

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

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



Independent Auditors' Report

**To the Board Members of
Carroll County Public Service Authority
Hillsville, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Carroll County Public Service Authority, a component unit of Carroll County, Virginia as of June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Carroll County Public Service Authority, as of June 30, 2022, and the changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Carroll County Public Service Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Carroll County Public Service Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Carroll County Public Service Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Carroll County Public Service Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Carroll County Public Service Authority's basic financial statements. The accompanying combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2022, on our consideration of Carroll County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Carroll County Public Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carroll County Public Service Authority's internal control over financial reporting and compliance.

Polina, Faver, Cox Associates

Blacksburg, Virginia
November 11, 2022

Basic Financial Statements

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
Statement of Net Position
As of June 30, 2022

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 749,893
Receivables (net of allowance for uncollectibles):	
Water and sewer billings	511,352
Note receivable	324,197
Prepaid items	36,439
Total unrestricted current assets	<u>\$ 1,621,881</u>
Restricted Current Assets:	
Cash and cash equivalents - debt service	\$ 709,430
Cash held for others - customer deposits	125,222
Total restricted current assets	<u>\$ 834,652</u>
Total current assets	<u>\$ 2,456,533</u>
Noncurrent Assets:	
Capital Assets:	
Land	\$ 264,837
Machinery and equipment	1,436,183
Plant and lines	55,596,200
Accumulated depreciation	(21,600,333)
Net capital assets	<u>\$ 35,696,887</u>
Total assets	<u>\$ 38,153,420</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	<u>\$ 123,721</u>
LIABILITIES	
Current liabilities:	
Accounts payable - operations	\$ 179,774
Accrued interest payable	55,682
Customer deposits payable - restricted assets	125,222
Due to County of Carroll, Virginia	113,930
Compensated absences - current portion	32,935
Bonds and notes payable - current portion	787,546
Total current liabilities	<u>\$ 1,295,089</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 10,978
Net pension liability	165,196
Bonds and notes payable - net of current portion	21,289,393
Total noncurrent liabilities	<u>\$ 21,465,567</u>
Total liabilities	<u>\$ 22,760,656</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	<u>\$ 347,579</u>
NET POSITION	
Net investment in capital assets	\$ 13,944,145
Restricted	709,430
Unrestricted	<u>515,331</u>
Total net position	<u>\$ 15,168,906</u>

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

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2022

Operating Revenues:	
Water and sewer charges	\$ 3,354,977
State fees	11,680
Fire service	21,007
Grant revenue	19,500
Miscellaneous	105,150
	<hr/>
Total operating revenues	\$ 3,512,314
Operating Expenses:	
Salaries and fringes	\$ 506,213
Professional services	186,852
Repairs and maintenance	261,788
Operating materials and supplies	75,865
Vehicle supplies and fuel	62,130
Utilities	261,166
Office and insurance expenses	232,370
Miscellaneous	24,904
Water and sewage treatment purchases	910,483
Depreciation expense	1,461,175
	<hr/>
Total operating expenses	\$ 3,982,946
Operating income (loss)	\$ (470,632)
Nonoperating Revenues (Expenses):	
Connection fees	\$ 175,872
Interest income	10,595
Interest expense	(553,742)
Contribution to New River Regional Water Authority	(284,328)
Contributions from Carroll County, Virginia	538,885
Bond issuance costs	(34,397)
	<hr/>
Total nonoperating revenues (expenses)	\$ (147,115)
Change in net position	\$ (617,747)
Net position, beginning of year, as restated	<hr/> 15,786,653
Net position, end of year	\$ <u><u>15,168,906</u></u>

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

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities:	
Receipts from customers	\$ 3,483,090
Payments to employees for services	(573,582)
Payments to suppliers for goods and services	<u>(1,855,180)</u>
Net cash provided by (used for) operating activities	\$ <u>1,054,328</u>
Cash flows from noncapital financing activities:	
Contribution from Carroll County	\$ <u>538,885</u>
Cash flows from capital and related financing activities:	
Connection charges	\$ 175,872
Purchase of capital assets	(27,585)
Contribution to NRRWA	(284,328)
Payments from Wythe County on note receivable	8,071
Proceeds from indebtedness	1,466,000
Principal payments on indebtedness	(698,853)
Principal payments on indebtedness-refunding	(1,426,361)
Bond issuance costs	(34,397)
Interest payments on indebtedness	<u>(535,639)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(1,357,220)</u>
Cash flows from investing activities:	
Interest income	\$ <u>10,595</u>
Increase (decrease) in cash and cash equivalents	\$ 246,588
Cash and cash equivalents at beginning of year (including restricted cash equivalents of \$899,081)	<u>1,337,957</u>
Cash and cash equivalents at end of year (including restricted cash equivalents of \$834,652)	\$ <u><u>1,584,545</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (470,632)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	1,461,175
Changes in operating assets and liabilities and deferred outflows/inflows:	
(Increase) decrease in abandoned CIP projects	95,991
(Increase) decrease in accounts receivable	(31,259)
(Increase) decrease in prepaid items	(1,779)
(Increase) decrease in deferred outflows of resources	37,261
Increase (decrease) in deferred inflows of resources	254,386
Increase (decrease) in operating payables	66,166
Increase (decrease) in amount due to Carroll County for payroll	20,256
Increase (decrease) in customer deposits payable - restricted assets	2,035
Increase (decrease) in compensated absences	(7,558)
Increase (decrease) in net pension liability	<u>(371,714)</u>
Net cash provided by (used for) operating activities	\$ <u><u>1,054,328</u></u>

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

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2022

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 accounting policies:

A. The Financial Reporting Entity:

The Authority is a discretely presented component unit of County of Carroll, Virginia and is presented as such in the County's financial report for the fiscal year ended June 30, 2022.

B. Basis of Accounting:

Proprietary Funds - The accrual basis of accounting is used for the Authority. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Capital Assets:

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

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

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

<u>Assets</u>	<u>Years</u>
Machinery and Equipment	3-10
Plant and Lines	5-50

D. Allowance for Uncollectible Accounts:

The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2022, the allowance amounted to approximately \$351,826.

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

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

E. Cash and Cash Equivalents:

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

F. Use of Estimates:

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

G. Restricted Net Position:

Included in restricted cash and cash equivalents are amounts held in debt service reserve accounts in the amount of \$709,430. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

H. Compensated Absences:

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. All vacation pay is accrued when incurred on the financial statements.

I. Prepaid Items:

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

J. Pensions:

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

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

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

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

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

L. Net Position:

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

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

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

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS:

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

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). Carroll County Public Service Authority does not have any investments at June 30, 2022.

NOTE 3 - DUE TO COUNTY OF CARROLL, VIRGINIA:

All full-time employees of the Public Service Authority are paid through County of Carroll, Virginia. Part-time employees are paid by the Authority along with any overtime pay that the Public Service Authority Board approves. As of June 30, 2022, the Authority owes County of Carroll, Virginia \$113,930 for prior payroll services.

NOTE 4 - PENSION PLAN:

Plan Description

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

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 4 - PENSION PLAN: (CONTINUED)

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

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.

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 4 - PENSION PLAN: (CONTINUED)

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

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

Contributions

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

The Carroll County Public Service Authority's contractually required employer contribution rate for the year ended June 30, 2022 was 13.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Carroll County Public Service Authority were \$45,719 and \$41,738 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

At June 30, 2022, the Authority reported a liability of \$165,196 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2021 and 2020 as a basis for allocation. At June 30, 2021 and 2020 the Authority's proportion was 5.07% and 5.99%, respectively.

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 4 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

Mortality Rates:

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

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvements:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on the VRS Board action effective July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board are as follows:

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 4 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
 Total	 <u>100.00%</u>		 <u>4.89%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u><u>7.39%</u></u>

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 4 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return (continued)

*The above allocation provides a one-year expected return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation, at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Carroll County Public Service Authority's proportionate share of the County Retirement Plan Net Pension Liability	\$ 444,586	\$ 165,196	\$ (64,786)

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 4 - PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2022, the Authority recognized pension expense of \$(34,474). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,050	\$ 28,096
Change in proportion and differences between contributions and proportionate share of same	-	112,039
Net difference between projected and actual earnings on pension plan investments	-	207,444
Changes in assumptions	61,952	
Employer contributions subsequent to the measurement date	<u>45,719</u>	<u>-</u>
Total	<u>\$ 123,721</u>	<u>\$ 347,579</u>

\$45,719 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Total</u>
2023	\$ (59,198)
2024	(78,159)
2025	(66,514)
2026	(65,706)

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 4 - PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 264,837	\$ -	\$ -	\$ 264,837
Construction in progress	95,991	-	(95,991)	-
Total capital assets not being depreciated	<u>\$ 360,828</u>	<u>\$ -</u>	<u>\$ (95,991)</u>	<u>\$ 264,837</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 1,429,895	\$ 6,288	\$ -	\$ 1,436,183
Plant and lines	55,574,903	21,297	-	55,596,200
Total capital assets being depreciated	<u>\$ 57,004,798</u>	<u>\$ 27,585</u>	<u>\$ -</u>	<u>\$ 57,032,383</u>
Accumulated depreciation				
Machinery and equipment	\$ (904,817)	\$ (78,224)	\$ -	\$ (983,041)
Plant and lines	(19,234,341)	(1,382,951)	-	(20,617,292)
Total accumulated depreciation	<u>\$ (20,139,158)</u>	<u>\$ (1,461,175)</u>	<u>\$ -</u>	<u>\$ (21,600,333)</u>
Total capital assets being depreciated, net	<u>\$ 36,865,640</u>	<u>\$ (1,433,590)</u>	<u>\$ -</u>	<u>\$ 35,432,050</u>
Capital assets, net	<u>\$ 37,226,468</u>	<u>\$ (1,433,590)</u>	<u>\$ (95,991)</u>	<u>\$ 35,696,887</u>

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PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 6 - LONG-TERM OBLIGATIONS:

Changes in Long-Term Obligations:

The following is a summary of changes in long-term obligations of the Authority for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2022
Direct Borrowings and Placements				
Revenue Bonds	\$ 17,935,608	\$ -	\$ (1,803,894)	\$ 16,131,714
Revenue Refunding Bond	1,513,000	1,466,000	(121,349)	2,857,651
Virginia Resource				
Authority Loans	3,281,027	-	(196,619)	3,084,408
Promissory Notes	6,518	-	(3,352)	3,166
Total Direct Borrowings and Placements	\$ 22,736,153	\$ 1,466,000	\$ (2,125,214)	\$ 22,076,939
Net Pension Liability	536,910	245,526	(617,240)	165,196
Compensated Absences	51,471	31,045	(38,603)	43,913
Total	<u>\$ 23,324,534</u>	<u>\$ 1,742,571</u>	<u>\$ (2,781,057)</u>	<u>\$ 22,286,048</u>

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

Year Ending June 30,	Direct Borrowings and Placements			
	Water/Sewer Revenue Bonds		VACO/VML Refunding Bond	
	Principal	Interest	Principal	Interest
2023	\$ 387,555	\$ 425,624	\$ 197,137	\$ 58,706
2024	397,866	415,314	201,128	54,713
2025	408,478	404,704	191,590	50,639
2026	419,396	393,784	190,946	46,745
2027	430,637	382,543	194,835	42,859
2028-2032	2,333,775	1,732,125	1,035,297	153,173
2033-2037	2,669,396	1,396,504	742,818	51,069
2038-2042	3,003,096	1,009,486	103,900	2,265
2043-2047	3,405,536	570,844	-	-
2048-2052	2,252,211	175,768	-	-
2053-2056	423,768	12,036	-	-
Totals	<u>\$ 16,131,714</u>	<u>\$ 6,918,732</u>	<u>\$ 2,857,651</u>	<u>\$ 460,169</u>

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)

Year Ending June 30,	Direct Borrowings and Placements			
	VRA Loans		Promissory Notes	
	Principal	Interest	Principal	Interest
2023	\$ 199,688	\$ 103,294	\$ 3,166	\$ 66
2024	202,835	100,423	-	-
2025	201,190	92,610	-	-
2026	199,409	84,729	-	-
2027	202,498	81,640	-	-
2028-2032	1,042,004	339,595	-	-
2033-2037	868,020	74,218	-	-
2038-2041	168,764	3,113	-	-
Totals	<u>\$ 3,084,408</u>	<u>\$ 879,622</u>	<u>\$ 3,166</u>	<u>\$ 66</u>

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PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Obligations:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Payment Installments*</u>	<u>Balance Business-Type Activities</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Placements							
<u>Rural Development Bonds</u>							
Sewer Revenue Bond	3.25%	12/2/1999	6/2/2039	\$ 389,300	\$ 1,492/m	\$ 233,843	\$ 10,459
Sewer Revenue Bond	4.50%	12/17/2008	9/17/2048	3,261,000	14,968/m	2,766,806	56,249
Sewer Revenue Bond	2.38%	3/25/2010	3/25/2052	1,436,974	6,346/m	1,456,847	42,007
Sewer Revenue Bond	2.25%	12/13/2011	7/13/2039	2,000,000	6,540/m	1,686,613	40,952
Water Revenue Bond	2.38%	3/31/2010	3/31/2052	5,000,000	16,700/m	4,053,619	105,269
Water Revenue Bond	2.38%	8/3/2010	5/3/2050	183,000	612/m	149,828	3,827
Water Revenue Bond	2.25%	11/16/2011	9/16/2051	1,000,000	3,270/m	841,571	20,513
Water & Sewer Revenue Bond	2.50%	5/28/2014	5/28/2054	1,256,000	4,271/m	1,125,704	23,376
Water Revenue Bond	2.00%	8/29/2013	8/28/2053	2,227,000	6,993/m	1,938,886	45,553
Water Revenue Bond	2.25%	9/1/2015	9/1/2047	2,054,000	6,573/m	1,877,997	39,350
Total Rural Development Bonds						<u>\$ 16,131,714</u>	<u>\$ 387,555</u>
<u>VML/VACO Refunding Bonds</u>							
Water & Sewer Refunding Bond	4.21%	6/17/2021	6/17/2056	\$ 1,513,000	\$ 94,669-131,528/a	\$ 1,436,500	\$ 121,952
Water & Sewer Refunding Bond	2.18%	7/7/2021	2/1/2038	1,466,000	106,166/a	1,421,151	75,185
Total VML/VACO Refunding Bonds						<u>\$ 2,857,651</u>	<u>\$ 197,137</u>
<u>Virginia Resource Authority (VRA) Bonds</u>							
Water Revenue Bond	0.00%	1/1/2002	1/1/2032	\$ 1,173,928	\$ 19,545/sa	\$ 371,359	\$ 39,090
Water Revenue Bond	0.00%	6/30/2004	6/1/2035	1,129,000	17,509/sa	437,732	35,019
Water Revenue Bond	3.00%	6/30/2004	12/1/2024	153,200	4,869/sa	23,284	9,106
Water Revenue Bond	2.45%	2/28/2017	3/1/2038	2,793,127	85,469/sa	2,252,033	116,473
Total VRA Bonds						<u>\$ 3,084,408</u>	<u>\$ 199,688</u>
<u>Promissory Notes</u>							
SERCAP Note - Water	4.25%	4/1/2013	4/15/2023	\$ 29,000	\$ 297/m	\$ 3,166	\$ 3,166
Total Direct Borrowings and Placements						<u>\$ 22,076,939</u>	<u>\$ 787,546</u>
<u>Other Long-Term Obligations</u>							
Net pension liability						\$ 165,196	\$ -
Compensated absences						43,913	32,935
Total Other Long-Term Obligations						<u>\$ 209,109</u>	<u>\$ 32,935</u>
Total Long-Term Obligations						<u>\$ 22,286,048</u>	<u>\$ 820,481</u>

* m = monthly, sa = semiannually, a = annually

If an event of default occurs with VRA, the principal of the bond(s) may be declared immediately due and payable to the registered owner of the bond(s) by written notice to the Authority. If an event of default occurs with SERCAP, the interest rate increases to 12% per annum.

Refunding:

The Authority issued \$1,466,000 revenue refunding bonds to currently refund \$2,227,000 USDA revenue bonds. The purpose of the refunding was to restructure annual debt service and to achieve a savings for refinancing. Accordingly, the refinancing decreased debt service payments over the next 17 years by \$292,007 and resulted in a net present value gain of \$257,688.

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 7 - COMMITMENTS AND CONTINGENCIES:

Purchase Agreement:

The Authority has an agreement with the Town of Hillsville which provides for the Authority to obtain water and sewage treatment at current cost plus twenty percent (20%).

NOTE 8 - RISK MANAGEMENT:

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

NOTE 9 - NOTE RECEIVABLE:

On February 26, 2009, County of Wythe, Virginia and the Authority agreed to a cost sharing agreement related to the Pump Station and Water Transmission Main (Long Range) project. Carroll County Public Service Authority financed the project and provided oversight for the construction. The agreement states that County of Wythe, Virginia will pay twenty two percent of the debt service and annual operation and maintenance costs of the Pump Station and Water Transmission Main. Each entity has agreed to own the corresponding percentage of the infrastructure. Thus, County of Wythe, Virginia received an asset in the amount of \$580,453. Of this amount, \$398,663 represents a receivable from Wythe County and a grant in the amount of \$181,790. As of June 30, 2022, Wythe County owed the Authority \$324,197.

NOTE 10 - LITIGATION:

As of June 30, 2022, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should a court decision on pending matters not be favorable.

NOTE 11 - UPCOMING PRONOUNCEMENTS:

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. 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 fiscal years beginning after June 15, 2022.

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2022

NOTE 11 - UPCOMING PRONOUNCEMENTS: (Continued)

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 fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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

Required Supplementary Information

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2021

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

Date (1)	Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
2021	5.0741%	\$ 165,196	367,015	45.01%	92.33%
2020	5.9886%	536,910	459,951	116.73%	77.93%
2019	7.3889%	509,765	593,273	85.92%	82.49%
2018	7.5591%	398,515	598,505	66.59%	85.46%
2017	8.2637%	487,062	654,293	74.44%	83.27%
2016	8.2637%	641,774	630,530	101.78%	77.51%
2015	8.2813%	505,758	621,183	81.42%	81.30%
2014	8.2813%	417,602	598,577	69.77%	83.61%

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.

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
 (A COMPONENT UNIT OF CARROLL COUNTY)
 Schedule of Employer Contributions
 Pension Plan
 For the Years Ended June 30, 2015 through June 30, 2022

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

Date (1)	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (1) - (2) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (2)/(4) (5)
2022	\$ 45,719	\$ 45,719	-	\$ 349,539	13.08%
2021	41,738	41,738	-	367,015	11.37%
2020	44,439	44,439	-	459,951	9.66%
2019	57,630	57,630	-	593,273	9.71%
2018	65,117	65,117	-	598,505	10.88%
2017	71,110	71,110	-	654,293	10.87%
2016	76,159	76,159	-	630,530	12.08%
2015	82,633	82,633	-	621,183	13.30%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portin of the Hybrid plan.

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Other Supplementary Information

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
Combining Statement of Net Position
As of June 30, 2022

ASSETS	Water Fund	Sewer Fund	Total
Current Assets:			
Cash and cash equivalents	\$ 1,132,250	\$ -	\$ 1,132,250
Receivables (net of allowance for uncollectibles):			
Water and sewer billings	345,605	165,747	511,352
Note receivable	324,197	-	324,197
Prepaid items	34,225	2,214	36,439
Total unrestricted current assets	<u>\$ 1,836,277</u>	<u>\$ 167,961</u>	<u>\$ 2,004,238</u>
Restricted Current Assets:			
Cash and cash equivalents - debt service	\$ 368,396	\$ 341,034	\$ 709,430
Cash held for others - customer deposits	83,899	41,323	125,222
Total restricted current assets	<u>\$ 452,295</u>	<u>\$ 382,357</u>	<u>\$ 834,652</u>
Total current assets	<u>\$ 2,288,572</u>	<u>\$ 550,318</u>	<u>\$ 2,838,890</u>
Noncurrent Assets:			
Capital Assets:			
Land	\$ 254,837	\$ 10,000	\$ 264,837
Machinery and equipment	1,046,407	389,776	1,436,183
Plant and lines	37,003,123	18,593,077	55,596,200
Accumulated depreciation	(14,408,824)	(7,191,509)	(21,600,333)
Net capital assets	<u>\$ 23,895,543</u>	<u>\$ 11,801,344</u>	<u>\$ 35,696,887</u>
Total assets	<u>\$ 26,184,115</u>	<u>\$ 12,351,662</u>	<u>\$ 38,535,777</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	<u>\$ 104,180</u>	<u>\$ 19,541</u>	<u>\$ 123,721</u>
LIABILITIES			
Current liabilities:			
Accounts payable - operations	\$ 70,669	\$ 109,105	\$ 179,774
Reconciled overdraft	-	382,357	382,357
Accrued interest payable	43,319	12,363	55,682
Customer deposits payable - restricted assets	83,899	41,323	125,222
Due to County of Carroll, Virginia	81,136	32,794	113,930
Compensated absences - current portion	25,298	7,637	32,935
Bonds and notes payable - current portion	587,855	199,691	787,546
Total current liabilities	<u>\$ 892,176</u>	<u>\$ 785,270</u>	<u>\$ 1,677,446</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 8,433	\$ 2,545	\$ 10,978
Net pension liability	145,413	19,783	165,196
Bonds and notes payable - net of current portion	14,056,221	7,233,172	21,289,393
Total noncurrent liabilities	<u>\$ 14,210,067</u>	<u>\$ 7,255,500</u>	<u>\$ 21,465,567</u>
Total liabilities	<u>\$ 15,102,243</u>	<u>\$ 8,040,770</u>	<u>\$ 23,143,013</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions related items	<u>\$ 292,880</u>	<u>\$ 54,699</u>	<u>\$ 347,579</u>
NET POSITION			
Net investment in capital assets	\$ 9,575,664	\$ 4,368,481	\$ 13,944,145
Restricted	368,396	341,034	709,430
Unrestricted	<u>949,112</u>	<u>(433,781)</u>	<u>515,331</u>
Total net position	<u>\$ 10,893,172</u>	<u>\$ 4,275,734</u>	<u>\$ 15,168,906</u>

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
Combining Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Water and sewer charges	\$ 2,365,269	\$ 989,708	\$ 3,354,977
State fees	11,680	-	11,680
Fire service	21,007	-	21,007
Grant revenue	-	19,500	19,500
Miscellaneous	94,636	10,514	105,150
Total operating revenues	\$ 2,492,592	\$ 1,019,722	\$ 3,512,314
Operating Expenses:			
Salaries and fringes	\$ 366,601	\$ 139,612	\$ 506,213
Professional services	181,447	5,405	186,852
Repairs and maintenance	220,712	41,076	261,788
Operating materials and supplies	59,927	15,938	75,865
Vehicle supplies and fuel	46,122	16,008	62,130
Utilities	151,910	109,256	261,166
Office and insurance expenses	191,676	40,694	232,370
Miscellaneous	8,911	15,993	24,904
Water and sewage treatment purchases	364,772	545,711	910,483
Depreciation expense	977,925	483,250	1,461,175
Total operating expenses	\$ 2,570,003	\$ 1,412,943	\$ 3,982,946
Operating income (loss)	\$ (77,411)	\$ (393,221)	\$ (470,632)
Nonoperating Revenues (Expenses):			
Connection fees	\$ 166,772	\$ 9,100	\$ 175,872
Interest income	7,285	3,310	10,595
Interest expense	(311,411)	(242,331)	(553,742)
Contribution to New River Regional Water Authority	(284,328)	-	(284,328)
Contributions from Carroll County, Virginia	377,000	161,885	538,885
Bond issuance costs	(19,359)	(15,038)	(34,397)
Total nonoperating revenues (expenses)	\$ (64,041)	\$ (83,074)	\$ (147,115)
Income (loss) before transfers	\$ (141,452)	\$ (476,295)	\$ (617,747)
Transfers in/(out)	\$ (44,100)	\$ 44,100	\$ -
Change in net position	\$ (185,552)	\$ (432,195)	\$ (617,747)
Net position, beginning of year, as restated	11,078,724	4,707,929	15,786,653
Net position, end of year	\$ 10,893,172	\$ 4,275,734	\$ 15,168,906

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF CARROLL COUNTY)
Combining Statement of Cash Flows
For the Year Ended June 30, 2022

	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,485,462	\$ 997,628	\$ 3,483,090
Payments to employees for services	(410,941)	(162,641)	(573,582)
Payments to suppliers for goods and services	(1,091,103)	(764,077)	(1,855,180)
Net cash provided by (used for) operating activities	\$ 983,418	\$ 70,910	\$ 1,054,328
Cash flows from noncapital financing activities:			
Interfund borrowings	\$ (44,100)	\$ 44,100	\$ -
Contribution from Carroll County	377,000	161,885	538,885
Net cash provided by (used for) noncapital financing activities	\$ 332,900	\$ 205,985	\$ 538,885
Cash flows from capital and related financing activities:			
Connection charges	\$ 166,772	\$ 9,100	\$ 175,872
Purchase of capital assets	(10,629)	(16,956)	(27,585)
Contribution to NRRWA	(284,328)	-	(284,328)
Payments from Wythe County on note receivable	8,071	-	8,071
Proceeds from indebtedness	825,084	640,916	1,466,000
Principal payments on indebtedness	(519,316)	(179,537)	(698,853)
Principal payments on indebtedness-refunding	(802,774)	(623,587)	(1,426,361)
Bond issuance costs	(19,359)	(15,038)	(34,397)
Interest expense	(296,622)	(239,017)	(535,639)
Net cash provided by (used for) capital and related financing activities	\$ (933,101)	\$ (424,119)	\$ (1,357,220)
Cash flows from investing activities:			
Interest income	\$ 7,285	\$ 3,310	\$ 10,595
Increase (decrease) in cash and cash equivalents	\$ 390,502	\$ (143,914)	\$ 246,588
Cash and cash equivalents at beginning of year (including restricted cash equivalents of \$899,081)	1,194,043	143,914	1,337,957
Cash and cash equivalents at end of year (including restricted cash equivalents of \$834,652)	\$ 1,584,545	\$ -	\$ 1,584,545
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (77,411)	\$ (393,221)	\$ (470,632)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	977,925	483,250	1,461,175
Changes in operating assets and liabilities and deferred outflows/inflows:			
(Increase) decrease in abandoned CIP projects	95,991	-	95,991
(Increase) decrease in accounts receivable	(9,015)	(22,244)	(31,259)
(Increase) decrease in prepaid items	435	(2,214)	(1,779)
(Increase) decrease in deferred outflows of resources	36,002	1,259	37,261
Increase (decrease) in deferred inflows of resources	228,274	26,112	254,386
Increase (decrease) in operating payables	37,948	28,218	66,166
Increase (decrease) in amount due to Carroll County for payroll	14,207	6,049	20,256
Increase (decrease) in customer deposits payable - restricted assets	1,885	150	2,035
Increase (decrease) in compensated absences	(10,572)	3,014	(7,558)
Increase (decrease) in net pension liability	(312,251)	(59,463)	(371,714)
Net cash provided by (used for) operating activities	\$ 983,418	\$ 70,910	\$ 1,054,328

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 Members of
Carroll County Public Service Authority
Hillsville, 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 Carroll County Public Service Authority, a component unit of Carroll County, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Carroll County Public Service Authority's basic financial statements and have issued our report thereon dated November 11, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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, Fawcett, Cox Associates

Blacksburg, Virginia
November 11, 2022