PITTSYLVANIA COUNTY SERVICE AUTHORITY

(A COMPONENT UNIT OF PITTSYLVANIA COUNTY, VIRGINIA)

FINANCIAL REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 2020

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Robinson, Farmer, Cox Associates, PLLC

Certified Public Accountants

CPAs | Consultants

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To the Board of Commissioners
Pittsylvania County Service Authority
Chatham, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pittsylvania County Service Authority, a component unit of Pittsylvania County, Virginia, as of and for the six months 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 the Pittsylvania County Service Authority, as of June 30, 2020, and the changes in financial position, and cash flows thereof for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Beginning Balances

As described in Note 16 to the financial statements, in 2020, the Authority restated beginning balances. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

The Authority changed its fiscal year end to June 30 effective June 30, 2020 and it resulted in a short year (six month) one-time audit.

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 3-6 and 41-48 respectively, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2020 on our consideration of the Pittsylvania County Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pittsylvania County Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pittsylvania County Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 17, 2020

PITTSYLVANIA COUNTY SERVICE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2020

Management's Discussion and Analysis (MD&A) of the Pittsylvania County Service Authority financial performance provides an overview of the Authority's financial activities for the six months ended June 30, 2020. The PCSA recently changed from a calendar year-end to a fiscal year ending June 30. Comparisons throughout this document are based on the last audited financials as of December 31, 2019 and the current audited financials as of June 30, 2020. The MD&A should be read in conjunction with the Authority's basic financial statements. It is designed to a) assist the reader in understanding the significant financial issues, b) provide an overview of the Authority's financial activity, c) identify changes in the financial position and its ability to address subsequent year issues, and d) identify individual fund issues or concerns.

THE AUTHORITY AS A WHOLE

The Authority's total net position for the six months ended June 30, 2020 and December 31, 2019, increased/ (decreased) by ($136,453) and $2,749,352, respectively. A majority of the 2019 increase resulted from capital contributions from Pittsylvania County, Virginia. *Unrestricted* net position – the part of net position that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is $3,743,839 at June 30, 2020.

Business-type Activities

The Authority operates as a "business-type activity", or "enterprise fund activity". Business-type activities utilize the accrual basis of accounting and their statements provide both short and long-term financial information.

FINANCIAL STATEMENT PRESENTATION

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

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

FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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

CONDENSED FINANCIAL INFORMATION

		June 30, 2020		December 31, 2019
Assets				
Current assets	$	3,842,376	$	4,002,681
Noncurrent assets		35,512,147		35,599,442
Total assets	$	39,354,523	$	39,602,123
Deferred outflows of resources	$	142,180	$	72,477
Liabilities				
Current liabilities	$	358,719	$	438,048
Noncurrent liabilities		82,650		169,369
Total liabilities	$	441,369	$	607,417
Deferred inflows of resources	$	431,851	$	183,934
Net Position	$	38,623,483	$	38,883,249

The current assets experienced a decrease of $(160,305), which consisted mostly of a decrease in cash. The noncurrent assets decreased by $(87,295), which consisted mostly of depreciation expense. Capital assets and long-term debt are discussed in detail on the following pages. The Authority recently implemented GASB Statement Nos. 68 and 75 related to pensions and OPEBs which make up the deferred outflows of resources and deferred inflows of resources. For more information on those items reference the corresponding notes.

CONDENSED FINANCIAL INFORMATION (CONTINUED)

		June 30, 2020		December 31, 2019
Revenues				
Operating revenues	$	1,246,098	$	2,816,451
Nonoperating revenues		83,396		533,282
Total revenues	$	1,329,494	$	3,349,733
Expenses				
Operating expenses	$	1,465,947	$	3,904,910
Change in Net Position	$	(136,453)	$	(555,177)

Operating revenues for the Authority consist of two primary categories: Water Charges and Sewer Charges. It is important to note that the figures included for June 30, 2020 only include 6 months whereas the figures included for December 31, 2019 are for a 12-month period. Also important to note, revenues were down during the first 6 months of 2020 due to the COVID-19 pandemic. The Authority continued to provide water and sewer service continued regardless of customer payment.

CAPITAL ASSETS and LONG-TERM DEBT

Capital Assets

As of June 30, 2020, the Authority had $34,879,644 invested in capital assets (net of accumulated depreciation). This investment includes land, construction in progress, equipment, water systems, sewer systems, pump stations, tank and wells, and buildings. The total net decrease (additions less retirements and depreciation) in the Authority's investment in capital assets for the current fiscal year was ($215,214). The following is a summary of the capital assets at year-end (net of depreciation).

		June 30, 2020		December 31, 2019
Land	$	388,900	$	388,900
Construction in progress		5,413,863		5,329,792
Machinery, equipment, and vehicles		1,344,816		1,305,788
Water systems		24,183,710		24,173,232
Sewer systems		11,867,424		11,867,424
Pump stations		976,900		976,900
Tanks and Wells		4,686,900		4,686,900
Buildings and equipment		986,763		986,763
Total capital assets	$	49,849,276	$	49,715,699
Less: accumulated depreciation		(14,969,632)		(14,620,841)
Capital assets, net	$	34,879,644	$	35,094,858

CAPITAL ASSETS and LONG-TERM DEBT (CONTINUED)

The changes in each category of capital assets are presented in detail in Note 3 to the Basic Financial Statements. Current year additions to the capital assets were $133,577. The Authority completed several minor improvements during fiscal year 2020 including the purchase of a new vehicle.

Long-term obligations

At June 30, 2020, the Authority's long-term liabilities totaled $98,663. Total long-term debt increased by $30,663 during the fiscal year mostly related to the change in discount rate used for VRS net pension calculations and accruing compensated absences. Long-term debt consisted of the following:

	June 30, 2020	December 31, 2019
Compensated absences	$ 21,351	$ -
Net OPEB liabilities	77,312	68,000
Total	$ 98,663	$ 68,000

The changes in long-term debt are presented in detail in Note 4 to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The Authority considered several factors when setting the fiscal year 2020-2021 budget. The budget for the PCSA has now been incorporated into the Pittsylvania County, Virginia budget. Financials for the PCSA are maintained as an enterprise fund so that all revenues and expenditures for the PCSA are segregated from other revenues and expenditures of the County. Within this budget, water and sewer functions have been separated to more clearly track revenues and expenditures. Budgeted shared expenditures for these divisions have been divided as follows: Water 65% and Sewer 35%. Rates are currently being reviewed to ensure that adequate funding exists to cover all expenditures for each division. An increase in current rates will not occur until fiscal year 2021-2022.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional information should be directed to Kim Van Der Hyde, Finance Director for Pittsylvania County at (434) 432-7742.

Basic Financial Statements

Exhibit 1

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania County, Virginia)
Statement of Net Position
As of June 30, 2020

ASSETS		
Current Assets:		
Cash and cash equivalents	$	2,280,924
Investments		1,000,467
Accounts receivable, net of allowance		295,417
Inventory		42,355
Prepaid expenses		11,382
Capital lease receviable - current portion		25,000
Due from other governments - Town of Chatham		56,016
Due from other governments		130,815
Total current assets	$	3,842,376
Noncurrent Assets:		
Restricted cash and cash equivalents	$	205,539
Capital lease receivable - net of current portion		125,000
Net pension asset		301,964
Capital assets, net of depreciation:		
Land		388,900
Construction in progress		5,413,863
Machinery, equipment, and vehicles		896,609
Water systems		16,319,373
Sewer systems		7,680,730
Pump stations		645,999
Tanks and wells		3,011,842
Buildings and improvements		522,328
Total capital assets, net of depreciation	$	34,879,644
Total noncurrent assets	$	35,512,147
Total assets	$	39,354,523
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	$	97,013
OPEB related items		45,167
Total deferred outflows of resources	$	142,180
LIABILITIES		
Current Liabilities:		
Accounts payable	$	67,269
Payroll liabilities		174
Customer deposits payable		205,539
Unearned revenue		69,724
Compensated absences - current portion		16,013
Total current liabilities	$	358,719
Noncurrent Liabilities:		
Compensated absences, net of current portion	$	5,338
Net OPEB liability		77,312
Total noncurrent liabilities	$	82,650
Total liabilities	$	441,369
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$	425,278
OPEB related items		6,573
Total deferred inflows of resources	$	431,851
NET POSITION		
Investment in capital assets	$	34,879,644
Unrestricted		3,743,839
Total net position	$	38,623,483

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

Exhibit 2

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania County, Virginia)
Statement of Revenues, Expenses and Changes in Net Position
For the Six Months Ended June 30, 2020

Operating Revenues:		
Water charges	$	746,395
Sewer charges		397,650
Penalties		12,433
Miscellaneous		89,620
Total operating revenues	$	1,246,098
Operating Expenses:		
General and Administrative:		
Salaries	$	256,327
Fringe benefits and payroll taxes		(138,010)
Professional services		14,053
Contracted meter reading		19,798
IT services		8,655
Office expense		16,274
Insurance		14,285
Vehicle fuels		6,519
Miss Utility		1,132
Repair and maintenance		7,640
Utilities		5,883
Uniforms		2,142
Miscellaneous		6,431
Total general and administrative	$	221,129
Operations:		
Engineering	$	16,776
Water tank maintenance		33,688
Water pumping electricity		17,911
Contracted sewage treatment		350,664
Water distribution maintenance		47,346
Purchased water		429,642
Depreciation		348,791
Total operations	$	1,244,818
Total operating expenses	$	1,465,947
Net operating income (loss)	$	(219,849)
Nonoperating Revenues (Expenses):		
Interest income	$	31,125
Contributions in aid of construction		52,271
Total nonoperating revenues (expenses)	$	83,396
Change in net position	$	(136,453)
Net position, beginning of year, as restated		38,759,936
Net position, end of year	$	38,623,483

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

Exhibit 3

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania County, Virginia)
Statement of Cash Flows
For the Six Months Ended June 30, 2020

Cash flows from operating activities:		
Receipts from customers and users	$	1,346,942
Payments to suppliers		(1,089,205)
Payments to employees and retirees		(340,607)
Net cash provided by (used for) operating activities	$	(82,870)
Cash flows from capital and related financing activities:		
Purchase of utility plant and equipment	$	(81,306)
Capital lease receivable payments		25,000
Capital grants and contributions		195,488
Net cash provided by (used for) capital and related financing activities	$	139,182
Cash flow from investing activities:		
Purchase of investments	$	(2,027,600)
Sale of investments		3,567,591
Interest income		4,093
Net cash provided by (used for) investing activities	$	1,544,084
Net increase (decrease) in cash and cash equivalents	$	1,600,396
Cash and cash equivalents at beginning of year (including restricted cash and cash equivalents of $202,537)		886,067
Cash and cash equivalents at end of year (including restricted cash and cash equivalents of $205,539)	$	2,486,463
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Net operating income (loss)	$	(219,849)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		348,791
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in accounts receivable		90,432
(Increase) decrease in inventory		(2,587)
(Increase) decrease in prepaid expenses		44,319
(Increase) decrease in deferred outflows of resources		(44,865)
Increase (decrease) in accounts payable		(132,098)
Increase (decrease) in payroll payables		(6,672)
Increase (decrease) in customer deposits		3,002
Increase (decrease) in unearned revenue		7,410
Increase (decrease) in compensated absences		21,351
Increase (decrease) in net OPEB liabilities		9,312
Increase (decrease) in deferred inflows of resources		243,917
Increase (decrease) in net pension liability/asset		(445,333)
Net cash provided by (used for) operating activities	$	(82,870)
Schedule of non-cash capital and related financing activities:		
Construction in progress donated by Pittsylvania County, Virginia	$	52,271

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 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. Financial Reporting Entity

The Pittsylvania County Service Authority was created February 27, 1973 as an authority pursuant to the Virginia Water and Sewer Authorities Act, Code of Virginia (1950, as amended) for the purpose of providing water and sewer services to Pittsylvania County, Virginia citizens. The Authority's Board consists of seven members. Historically, the Board members were appointed by the Board of Supervisors of Pittsylvania County, Virginia. In March 2020, the Board of Supervisors removed the appointed Commission members and appointed themselves as the Board for the Authority.

The Governmental Accounting Standards Board (GASB) has determined that, under certain circumstances, related organizations should be considered component units of a primary entity and, as such, reported as part of the primary entity. In so doing, GASB established criteria for determining whether a related entity should be reported as a component unit and, under different circumstances, how component units must be presented. In defining the Authority as a primary reporting entity, related organizations were evaluated for possible inclusion, using the criteria established by the GASB. The criteria would require the reporting entity to include entities that hold resources entirely or almost entirely for the direct benefit of the Authority where the Authority has the ability to access a majority of those resources and those resources are significant to the Authority. Based on these criteria, the Authority does not have any component units, but the Authority is considered a blended component unit of the County of Pittsylvania, Virginia based on the shared Board and nature of the relationship.

B. Financial Statement Presentation

The financial statements have been prepared in accordance with current financial reporting guidance.

The Authority follows the business-type activities requirements which provides that the following sections be included in the annual financial report:

1. Management discussion and analysis
2. Basic financial statements including a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows
3. Notes to the financial statements
4. Required supplementary information

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

C. Basis of Accounting

For financial reporting purposes, the Pittsylvania County Service Authority is considered a special-purpose government, engaged only in business-type activities. Accordingly, the Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

D. Proprietary Fund Revenue and Expense Classifications

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including gifts, and other revenue sources that are defined as nonoperating revenues, such as state appropriations and interest and other investment income.

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

E. 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 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/(asset) and the net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability/(asset) and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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/(asset) and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

F. Net Position

The Statement of Net Position reports the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as net position.

The Authority's net position is classified as follows:

Net Investment in Capital Assets – This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. 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 also included in the component of net position.

Restricted– This category includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted – Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the Authority and may be used at the Authority's discretion to meet current expenses for any lawful purposes.

G. Net Position Flow Assumption

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

H. Restricted Assets

The Authority has restricted cash deposits in the amount of $205,539 representing customer security deposits.

I. Use of Estimates

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

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

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), 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 capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was capitalized during the six months ended June 30, 2020.

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

Asset	Years
Machinery, equipment, and vehicles	7-15
Water systems	66
Sewer systems	66
Pump stations	66
Tanks and wells	66
Buildings and improvements	66

K. Compensated Absences

Authority employees earn vacation and sick leave each month at a scheduled rate in accordance with the Authority’s personnel policies. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability of the Authority. No liability is recorded for non-vesting 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. The Authority accrues salary-related payments associated with the payment of compensated absences.

L. 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.

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

M. Investments

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

N. Prepaid Items

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

O. Inventory

Inventories of materials and supplies are valued at the lower of cost or market using the first in, first out method.

P. Accounts Receivable

Accounts receivable are stated net of allowance. As of June 30, 2020, unbilled accounts receivable is $99,148 and the allowance for uncollectable accounts is $27,423.

Q. Pensions

For purposes of measuring the net pension liability/(asset), 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 Retirement Plan's net fiduciary position have been determined on the same basis as they are 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.

R. Other Postemployment Benefits (OPEB)

Group Life Insurance
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.

Health Insurance
In addition to the OPEB Group Life Insurance benefit, the Authority allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating an implicit subsidy OPEB liability.

NOTE 2 – DEPOSITS AND INVESTMENTS:

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

Statutes authorize 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).

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments on June 30, 2020 were held in the Authority's name by the Authority's custodial bank.

Credit Risk of Debt Securities: The Authority has not adopted an investment policy for credit risk.

Authority's Rated Debt Investments' Values		
Rated Debt Investments		Fair Quality Ratings
		Unrated
Certificates of Deposit	$	1,000,467

Interest Rate Risk: The Authority has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Maturities (in years)				
Investment Type		Fair Value		Less than 1 year
Certificates of Deposit	$	1,000,467	$	1,000,467

NOTE 2 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Authority maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date

Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investment	6/30/2020	(Level 1)	(Level 2)	(Level 3)
Certificates of Deposit	$ 1,000,467	$ 1,000,467	$ -	$ -

NOTE 3 – CAPITAL ASSETS:

A summary of changes in capital assets for the six months ended June 30, 2020 follows:

	As Restated, Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 388,900	$ -	$ -	$ 388,900
Construction in progress	5,329,792	84,071	-	5,413,863
Total capital assets, not being depreciated	$ 5,718,692	$ 84,071	$ -	$ 5,802,763
Capital assets, being depreciated:				
Machinery, equipment, and vehicles	$ 1,305,788	$ 39,028	$ -	$ 1,344,816
Water systems	24,173,232	10,478	-	24,183,710
Sewer systems	11,867,424	-	-	11,867,424
Pump stations	976,900	-	-	976,900
Tanks and wells	4,686,900	-	-	4,686,900
Buildings and improvements	986,763	-	-	986,763
Total capital assets being depreciated	$ 43,997,007	$ 49,506	$ -	$ 44,046,513
Accumulated depreciation:				
Machinery, equipment, and vehicles	$ (423,040)	$ (25,167)	$ -	$ (448,207)
Water systems	(7,681,207)	(183,130)	-	(7,864,337)
Sewer systems	(4,096,790)	(89,904)	-	(4,186,694)
Pump stations	(323,500)	(7,401)	-	(330,901)
Tanks and wells	(1,639,551)	(35,507)	-	(1,675,058)
Buildings and improvements	(456,753)	(7,682)	-	(464,435)
Total accumulated depreciation	$ (14,620,841)	$ (348,791)	$ -	$ (14,969,632)
Capital assets, being depreciated, net	$ 29,376,166	$ (299,285)	$ -	$ 29,076,881
Capital assets, net	$ 35,094,858	$ (215,214)	$ -	$ 34,879,644

NOTE 4 – LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the six months ended June 30, 2020:

	As Restated, Balance December 31, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Compensated absences	$ -	$ 37,364	$ (16,013)	$ 21,351
Net OPEB liabilities	68,000	36,327	(27,015)	77,312
Total	$ 68,000	$ 73,691	$ (43,028)	$ 98,663

Details of long-term obligations:

	Balance Outstanding	Amount Due Within One Year
Other Obiligations		
Compensated absences	$ 21,351	$ 16,013
Net OPEB liabilities	77,312	-
Total Other Obligations	$ 98,663	$ 16,013
Total Long-term Obiligations	$ 98,663	$ 16,013

NOTE 5 – PENSION PLAN:

Plan Description

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

Benefit Structures

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

a. Employees 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 5 – PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 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.

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	2
Active members	6
Total covered employees	8

NOTE 5 – PENSION PLAN: (CONTINUED)

Contributions

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

The Pittsylvania County Service Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 10.03% 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 Pittsylvania County Service Authority were $37,786 and $35,840 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Asset

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Pittsylvania County 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.

NOTE 5 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

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

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

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

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

The actuarial assumptions used in the June 30, 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 5 – PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	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 5 – 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 Pittsylvania County Service 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.

Changes in Net Pension Liability (Asset)

		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	$ 1,914,809	$ 1,771,440	$ 143,369
Changes for the year:			
Service cost	$ 21,048	$ -	$ 21,048
Interest	130,771	-	130,771
Differences between expected and actual experience	(356,597)	-	(356,597)
Assumption changes	47,244	-	47,244
Contributions - employer	-	115,413	(115,413)
Contributions - employee	-	46,444	(46,444)
Net investment income	-	127,126	(127,126)
Benefit payments, including refunds	(93,306)	(93,306)	-
Administrative expenses	-	(1,106)	1,106
Other changes	-	(78)	78
Net changes	$ (250,840)	$ 194,493	$ (445,333)
Balances at June 30, 2019	$ 1,663,969	$ 1,965,933	$ (301,964)

NOTE 5 – PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Pittsylvania County Service Authority's Net Pension Liability (Asset)	$ (86,976)	$ (301,964)	$ (474,785)

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

For the year ended June 30, 2020, the Pittsylvania County Service Authority recognized pension expense of $(109,331). At June 30, 2020, the Pittsylvania County Service Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 19,805	$ 402,913
Change in assumptions	39,422	1,580
Net difference between projected and actual earnings on pension plan investments	-	20,785
Employer contributions subsequent to the measurement date	37,786	-
Total	$ 97,013	$ 425,278

NOTE 5 – PENSION PLAN: (CONTINUED)

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

$37,786 reported as deferred outflows of resources related to pensions resulting from the Pittsylvania County Service Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 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	$	(76,519)
2022		(91,457)
2023		(80,834)
2024		(63,973)
2025		(51,217)
Thereafter		(2,051)

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 6 – OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN:

Plan Description

In addition to the pension benefits, the Authority participates in a cost-sharing defined benefit healthcare plan, the Pittsylvania County Post-Retirement Medical Plan (PPRMP). Several entities participate in the defined benefit healthcare plan through the County of Pittsylvania, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. The benefit provisions, including employer and employee contributions, are governed by the Pittsylvania County Board of Supervisors and can be amended through Board action. The PPRMP does not issue a publicly available financial report.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)

Benefits Provided

PPRMP provides health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for retirement benefits under VRS, which requires that the employee be (1) age 50 with 10 years of service; (2) age 55 with 5 years of service; or (3) age 65 with 5 years of service. Additionally, the employee must be of full-time status in VRS and must be covered by the active plan at the time of retirement. Coverage continues as documented below:

- Medical Coverage:
  - Retiree pays 100% of Pre-65 premium.
  - Retiree pays 100% of spousal Pre-65 premium.
  - Medicare eligible retirees pay 100% of carve out premium for retiree and spouse.
  - Effective 10/1/2017, the County no longer allows post 65 retirees to elect coverage but still has 4 retirees that are grandfathered into the plan.
- Dental Coverage:
  - Retiree pays 100% of employee premium less $12 monthly County credit.
  - Retiree pays 100% of premium for spouse.
  - Coverage stops at death.

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Pittsylvania County Board of Supervisors. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2020 was $19,000.

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.50% as of July 1, 2019
Participation Rate	50% of active participants who retire at age 50 or greater are assumed to elect coverage in retirement. 25 % of their spouses are assumed to elect coverage in retirement. 100% of actives who become disabled are assumed to elect coverage.
Discount Rate	3.13% as of July 1, 2019
Medical Trend Rate	The healthcare trend rate assumption starts at 6.67% for 2020 decreasing by 0.33% per year to an ultimate rate of 5.00%.
Retirement Age	Retirement is assumed to occur beginning once a participant attains age 55 and completes 5 years of service or age 50 and completes 10 years of service.
Mortality Rates	The mortality rates were based on the RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2019 valuation were based on July 1, 2019 valuation data. The methods, assumptions, and participant data used can be found in the July 1, 2019 actuarial valuation report.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13% based on the Fidelity Index's "20-year Municipal GO AA Index" as of July 1, 2019.

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

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

1% Decrease (2.13%)	Current Discount (3.13%)	1% Increase (4.13%)
$ 46,206	$ 42,000	$ 38,226

Sensitivity of the Employer's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

Healthcare Cost Trend Rates		
1% Decrease (5.67%)	Current (6.67%)	1% Increase (7.67%)
$ 37,566	$ 42,000	$ 47,257

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

At June 30, 2020, the Authority reported a liability of $42,000 for its proportionate share of the total OPEB Liability. The total OPEB Liability was measured as of July 1, 2019 and the total OPEB liability used to calculate the total OPEB Liability was determined by an actuarial valuation as of July 1, 2019. At June 30, 2020 and 2019, the Authority's proportion was 0.454% and 0.461%, respectively.

For the year ended June 30, 2020, the Authority recognized OPEB expense in the amount of $5,000.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,000	$ -
Change in assumptions	-	2,000
Employer contributions subsequent to the measurement date	19,000	-
Total	$ 32,000	$ 2,000

$19,000 reported as deferred outflows of resources related to the OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net 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 OPEB will be recognized in the OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	$ 1,000
2022	1,000
2023	1,000
2024	2,000
2025	2,000
Thereafter	4,000

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

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

Plan Description

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

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

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

Eligible Employees

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

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.

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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 $2,186 and $2,165 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 $35,312 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 0.00217% as compared to 0.00169% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of $1,346. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

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	$ 2,348	$ 457
Net difference between projected and actual earnings on GLI OPEB plan investments	-	725
Change in assumptions	2,229	1,065
Changes in proportion	6,404	2,326
Employer contributions subsequent to the measurement date	2,186	-
Total	$ 13,167	$ 4,573

$2,186 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	$ 655
2022	655
2023	962
2024	1,612
2025	1,929
Thereafter	595

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 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 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – 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:

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 the 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 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	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

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate: (Continued)

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.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Pittsylvania County Service Authority's share of the GLI Plan Net OPEB Liability	$ 46,390	$ 35,312	$ 26,328

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 8 – AGGREGATE OPEB TOTALS

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Authority's Stand-Alone Plan (Note 6)	$ 32,000	$ 2,000	$ 42,000	$ 5,000
VRS OPEB - Group Life Insurance (GLI) Plan (Note 7)	13,167	4,573	35,312	1,346
Totals	$ 45,167	$ 6,573	$ 77,312	$ 6,346

NOTE 9 – DUE FROM OTHER GOVERNMENTS:

On October 11, 2018, Tropical Storm Michael caused major flooding in Pittsylvania County resulting in significant damage to Authority owned infrastructure requiring major repairs. Through a federal disaster declaration, federal assistance funds in the amount of $276,091 were granted to the Authority, of which $145,276 was received in March 2020. The remaining funds are expected to be received soon after year end.

NOTE 9 – DUE FROM OTHER GOVERNMENTS: (CONTINUED)

The Authority has entered into an intergovernmental agreement related to certain water and sewer customers within the Town of Chatham, Virginia. The Authority pays the Town monthly estimated operation costs related to those customers and annually a true up is calculated and paid. As of June 30, 2020, the true-up showed an amount due from the Town to the Authority for overpayment of $56,016.

NOTE 10 – RELATED PARTIES:

The Authority is a component unit of Pittsylvania County. Other support provided by Pittsylvania County, Virginia is included in contributed capital. See Note 11 regarding the County's contribution to the Authority as of June 30, 2020. In addition, the County rents fire hydrants from the Authority. As of June 30, 2020, the County paid the Authority $78,800 for fire hydrant rentals.

NOTE 11- CONTRIBUTED CAPITAL

Contributions received from Pittsylvania County, private corporations, individuals, and others that are used to defray a part, or all, of the costs of installing additions to the utility plant or retirement of the related debt, are credited to contributed capital – contributions in aid of construction. The Authority reports cash and non-cash contributions as part of non-operating revenues (expenses). Contributed capital for the six months ended June 30, 2020 consisted of the following:

Pittsylvania County Contributions:		
Noncash contribution - construction in progress	$	52,271

NOTE 12- CAPITAL LEASE RECEIVABLE

The Town of Gretna annexed a portion of Pittsylvania County which incorporated water lines belonging to Pittsylvania County Service Authority. In 2013, the Town contracted to purchase those line that now lie inside the corporate limits of the Town through a capital lease. The lease obligation requires the Town to make annual payments of $25,000 for a period of fourteen years for a total of $350,000. The loan was interest free. If the Town defaults on this obligation, the facilities would revert back to the Authority. A summary of the annual maturities on the lease receivable for the next five years and thereafter is as follows:

Year		Principal
2021	$	25,000
2022		25,000
2023		25,000
2024		25,000
2025		25,000
2026		25,000
	$	150,000

NOTE 13- UNEARNED REVENUE

Water and sewer connection fees paid in advance for services related to incomplete water and sewer line projects.

Water connection fees	$	42,494
Sewer connection fees		27,230
Total	$	69,724

NOTE 14 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority participates with other localities in a public entity risk pool for its coverage of general liability, property, equipment, crime and auto insurance with the Virginia Municipal League (VML) Insurance Programs. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Risk Pool 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 the loss, deficit or depletion of all available funds, 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. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTE 15 – LITIGATION:

As of 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.

Although, the Authority does not have any pending matters of litigation there are two outstanding consent orders the Authority received from the Virginia Department of Health subsequent to June 30, 2020. The Authority was unable to estimate the financial impact as it responds to the consent orders as required.

NOTE 16 - RESTATEMENT OF BEGINNING NET POSITION

The Authority changed their year end from December 31 to June 30. This implementation resulted in the following restatement of net position:

Net Position, December 31, 2019, as previously stated	$	38,883,249
Correction of FEMA receivable		(19,821)
Correction of investments		(15,449)
Construction aid refund - Pittslyvania County		23,000
Net pension related items		23,838
Net OPEB related items		(45,000)
Correction of capital assets, net of accumulated depreciation		(106,749)
Correction of capital lease receivable		16,868
Net Position, June 30, 2020, as restated	$	38,759,936

NOTE 17 – SUBSEQUENT EVENTS

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.

In August 2020, the Authority voted to begin the dissolution process with plans for the Authority to revert to the Pittsylvania County Public Works department and operate as part of Pittsylvania County, Virginia.

In August 2020, the Authority approved an engineering contract in the amount of $183,339 to update the Authority's master plan and provide a billing rate analysis.

NOTE 18 – 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. 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 18 – 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

Exhibit 4

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania 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 (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.00217%	$ 35,312	$ 416,299	8.48%	52.00%
2018	0.00169%	26,000	321,278	8.09%	51.22%
2017	0.00169%	23,000	288,762	7.97%	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 5

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania County, Virginia)
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended December 31, 2011 - December 31, 2019 and Six Months Ended 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	$ 2,186	$ 2,186	$ -	$ 420,458	0.52%
2019	2,165	2,165	-	416,299	0.52%
2018	1,671	1,671	-	321,278	0.52%
2017	1,501	1,501	-	288,762	0.52%
2016	1,582	1,582	-	329,614	0.48%
2015	1,677	1,677	-	349,361	0.48%
2014	1,631	1,631	-	339,769	0.48%
2013	1,513	1,513	-	315,234	0.48%
2012	866	866	-	309,307	0.28%
2011	866	866	-	309,307	0.28%

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania County, Virginia)
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Six Months 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%

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania County, Virginia)
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Health Insurance
For the Measurement Dates of July 1, 2017 through July 1, 2019

	2019	2018	2017
Total OPEB liability			
Service cost	$ 2,000	$ 1,000	$ 1,000
Interest	1,000	2,000	1,000
Changes in assumptions	1,000	(4,000)	-
Differences between expected and actual experience	15,000	(1,000)	-
Benefit payments	(19,000)	(1,000)	(1,000)
Net change in total OPEB liability	$ -	$ (3,000)	$ 1,000
Total OPEB liability - beginning	42,000	45,000	44,000
Total OPEB liability - ending	$ 42,000	$ 42,000	$ 45,000
Covered employee payroll	$ 277,538	$ 281,284	$ 237,426
Authority's total OPEB liability (asset) as a percentage of covered employee payroll	15.13%	14.93%	18.95%

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

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania County, Virginia)
Notes to Required Supplementary Information - Health Insurance OPEB
For the Six Months Ended June 30, 2020

Valuation Date: 7/1/2019
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
Discount Rate	3.13% as of July 1, 2019
Inflation	2.50% per year as of July 1, 2019
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.67% for 2020 decreasing by 0.33% per year to an ultimate rate of 5.00%
Salary Increase Rates	The salary increase is 2.50% as of July 1, 2019
Participation Percentage	50% of active participants who retire at age 50 or greater are assumed to elect coverage in retirement. 25% of their spouses are assumed to elect coverage in retirement. 100% of actives who become disabled are assumed to elect coverage.
Retirement Age	Retirement is assumed to occur beginning once a participant attains age 55 and completes 5 years of service or age 50 and completes 10 years of service.
Mortality Rates	The mortality rates were based on the RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

Exhibit 9

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania County, Virginia)
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	$ 21,048	$ 20,107	$ 19,435	$ 27,777	$ 31,208	$ 31,135
Interest	130,771	136,924	130,513	126,793	131,883	126,310
Difference between expected and actual experience	(356,597)	(152,601)	56,007	5,964	(154,659)	-
Changes of assumptions	47,244	-	(4,784)	-	-	-
Benefit payments	(93,306)	(91,360)	(127,811)	(86,966)	(75,324)	(80,333)
Net change in pension liability	$ (250,840)	$ (86,930)	$ 73,360	$ 73,568	$ (66,892)	$ 77,112
Total pension liability - beginning	1,914,809	2,001,739	1,928,379	1,854,811	1,921,703	1,844,591
Total pension liability - ending (a)	$ 1,663,969	$ 1,914,809	$ 2,001,739	$ 1,928,379	$ 1,854,811	$ 1,921,703
Plan Fiduciary Net Position						
Contributions - employer	$ 115,413	$ 28,739	$ 25,785	$ 41,412	$ 44,592	$ 40,398
Contributions - employee	46,444	14,819	13,469	15,618	16,637	16,988
Net investment income	127,126	124,329	189,835	27,309	70,507	212,701
Benefit payments	(93,306)	(91,360)	(127,811)	(86,966)	(75,324)	(80,333)
Administrator charges	(1,106)	(1,091)	(1,162)	(1,006)	(966)	(1,154)
Other	(78)	(110)	(166)	(12)	(14)	11
Net change in plan fiduciary net position	$ 194,493	$ 75,326	$ 99,950	$ (3,645)	$ 55,432	$ 188,611
Plan Fiduciary Net Position - beginning	1,771,440	1,696,114	1,596,164	1,599,809	1,544,377	1,355,766
Plan Fiduciary Net Position - ending (b)	$ 1,965,933	$ 1,771,440	$ 1,696,114	$ 1,596,164	$ 1,599,809	$ 1,544,377
Authority's net pension liability/(asset) - ending (a) - (b)	$ (301,964)	$ 143,369	$ 305,625	$ 332,215	$ 255,002	$ 377,326
Plan fiduciary net position as a percentage of the total pension liability	118.15%	92.51%	84.73%	82.77%	86.25%	80.37%
Covered payroll	$ 416,299	$ 321,278	$ 288,762	$ 329,614	$ 349,361	$ 339,769
Authority's net pension liability/(asset) as a percentage of covered payroll	-72.54%	44.62%	105.84%	100.79%	72.99%	111.05%

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

Exhibit 10

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania County, Virginia)
Schedule of Employer Contributions - Pension
For the Years Ended December 31, 2011 - December 31, 2019 and Six Months Ended June 30, 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess) (1) - (2)	Employer's Covered Payroll	Contributions as a % of Covered Payroll (2)/(4)
	(1)	(2)	(3)	(4)	(5)
2020	$ 37,786	$ 37,786	$ -	$ 420,458	8.99%
2019	35,840	35,840	-	416,299	8.61%
2018	28,739	28,739	-	321,278	8.95%
2017	25,785	25,785	-	288,762	8.93%
2016	41,412	41,412	-	329,614	12.56%
2015	44,592	44,592	-	349,361	12.76%
2014	40,398	40,398	-	339,769	11.89%
2013	50,560	50,560	-	315,234	16.04%
2012	44,252	44,252	-	309,307	14.31%
2011	46,489	46,489	-	309,307	15.03%

Pittsylvania County Service Authority
(A Component Unit of Pittsylvania County, Virginia)
Notes to Required Supplementary Information - Pension
For the Six Months 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%

COMPLIANCE SECTION

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

To the Board of Commissioners
Pittsylvania County Service Authority
Chatham, 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 Pittsylvania County Service Authority, a component unit of Pittsylvania County, Virginia, as of and for the six months ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pittsylvania County Service Authority's basic financial statements and have issued our report thereon dated November 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pittsylvania County Service Authority's internal control over financial reporting (internal control) 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 Pittsylvania County Service Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Pittsylvania County Service Authority's internal control.

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

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

Compliance and Other Matters

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

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
November 17, 2020