

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

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



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Dickenson County Public Service Authority, as of June 30, 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.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2020, the Authority adopted new accounting guidance, by early implementing GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. 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 schedules related to pension funding on pages 24-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Dickenson County Public Service Authority's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2020 on our consideration of Dickenson County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates

Blacksburg, Virginia

November 27, 2020

Basic Financial Statements

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

Statement of Net Position

As of June 30, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,001,236
Restricted cash and cash equivalents:	
Customer deposits	319,257
Prepaid items	33,488
Grants receivable	12,300
Accounts receivable (net of allowance for uncollectibles)	230,135
Due from Dickenson County, Virginia	79,562
Total current assets	\$ 3,675,978

Noncurrent assets:

Restricted cash and cash equivalents:	
Revenue bond covenant accounts	\$ 338,293
Capital assets (net of accumulated depreciation):	
Land	34,592
Construction in progress	672,343
Water and sewer systems	35,827,442
Buildings and improvements	226,368
Equipment and software	347,797
Total noncurrent assets	\$ 37,446,835

Total assets	\$ 41,122,813
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DEFERRED OUTFLOWS OF RESOURCES

Pension related items	\$ 172,913
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LIABILITIES

Current liabilities:

Accounts payable - operations	\$ 69,334
Accounts payable - construction	77,393
Customer deposits payable	319,257
Interest payable	4,703
Compensated absences - current portion	111,576
Revenue bonds payable - current portion	351,596
Total current liabilities	\$ 933,859

Noncurrent liabilities:

Net pension liability	\$ 517,904
Compensated absences - net of current portion	37,192
Revenue bonds payable - net of current portion	6,865,398
Total noncurrent liabilities	\$ 7,420,494

Total liabilities	\$ 8,354,353
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DEFERRED INFLOWS OF RESOURCES

Pension related items	\$ 28,899
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NET POSITION

Net investment in capital assets	\$ 29,814,155
Restricted for debt reserves	338,293
Unrestricted	2,760,026

Total net position	\$ 32,912,474
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The accompanying notes to financial statements are an integral part of this statement.

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

Operating revenues:	
Water charges	\$ 2,031,088
Sewer charges	429,716
Coal road	511,325
Penalties	8,010
Miscellaneous	93,466
Total operating revenues	\$ 3,073,605
Operating expenses:	
Salaries and taxes	\$ 727,315
Retirement and life	101,463
Health insurance	230,636
Liability insurance	38,868
Water purchased	481,601
Utilities	132,603
Sampling	17,750
Permits	22,798
Contract services	18,728
Repairs and maintenance	412,145
Telephone and telemetry	8,335
Legal and professional services	12,703
Office expense	11,818
Postage and shipping	16,736
Advertising	1,583
Accounting	16,150
Equipment expense	3,364
Vehicle expense	42,403
Travel	864
Miscellaneous	28,144
Depreciation	1,045,252
Total operating expenses	\$ 3,371,259
Operating income (loss)	\$ (297,654)
Nonoperating revenues (expenses):	
Interest income	\$ 2,432
Interest expense	(138,872)
Total nonoperating revenues (expenses)	\$ (136,440)
Income (loss) before capital contributions	\$ (434,094)
Capital contributions:	
Federal grants	\$ 319,953
Other grants	575,550
Contributions from Dickenson County, Virginia	485,870
Total capital contributions	\$ 1,381,373
Change in net position	\$ 947,279
Net position, beginning of year	31,965,195
Net position, end of year	\$ 32,912,474

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

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

Cash flows from operating activities:	
Receipts from customers	\$ 3,077,654
Payments to employees for services	(1,010,610)
Payments to suppliers for goods and services	(1,239,083)
Net cash provided by (used for) operating activities	\$ 827,961
Cash flows from capital and related financing activities:	
Construction/acquisition of capital assets	\$ (1,858,403)
Contributions and grants	1,544,380
Proceeds from issuance of debt	805,000
Principal paid on debt	(1,117,014)
Interest paid on debt	(141,884)
Net cash provided by (used for) capital and related financing activities	\$ (767,921)
Cash flows from investing activities:	
Interest income	\$ 2,432
Increase (decrease) in cash and cash equivalents	\$ 62,472
Cash and cash equivalents at beginning of year (including restricted cash and cash equivalents of \$630,633)	3,596,314
Cash and cash equivalents at end of year (including restricted cash and cash equivalents of \$657,550)	\$ 3,658,786
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (297,654)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	1,045,252
Changes in operating assets and liabilities and deferred outflows and inflows of resources:	
(Increase) decrease in accounts receivable	7,188
(Increase) decrease in prepaid items	(1,347)
(Increase) decrease in due from Dickenson County, Virginia	(18,196)
(Increase) decrease in deferred outflows of resources	(100,905)
Increase (decrease) in operating payables	151,769
Increase (decrease) in customer deposits	28,857
Increase (decrease) in compensated absences	15,057
Increase (decrease) in net pension liability	6,980
Increase (decrease) in deferred inflows of resources	(9,040)
Net cash provided by (used for) operating activities	\$ 827,961
Noncash investing, capital, or financing activities:	
Construction payables	\$ 77,393
Construction receivables	12,300
Total noncash investing, capital, or financing activities	\$ 89,693

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. The Financial Reporting Entity:

The Authority is a discretely presented component unit of the County of Dickenson, Virginia and is presented as such in the County's financial report for the fiscal year ended June 30, 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, equipment, and infrastructure assets (e.g., water and sewer systems), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not to be capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

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

D. Allowance for Uncollectible Accounts:

The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2020, the allowance amounted to approximately \$171,527.

E. Cash, Cash Equivalents, and Investments:

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 the purposes of the statement of cash flows, the government's proprietary funds consider 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 U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Restricted Net Position:

Included in restricted cash and cash equivalents are amounts held in debt service reserve accounts in the amounts of \$338,293.

H. Net Position:

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 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.

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

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

I. Prepaid Items:

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

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

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

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

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DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper 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). For the year ended June 30, 2020, the Authority does not have any investments.

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DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 34,592	\$ -	\$ -	\$ 34,592
Construction in progress	4,750,851	1,481,179	(5,559,687)	672,343
Total assets not being depreciated	\$ 4,785,443	\$ 1,481,179	\$ (5,559,687)	\$ 706,935
Capital assets being depreciated:				
Water and sewer systems	\$ 42,573,613	\$ 5,559,687	\$ -	\$ 48,133,300
Buildings and improvements	232,166	69,171	-	301,337
Equipment and software	1,012,686	195,066	-	1,207,752
Total assets being depreciated	\$ 43,818,465	\$ 5,823,924	\$ -	\$ 49,642,389
Accumulated Depreciation:				
Water and sewer systems	\$ (11,343,192)	\$ (962,666)	\$ -	\$ (12,305,858)
Buildings and improvements	(65,331)	(9,638)	-	(74,969)
Equipment and software	(787,007)	(72,948)	-	(859,955)
Total accumulated depreciation	\$ (12,195,530)	\$ (1,045,252)	\$ -	\$ (13,240,782)
Total assets being depreciated, net	\$ 31,622,935	\$ 4,778,672	\$ -	\$ 36,401,607
Total capital assets, net	\$ 36,408,378	\$ 6,259,851	\$ (5,559,687)	\$ 37,108,542

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DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 4 - LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations:

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

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Direct Borrowings and Placements:				
Revenue bonds	\$ 7,529,008	\$ 805,000	\$ (1,117,014)	\$ 7,216,994
Net pension liability	366,135	390,302	(238,533)	517,904
Compensated absences	141,788	113,321	(106,341)	148,768
Total	\$ 8,036,931	\$ 1,308,623	\$ (1,461,888)	\$ 7,883,666

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

Year Ending June 30,	Direct Borrowings and Placements	
	Revenue Bonds	
	Principal	Interest
2021	\$ 351,596	\$ 115,445
2022	357,642	110,023
2023	363,743	104,462
2024	367,869	98,780
2025	375,126	92,900
2026-2030	1,966,073	371,532
2031-2035	1,437,959	212,146
2036-2040	695,319	145,636
2041-2045	404,944	103,214
2046-2050	431,714	63,345
2051-2055	329,321	23,682
2056-2060	135,688	4,882
	<u>\$ 7,216,994</u>	<u>\$ 1,446,047</u>

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 4 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance at June 30	Amount Due Within One Year
Direct Borrowings and Placements: ⁽¹⁾						
Carter Bank & Trust	3.300%	05/30/2013	2033	\$ 3,918,000	\$ 1,138,000	\$ 71,000
Rural Development Bond ⁽²⁾	3.250%	09/27/2001	2031	266,000	186,905	6,283
Rural Development Bond ⁽²⁾	2.250%	12/15/2011	2055	273,000	241,002	5,348
Rural Development Bond ⁽²⁾	2.125%	11/28/2012	2051	598,000	537,193	11,665
Rural Development Bond ⁽²⁾	2.125%	08/20/2013	2054	594,000	542,163	11,401
Rural Development Bond ⁽²⁾	1.750%	11/18/2019	2060	805,000	796,726	14,178
Rural Development Bond ⁽²⁾	1.375%	10/06/2016	2057	436,000	412,893	8,861
Virginia Resources Authority ⁽³⁾	0.000%	12/21/2000	2031	186,130	59,694	5,685
Virginia Resources Authority ⁽³⁾	0.000%	12/21/2000	2031	155,889	52,575	5,007
Virginia Resources Authority ⁽³⁾	0.000%	09/27/2001	2033	540,000	225,000	18,000
Virginia Resources Authority ⁽³⁾	0.000%	02/02/2007	2038	520,795	303,797	17,360
Virginia Resources Authority ⁽³⁾	0.00%	12/20/2007	2038	49,118	28,455	1,626
Virginia Resources Authority ⁽³⁾	0.000%	06/13/2008	2038	321,200	192,720	10,707
Virginia Resources Authority ⁽³⁾	0.000%	07/02/2009	2040	750,000	500,000	25,000
Virginia Resources Authority ⁽³⁾	0.00%	07/02/2009	2040	480,000	320,000	16,000
Virginia Resources Authority ⁽³⁾	0.00%	09/18/2015	2036	232,885	170,132	13,945
Virginia Resources Authority ⁽³⁾	3.30%	12/20/2017	2033	1,881,000	1,509,739	109,530
Total Revenue Bonds					<u>\$ 7,216,994</u>	<u>\$ 351,596</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 148,768	\$ 111,576
Net Pension Liability	n/a	n/a	n/a	n/a	517,904	-
Total Other Obligations					<u>\$ 666,672</u>	<u>\$ 111,576</u>
Total Long-term Obligations					<u>\$ 7,883,666</u>	<u>\$ 463,172</u>

(1) In the event of default, the lender(s) may declare the entire unpaid principal and interest balances on the revenue bonds as due and payable.

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

(3) Net revenues available for debt service must equal 115% of the current year's debt service of all parity bonds. The Authority is in compliance with the covenant.

NOTE 5 - 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 \$148,768.

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6 - PENSION PLAN:

Plan Description

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

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.

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6 - 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 Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 9.59% 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 Authority were \$55,094 and \$53,809 for the years ended June 30, 2020 and June 30, 2019, respectively.

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

Net Pension Liability

At June 30, 2020, the Authority reported a liability of \$517,904 for its proportionate share of the net pension liability. The 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 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, 2019 and 2018, the Authority's proportion was 8.0193% and 7.9871%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Dickenson County Retirement Plan was based on an actuarial valuation as of June 30, 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.

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DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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%

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

Long-Term Expected Rate of Return

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

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.

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6 - 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 Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (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%)
Authority's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	\$ 904,823	\$ 517,904	\$ 209,769

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$96,924. 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 Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 55,692	\$ 562
Change in assumptions	62,127	3,500
Net difference between projected and actual earnings on pension plan investments	-	19,689
Change in proportionate share	-	5,148
Employer contributions subsequent to the measurement date	<u>55,094</u>	<u>-</u>
Total	\$ <u><u>172,913</u></u>	\$ <u><u>28,899</u></u>

\$55,094 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 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:

<u>Year Ended June 30</u>	
2021	\$ 38,268
2022	22,030
2023	27,123
2024	1,499

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6 - PENSION PLAN: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 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 7 - RISK MANAGEMENT:

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES:

Operating Lease:

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

NOTE 9 - 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 10 - ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority early implemented provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the fiscal year ended June 30, 2020. This Statement simplifies accounting for interest cost incurred before the end of a construction period. Interest cost incurred during construction is expensed and no longer capitalized as part of project costs. No restatement was required as a result of this implementation.

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 11 - SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Authority’s financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

NOTE 12 - UPCOMING PRONOUNCEMENTS:

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. 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.

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 12 - UPCOMING PRONOUNCEMENTS: (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

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

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

Date (1)	Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
2019	8.0193%	\$ 517,904	\$ 574,808	90.10%	82.38%
2018	7.9871%	366,135	566,738	64.60%	86.44%
2017	7.9871%	371,945	567,935	65.49%	85.64%
2016	8.4128%	494,447	565,268	87.47%	81.06%
2015	8.3263%	393,355	558,405	70.44%	84.15%
2014	8.3263%	319,828	551,049	58.04%	86.32%

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Schedule of Employer Contributions
Pension Plan

For the Years Ended June 30, 2015 through June 30, 2020

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 55,094	\$ 55,094	-	\$ 599,457	9.19%
2019	53,809	53,809	-	574,808	9.36%
2018	54,273	54,273	-	566,738	9.58%
2017	52,992	52,992	-	567,935	9.33%
2016	61,715	61,715	-	565,268	10.92%
2015	60,755	60,755	-	558,405	10.88%

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

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Notes to Required Supplementary Information
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%

Other Supplementary Information

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Combining Statement of Net Position
As of June 30, 2020

ASSETS	Water Fund	Sewer Fund	Total
Current assets:			
Cash and cash equivalents	\$ 2,452,419	\$ 548,817	\$ 3,001,236
Restricted cash and cash equivalents:			
Customer deposits	319,257	-	319,257
Prepaid items	28,465	5,023	33,488
Grants receivable	-	12,300	12,300
Accounts receivable (net of allowance for uncollectibles)	195,614	34,521	230,135
Interfund balances	(824,379)	824,379	-
Due from Dickenson County, Virginia	79,562	-	79,562
Total current assets	\$ 2,250,938	\$ 1,425,040	\$ 3,675,978
Noncurrent assets:			
Restricted cash and cash equivalents:			
Revenue bond covenant accounts	\$ 338,293	\$ -	\$ 338,293
Capital assets (net of accumulated depreciation):			
Land	29,403	5,189	34,592
Construction in progress	578,512	93,831	672,343
Water and sewer systems	35,227,476	12,905,824	48,133,300
Buildings and improvements	256,136	45,201	301,337
Equipment and software	1,026,589	181,163	1,207,752
Less: accumulated depreciation	(9,938,420)	(3,302,362)	(13,240,782)
Total noncurrent assets	\$ 27,517,989	\$ 9,928,846	\$ 37,446,835
Total assets	\$ 29,768,927	\$ 11,353,886	\$ 41,122,813
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 146,976	\$ 25,937	\$ 172,913
LIABILITIES			
Current liabilities:			
Accounts payable - operations	\$ 58,934	\$ 10,400	\$ 69,334
Accounts payable - construction	65,784	11,609	77,393
Customer deposits payable	319,257	-	319,257
Interest payable	1,025	3,678	4,703
Compensated absences - current portion	94,840	16,736	111,576
Revenue bonds payable - current portion	252,473	99,123	351,596
Total current liabilities	\$ 792,313	\$ 141,546	\$ 933,859
Noncurrent liabilities:			
Net pension liability	\$ 440,218	\$ 77,686	\$ 517,904
Compensated absences - net of current portion	31,613	5,579	37,192
Revenue bonds payable - net of current portion	4,859,663	2,005,735	6,865,398
Total noncurrent liabilities	\$ 5,331,494	\$ 2,089,000	\$ 7,420,494
Total liabilities	\$ 6,123,807	\$ 2,230,546	\$ 8,354,353
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 24,564	\$ 4,335	\$ 28,899
NET POSITION			
Net investment in capital assets	\$ 22,001,776	\$ 7,812,379	\$ 29,814,155
Restricted for debt reserves	338,293	-	338,293
Unrestricted	1,427,463	1,332,563	2,760,026
Total net position	\$ 23,767,532	\$ 9,144,942	\$ 32,912,474

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Combining Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2020

	Water Fund	Sewer Fund	Total
Operating revenues:			
Water charges	\$ 2,031,088	\$ -	\$ 2,031,088
Sewer charges	-	429,716	429,716
Coal road	511,325	-	511,325
Penalties	8,010	-	8,010
Miscellaneous	84,472	8,994	93,466
Total operating revenues	<u>\$ 2,634,895</u>	<u>\$ 438,710</u>	<u>\$ 3,073,605</u>
Operating expenses:			
Salaries and taxes	\$ 618,218	\$ 109,097	\$ 727,315
Retirement and life	86,244	15,219	101,463
Health insurance	196,040	34,596	230,636
Liability insurance	33,038	5,830	38,868
Water purchased	481,601	-	481,601
Utilities	112,712	19,891	132,603
Sampling	15,087	2,663	17,750
Permits	19,378	3,420	22,798
Contract services	15,919	2,809	18,728
Repairs and maintenance	348,793	63,352	412,145
Telephone and telemetry	7,085	1,250	8,335
Legal and professional services	10,798	1,905	12,703
Office expense	10,045	1,773	11,818
Postage and shipping	14,226	2,510	16,736
Advertising	1,346	237	1,583
Accounting	13,728	2,422	16,150
Equipment expense	2,859	505	3,364
Vehicle expense	36,042	6,361	42,403
Travel	734	130	864
Miscellaneous	23,921	4,223	28,144
Depreciation	774,748	270,504	1,045,252
Total operating expenses	<u>\$ 2,822,562</u>	<u>\$ 548,697</u>	<u>\$ 3,371,259</u>
Operating income (loss)	<u>\$ (187,667)</u>	<u>\$ (109,987)</u>	<u>\$ (297,654)</u>
Nonoperating revenues (expenses):			
Interest income	\$ 2,067	\$ 365	\$ 2,432
Interest expense	(91,153)	(47,719)	(138,872)
Total nonoperating revenues (expenses)	<u>\$ (89,086)</u>	<u>\$ (47,354)</u>	<u>\$ (136,440)</u>
Income (loss) before capital contributions	<u>\$ (276,753)</u>	<u>\$ (157,341)</u>	<u>\$ (434,094)</u>
Capital contributions:			
Federal grants	\$ -	\$ 319,953	\$ 319,953
Other grants	489,217	86,333	575,550
Contributions from Dickenson County, Virginia	-	485,870	485,870
Total capital contributions	<u>\$ 489,217</u>	<u>\$ 892,156</u>	<u>\$ 1,381,373</u>
Change in net position	<u>\$ 212,464</u>	<u>\$ 734,815</u>	<u>\$ 947,279</u>
Net position, beginning of year	<u>23,555,068</u>	<u>8,410,127</u>	<u>31,965,195</u>
Net position, end of year	<u><u>\$ 23,767,532</u></u>	<u><u>\$ 9,144,942</u></u>	<u><u>\$ 32,912,474</u></u>

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

	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,637,866	\$ 439,788	\$ 3,077,654
Payments to employees for services	(859,019)	(151,591)	(1,010,610)
Payments to suppliers for goods and services	(1,123,928)	(115,155)	(1,239,083)
Net cash provided by (used for) operating activities	<u>\$ 654,919</u>	<u>\$ 173,042</u>	<u>\$ 827,961</u>
Cash flows from capital and related financing activities:			
Interfund balances	\$ 1,471,289	\$ (1,471,289)	\$ -
Construction/acquisition of capital assets	(1,444,072)	(414,331)	(1,858,403)
Contributions and grants	489,217	1,055,163	1,544,380
Proceeds from issuance of debt	-	805,000	805,000
Principal paid on debt	(1,025,795)	(91,219)	(1,117,014)
Interest paid on debt	(94,524)	(47,360)	(141,884)
Net cash provided by (used for) capital and related financing activities	<u>\$ (603,885)</u>	<u>\$ (164,036)</u>	<u>\$ (767,921)</u>
Cash flows from investing activities:			
Interest income	\$ 2,067	\$ 365	\$ 2,432
Increase (decrease) in cash and cash equivalents	\$ 53,101	\$ 9,371	\$ 62,472
Cash and cash equivalents at beginning of year (including restricted cash and cash equivalents of \$630,633)	<u>3,056,868</u>	<u>539,446</u>	<u>3,596,314</u>
Cash and cash equivalents at end of year (including restricted cash and cash equivalents of \$657,550)	<u>\$ 3,109,969</u>	<u>\$ 548,817</u>	<u>\$ 3,658,786</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (187,667)	\$ (109,987)	\$ (297,654)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	774,748	270,504	1,045,252
Changes in operating assets and liabilities and deferred outflows and inflows of resources:			
(Increase) decrease in accounts receivable	6,110	1,078	7,188
(Increase) decrease in prepaid items	(1,145)	(202)	(1,347)
(Increase) decrease in due from Dickenson County, Virginia	(18,196)	-	(18,196)
(Increase) decrease in deferred outflows of resources	(85,769)	(15,136)	(100,905)
Increase (decrease) in net pension liability	129,003	22,766	151,769
Increase (decrease) in operating payables	24,529	4,328	28,857
Increase (decrease) in customer deposits	15,057	-	15,057
Increase (decrease) in compensated absences	5,933	1,047	6,980
Increase (decrease) in deferred inflows of resources	(7,684)	(1,356)	(9,040)
Net cash provided by (used for) operating activities	<u>\$ 654,919</u>	<u>\$ 173,042</u>	<u>\$ 827,961</u>
Noncash investing, capital, or financing activities:			
Construction payables	\$ 65,784	\$ 11,609	\$ 77,393
Construction receivables	-	12,300	12,300
Total noncash investing, capital, or financing activities	<u>\$ 65,784</u>	<u>\$ 23,909</u>	<u>\$ 89,693</u>

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Dickenson County Public Service Authority, a component unit of Dickenson County, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Dickenson County Public Service Authority's basic financial statements and have issued our report thereon dated November 27, 2020.

Internal Control over Financial Reporting

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

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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dickenson County Public Service Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Dickenson County Public Service Authority's Response to Finding

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

Purpose of this Report

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

Robinson, Jarmon, Cox, Associates

Blacksburg, Virginia
November 27, 2020

DICKENSON COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF DICKENSON COUNTY, VIRGINIA)
Schedule of Findings and Responses
For the 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?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2020-001

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

Section III - Prior Year Findings

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