30,522,906)	$ (1,489,501)	$ 17,425	$ (31,994,982)
Total capital assets being depreciated, net	$ 23,775,070	$ 1,220,858	$ -	$ 24,995,928
Capital assets, net	$ 26,109,464	$ 1,251,383	$ (1,917,795)	$ 25,443,052

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NOTE 5 – LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligations of the Authority for the fiscal year ended June 30, 2020:

	Beginning Balance	Issuances/ Increases	Retirements/ Decreases	Ending Balance
Direct Borrowings and Placements:				
Revenue bonds	$ 9,342,931	$ 2,025,294	$ (407,986)	$ 10,960,239
Unamortized bond premiums	29,609	-	(2,277)	27,332
Net OPEB liabilities	309,270	69,443	(41,410)	337,303
Net pension liability	454,651	953,854	(677,560)	730,945
Compensated absences	199,227	49,516	(49,807)	198,936
Total	$ 10,335,688	$ 3,098,107	$ (1,179,040)	$ 12,254,755

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

	Direct Borrowings and Placements	
	Water and Sewer Revenue Bonds	
Year Ending June 30,	Principal	Interest
2021	$ 361,392	$ 323,415
2022	347,038	312,353
2023	356,459	302,323
2024	363,889	289,943
2025	321,400	278,894
2026-2030	1,759,902	1,227,466
2031-2035	1,830,200	919,336
2036-2040	1,427,447	679,915
2041-2045	1,653,948	453,413
2046-2050	1,731,745	190,430
2051-2055	381,184	44,316
2056-2060	287,341	12,989
Totals	$ 10,821,945	$ 5,034,793
Less amounts not yet drawn down	138,294	-
Long-term amounts due after one year	$ 10,960,239	$ 5,034,793

NOTE 5 – LONG-TERM OBLIGATIONS: (continued)

Details of Long-term Obligations:

	Interest Rate(s)	Issue Date	Final Maturity Date	Amount of Original Issue	Balance	Amount Due Within One Year
Direct Borrowings and Placements:						
Rural Development (RD) Water and Sewer Revenue Bonds:						
Central Utilities	4.50%	5/11/2009	2049	$ 865,900	$ 764,459	$ 13,409
Highland Park Sewer	4.25%	11/19/2009	2050	1,187,600	1,055,565	18,596
Dublin Subdivisions Sewer	4.25%	11/19/2009	2050	804,400	715,551	12,593
Commerce Park Initial	2.375%	2/17/2011	2051	3,812,000	3,303,033	74,905
Commerce Park Subsequent	2.375%	2/17/2011	2051	929,000	802,718	18,531
Community Sewers #05	1.750%	11/19/2019	2060	1,249,000	1,236,104	22,000
Community Sewers #06	2.375%	11/19/2019	2060	638,000	632,260	9,804
Total RD Revenue Bonds					$ 8,509,690	$ 169,838
Other Water and Sewer Revenue Bonds:						
Claytor Lake #1 and #2	3.300%	3/5/2014	2034	$ 2,490,038	$ 1,867,733	$ 109,286
Suntrust Refinancing Revenue Bond	2.75%	3/5/2014	2045	1,515,489	218,589	71,400
Total Other Revenue Bonds					$ 2,086,322	$ 180,686
Premium	n/a	6/30/2004	2032	$ 63,764	$ 27,332	$ 2,277
Virginia Resource Authority (VRA) Water and Sewer Revenue Bonds:						
Shrader Hill	0.00%	12/1/1993	2024	$ 130,000	$ 16,228	$ 4,637
Generator	2.000%	3/31/2016	2024	220,000	209,705	6,231
Water Meter (1)	2.50%	7/30/2019	2040	475,000	138,294	-
Total VRA Revenue Bonds					$ 364,227	$ 10,868
Total Direct Borrowing and Placements Revenue Bonds					$ 10,987,571	$ 363,669
Other Obligations:						
Net OPEB liabilities	n/a	n/a	n/a	n/a	$ 337,303	$ -
Compensated absences	n/a	n/a	n/a	n/a	198,936	49,734
Net pension liability	n/a	n/a	n/a	n/a	730,945	-
Total Other Obligations					$ 1,267,184	$ 49,734
Totals					$ 12,254,755	$ 413,403

(1) Issuance is still in the drawdown phase and, therefore, no amortization is included for same.

In the event of default on the rural development loans, the Lender can call the entire unpaid principal and interest amounts.

NOTE 6 – LOAN RECEIVABLE:

During 2013, the PSA entered into an agreement with Virginia's First RIFA whereby the RIFA agreed to repay the PSA for a portion of the cost of the Commerce Park water and sewer expansion project. The agreement resulted in a $2,145,000 loan payable, dated April 13, 2010, which is due to the PSA in annual installments of $55,000. The loan became due and payable upon completion of the PSA Commerce Park water and sewer expansion project on June 30, 2013. The loan is non-interest bearing; however, interest has been imputed at a rate of 2.375% based upon market conditions. The discounted value of the loan at June 30, 2020 is $1,248,457.

The County is responsible for 74% of the Claytor Lake #1 and #2 debt balance shown in Note 4 and, therefore, a loan receivable has been recorded for this portion of the loan. The County makes payments to the PSA in accordance with original loan's amortization schedule and terms at the percentage noted above. The balance of the loan receivable at June 30, 2020 was $1,382,124 with $80,872 included as the current portion due.

NOTE 7 – COMPENSATED ABSENCES:

The Authority has an accrued liability arising from outstanding compensated absences.

The Authority's employees earn vacation leave at various rates. No benefit or pay is received for unused sick leave upon termination. Accumulated vacation is paid upon termination. The Authority has outstanding accrued vacation pay totaling $198,936.

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NOTE 8 – PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Pulaski County Public Service Authority are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through Pulaski County, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

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

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

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

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

NOTE 8 – PENSION PLAN: (continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Contributions

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

The Pulaski County Service Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 8.85% 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Pulaski County Service Authority were $150,256 and $143,608 for the years ended June 30, 2020 and June 30, 2019, respectively.

NOTE 8 – PENSION PLAN: (continued)

Net Pension Liability

At June 30, 2020, the Pulaski County Service Authority reported a liability of $730,945 for its proportionate share of the net pension liability. The Pulaski County Service Authority's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The Pulaski County Service Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2019 and 2018 as a basis for allocation. At June 30, 2020 and 2019, the Pulaski County Service Authority's proportion was 13.3600% and 12.8998% respectively.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Pulaski County Public Service Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 8 – PENSION PLAN: (continued)

Actuarial Assumptions – General Employees (continued)

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

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

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

NOTE 8 – PENSION PLAN: (continued)

Long-Term Expected Rate of Return

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

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

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

NOTE 8 – PENSION PLAN: (continued)

Discount Rate

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Pulaski County Public Service Authority's proportionate share of the County Retirement Plan Net Penstion Liability (Asset)	$ 1,733,270	$ 730,945	$ (69,805)

NOTE 8 – PENSION PLAN: (continued)

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

For the year ended June 30, 2020, the Pulaski County Public Service Authority recognized pension expense of $187,928. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2020, the Pulaski County Public Service Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 22,656	$ 35,856
Change in assumptions	152,442	1,958
Net difference between projected and actual earnings on pension plan investments	-	58,319
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,249	-
Employer contributions subsequent to the measurement date	150,256	-
Total	$ 340,603	$ 96,133

NOTE 8 – PENSION PLAN: (continued)

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

$150,256 reported as deferred outflows of resources related to pensions resulting from the Pulaski County Public Service Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30		
2021	$	55,356
2022		16,002
2023		18,442
2024		4,414

Pension Plan Data

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

NOTE 9 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

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

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

NOTE 9 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were $9,256 and $8,753 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of $139,703 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.008585% as compared to 0.008224% at June 30, 2018.

NOTE 9 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)

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

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of $4,044. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,291	$ 1,812
Net difference between projected and actual earnings on GLI OPEB plan investments	-	2,870
Change in assumptions	8,820	4,213
Changes in proportion	3,343	-
Employer contributions subsequent to the measurement date	9,256	-
Total	$ 30,710	$ 8,895

$9,256 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	$ 1,310
2022	1,310
2023	2,525
2024	3,420
2025	3,139
Thereafter	855

NOTE 9 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

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

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

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

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

NOTE 9 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

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

	GLI OPEB Plan
Total GLI OPEB Liability	$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	$ 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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

NOTE 9 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

NOTE 9 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Pulaski County Public Service Authority's proporionate share of the Group Life Insurance Program Net OPEB Liability	$ 183,531	$ 139,703	$ 104,160

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE:

Plan Description

The Pulaski County Public Service Authority participates in a cost-sharing defined benefit healthcare plan, the Plan. Several entities participate in the defined benefit healthcare plan through the County of Pulaski, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides postemployment health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for immediate retirement benefits under VRS which requires that the employees be age 50 with 10 years of service or permanently, totally disabled and injured in the line of duty. The Plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees to include healthcare and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE: (continued)

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. Contributions to the OPEB plan from the Pulaski County Public Service Authority were $0 for the year ended June 30, 2020.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	3.13%
Healthcare Cost Trend Rate	0.00% for fiscal year end 2019 (to reflect actual experience), then 5.50% for fiscal year end 2020, decreasing 0.50% per year to an ultimate rate of 5.00%

Mortality rates were based on the RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on July 1, 2018 valuation data rolled forward to the measurement date. The methods, assumptions, and participant data used can be found in the July 1, 2019 actuarial valuation report.

Discount Rate

The discount rate has been set equal to 3.13% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date.

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NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE: (continued)

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

The following presents the total OPEB liability of the Pulaski County Public Service Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

Rate		
1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
$ 217,793	$ 197,600	$ 179,187

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

The following presents the total OPEB liability of the Pulaski County Public Service Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.50% decreasing by 0.50% annually to an ultimate rate of 4.00%) or one percentage point higher (6.50% decreasing by 0.50% annually to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease	Healthcare Cost Current Rate	1% Increase
$ 171,499	$ 197,600	$ 228,652

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

At June 30, 2020, the Pulaski County Public Service Authority reported a liability of $197,600 for its proportionate share of the Total OPEB Liability. The Total OPEB Liability was measured as of July 1, 2019 and was determined by an actuarial valuation as of that date. At June 30, 2020 and 2019, the Pulaski County Public Service Authority's proportion was 4.1991% and 4.1400%, respectively.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE: (continued)

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

For the year ended June 30, 2020, the Pulaski County Public Service Authority recognized OPEB expense of $14,500. At June 30, 2020, the Authority, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 22,900
Change in assumptions	7,700	8,300
Total	$ 7,700	$ 31,200

Amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2021	$ (4,500)
2022	(4,500)
2023	(4,500)
2024	(4,500)
2025	(4,500)
Thereafter	(1,000)

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

NOTE 11 – AGGREGATE OPEB INFORMATION:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan	$ 30,710	$ 8,895	$ 139,703	$ 4,044
Stand-Alone Plan	7,700	31,200	197,600	14,500
Totals	$ 38,410	$ 40,095	$ 337,303	$ 18,544

NOTE 12 – OTHER NONCURRENT ASSETS:

As of June 30, 2020, the Authority had the following intangible assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible assets:				
Organization expense	$ 21,480	$ -	$ -	$ 21,480
Accumulated amortization:				
Organization expense	$ (21,480)	$ -	$ -	$ (21,480)
Intangible assets, net	$ -	$ -	$ -	$ -

NOTE 13 – LITIGATION:

At June 30, 2020, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 14 – COMMITMENTS:

The Authority entered into an agreement with Virginia's First Regional Industrial Facility Authority (VRIFA) whereby VRIFA would pay for the engineering and installation of a sewer line which totaled $369,134. The Authority collects revenues from the use of the sewer line and based on same, remits annual payments to VRIFA to pay on the balance of costs incurred. The agreement terms coincide with the life of the sewer line which is 40 years beginning on June 30, 2007. During the year, the Authority paid VRIFA $8,563 related to the agreement. At June 30, 2020, the remaining balance owed to VRIFA totaled $331,369.

NOTE 15 – RESTATEMENT OF BEGINNING BALANCES:

Beginning balances have been restated as follows:

Beginning balance, as previously stated	$ 20,305,781
Inclusion of long-term note receivable from County	1,460,374
Beginning balance, as restated	$ 21,766,155

NOTE 16 – SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Pulaski County Public Service Authority is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

NOTE 17 – UPCOMING PRONOUCMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No, 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

NOTE 17 – UPCOMING PRONOUCMENTS: (continued)

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

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

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

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

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

Required Supplementary Information

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Schedule of the Authority's Proportionate Share of the Net Pension Liability (Asset)
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

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

Date (1)	Proportion of the Net Position Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
2019	13.3600%	$ 730,945	$ 1,680,489	43.50%	90.73%
2018	12.8998%	454,651	1,552,987	29.28%	93.59%
2017	12.9667%	575,762	1,498,406	38.42%	91.72%
2016	12.7300%	924,782	1,399,901	66.06%	86.10%
2015	13.2000%	688,791	1,380,323	49.90%	89.62%
2014	13.2000%	615,090	1,341,630	45.85%	90.36%

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

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Schedule of Employer Contributions
Pension Plan
For the Years Ended June 30, 2015 through June 30, 2020

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 150,256	$ 150,256	$ -	$ 1,778,429	8.45%
2019	143,608	143,608	-	1,680,489	8.55%
2018	146,152	146,152	-	1,552,987	9.41%
2017	142,214	142,214	-	1,498,406	9.49%
2016	169,248	169,248	-	1,399,901	12.09%
2015	166,881	166,881	-	1,380,323	12.09%

Schedule is intended to show information for 10 years. Prior to 2015, information for the Authority was reported with that of the County. Therefore, additional information is not available at this time. Additional information will be presented as it becomes available.

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2020

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

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

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

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

Exhibit 7

Pulaski County Public Service Authority
(A component unit of Pulaski County, Virginia)
Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.008585%	$ 139,703	$ 1,683,303	8.30%	52.00%
2018	0.008224%	124,870	1,552,987	8.04%	51.22%
2017	0.008026%	120,808	1,498,406	8.06%	48.86%

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

Exhibit 8

Pulaski County Public Service Authority
(A component unit of Pulaski County, Virginia)
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 9,256	$ 9,256	$ -	$ 1,778,429	0.52%
2019	8,753	8,753	-	1,683,303	0.52%
2018	8,112	8,112	-	1,552,987	0.52%
2017	7,716	7,716	-	1,498,406	0.51%

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

Pulaski County Public Service Authority
(A component unit of Pulaski County, Virginia)
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

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

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

Non-Largest Ten Locality Employers - General Employees

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

Pulaski County Public Service Authority
(A component unit of Pulaski County, Virginia)
Schedule of Authority's Proportionate Share of the Net OPEB Liability (Asset)
Health Insurance
For the Years Ended June 30, 2018 through June 30, 2020

Date (1)	Proportion of the Net OPEB Liability (NPLA) (2)	Proportionate Share of the NOLA (3)	Covered Payroll (4)	Proportionate Share of the NOLA as a Percentage of Covered Payroll (3)/(4) (5)
2020	4.1991%	$ 197,600	$ 1,389,768	14.22%
2019	4.1400%	184,400	1,370,208	13.46%
2018	4.2400%	192,300	1,352,433	14.22%

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

Exhibit 11

Pulaski County Public Service Authority
(A component unit of Pulaski County, Virginia)
Schedule of Employer Contributions
Health Insurance
For the Years Ended June 30, 2018 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ -	$ -	$ -	$ 1,389,768	0.00%
2019	-	-	-	1,370,208	0.00%
2018	900	900	-	1,352,433	0.07%

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

Pulaski County Public Service Authority
(A component unit of Pulaski County, Virginia)
Notes to Required Supplementary Information
Health Insurance
For the Year Ended June 30, 2020

Valuation Date: 7/1/2018
Measurement Date: 7/1/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal cost method
Discount Rate	3.13%
Inflation	2.50%
Healthcare Trend Rate	0.00% for fiscal year end 2019 (to reflect actual experience), then 5.50% for fiscal year end 2020, decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019

Other Supplementary Information

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Comparative Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020 (With Comparative Amounts for Year Ended June 30, 2019)

	2020	2019
Operating Revenues:		
Garbage service	$ 4,496,403	$ 4,401,887
Water service	3,385,205	3,109,730
Sewer service	1,262,576	1,359,528
Street lights	11,609	14,337
Reconnection fees	6,500	12,830
Penalties and interest on delinquent accounts	332,236	255,094
Miscellaneous	258,800	116,239
Total operating revenues	$ 9,753,329	$ 9,269,645
Operating Expenses:		
Water Distribution:		
Salaries	$ 174,300	$ 163,504
Fringes	89,835	73,466
Professional Services	29,967	47,459
County central services	31,468	30,729
Supplies	684	3,025
Repair and maintenance	94,883	65,611
Machinery and equipment	3,661	4,581
Other	154,947	89,991
Depreciation	592,591	640,751
Total Water Distribution	$ 1,172,336	$ 1,119,117
Water Treatment Plant:		
Salaries	$ 351,395	$ 332,176
Fringes	178,956	115,968
Professional Services	357,237	375,803
County central services	(41,610)	69,912
Supplies	174,846	172,228
Repair and maintenance	(26,462)	12,840
Other	233,873	159,809
Depreciation	122,268	120,809
Total Water Treatment Plant	$ 1,350,503	$ 1,359,545

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Comparative Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020 (With Comparative Amounts for Year Ended June 30, 2019)

	2020	2019
Operating Expenses: (Continued)		
Sewer Collection and Treatment:		
Salaries	$ 98,112	$ 96,109
Fringes	59,022	52,168
Professional Services	704,274	858,795
County central services	8,678	7,504
Supplies	33,135	25,533
Repair and maintenance	11,910	54,236
Other	104,810	68,008
Depreciation	520,441	463,547
Total Sewer Collection and Treatment	$ 1,540,382	$ 1,625,900
Refuse Collection and Disposal:		
Salaries	$ 1,238,463	$ 1,121,606
Fringes	583,678	493,499
Professional Services	1,602,863	1,629,856
County central services	501,550	538,164
Supplies	2,893	2,907
Other	28,713	160,858
Dumpsters/containers	75,796	-
Depreciation	231,686	200,367
Total Refuse Collection and Disposal	$ 4,265,642	$ 4,147,257
Administration:		
Salaries	$ 211,930	$ 200,909
Fringes	114,362	87,831
Professional Services	33,663	134,306
County central services	20,775	25,039
Supplies	2,622	3,286
Computer equipment	2,228	-
Other	133,797	117,439
Amortization expense	-	132
Depreciation	16,346	16,346
Total Administration	$ 535,723	$ 585,288
Street Lighting:		
Electricity	$ 6,048	$ 14,027

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Comparative Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020 (With Comparative Amounts for Year Ended June 30, 2019)

	2020	2019
Operating Expenses: (Continued)		
Billing:		
Salaries	$ 65,125	$ 62,833
Fringes	26,949	25,048
Professional Services	44,669	27,289
County central services	20,100	24,667
Supplies	2,051	632
Other	21,377	41,532
Depreciation	6,169	-
Total Billing	$ 186,440	$ 182,001
Total operating expenses	$ 9,057,074	$ 9,033,135
Operating income (loss)	$ 696,255	$ 236,510
Nonoperating Revenues (Expenses):		
Interest income on investments	$ 8,278	$ 38,934
Interest on notes receivable	57,089	-
Contributions from County of Pulaski	42,386	135,930
Grants	-	9,000
Connection fees	49,950	69,400
Interest expense	(318,951)	(309,406)
Total nonoperating revenues (expenses)	$ (161,248)	$ (56,142)
Increase (decrease) in Net Position	$ 535,007	$ 180,368
Net Position, Beginning of Year - as restated	21,766,155	20,125,413
Net Position, End of Year	$ 22,301,162	$ 20,305,781

STATISTICAL SECTION

Table 1

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Pledged Revenue Coverage
Last Ten Fiscal Years*
(unaudited)

Water and Sewer Revenue Bonds

Fiscal Year	Operating Revenues (1)	Less: Operating expenses (2)	Net revenues available for debt service	Debt Service Principal	Debt Service Interest	Coverage
2020	$ 9,811,557	$ 7,567,573	$ 2,243,984	$ 407,986	$ 320,830	308%
2019	9,377,979	7,591,183	1,786,796	384,465	312,490	256%
2018	9,844,265	7,391,335	2,452,930	531,670	316,423	289%
2017	9,885,706	7,838,149	2,047,557	549,396	304,857	240%

(1) Operating revenues, interest and connection fees as described in Note 1.
(2) Net of depreciation and amortization.

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

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

To the Honorable Members of
Pulaski County Public Service Authority
Pulaski, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Pulaski County Public Service Authority (the Authority), a component unit of the County of Pulaski, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pulaski County Public Service Authority's basic financial statements and have issued our report thereon dated January 8, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Pulaski County Public Service Authority's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox, Associates

Blacksburg, Virginia
January 8, 2021

Pulaski County Public Service Authority

Schedule of Findings and Responses
Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

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

Section II - Financial Statement Findings

2020-001

Criteria:	An auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards.
Condition:	Trial balances as presented for audit did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, there were proposed adjustments that were material to the financial statements.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the Authority's internal controls over financial reporting.
Cause of Condition:	The Authority does not have proper controls in place to detect and correct adjustments in closing their year end financial statements.
Recommendation:	The Authority should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The Authority will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Status of Prior Audit Findings

2019-001 is repeated in the current year as 2020-001.