PULASKI COUNTY PUBLIC SERVICE AUTHORITY

(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

Pulaski County Public Service Authority
(A Component Unit of Pulaski County, Virginia)
Annual Financial Report
Year Ended June 30, 2018

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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Pulaski County Public Service Authority (the Authority), a component unit of the County of Pulaski, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Pulaski County Public Service Authority, as of June 30, 2018, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 13 to the financial statements, in 2018, the Pulaski County Public Service Authority adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and* 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 13 to the financial statements, in 2018, the Pulaski County Public Service Authority restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-9 and 58-67 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 Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of Pulaski County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pulaski County Public Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pulaski County Public Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 7, 2018

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year Ended June 30, 2018

As management of the Pulaski County Public Service Authority, (the Authority), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information contained in the audit report.

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Highlights

- As noted in Exhibit 1, the assets of the Authority exceeded its liabilities by $20,125,413 (net position) as of June 30, 2018. Of this amount, $4,618,851 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors. Of the remaining net position, $257,785 is restricted for debt service and $15,248,777 is in the form of capital assets including installed facilities and equipment such as the water treatment plant, utility lines and distribution system and vehicles.

- As reported in Exhibit 2, the total net position of the Authority increased by $731,084 from $19,394,329 in FY 17 to $20,125,413 in FY 18.

- From the cash perspective (described in Exhibit 3), Authority cash flows provided from operations were $1,939,737, cash flows from non-capital financing activities were $132,862, cash flows used for capital and related financing activities were $2,582,989, and cash flows from investing activities were $58,439. Those combined for an overall net increase of $841,220 in cash.

- As part of the above cash transactions of the Authority, the Authority's total long term obligations decreased by a net of $531,670 during FY 2018.

Financial Highlights – (continued)

- Total depreciation expense for the Authority was $1,559,230 or approximately 17% of the total operating expenses. It should be noted that depreciation for water and sewer is an estimate and should be taken into consideration when analyzing the profitability of both the water and sewer services.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The net position of the Authority exceeded liabilities by $20,125,413 on June 30, 2018. A year earlier on June 30, 2016, the net position of the Authority was $19,394,329, resulting in a net increase in net position of the Authority in the amount of $731,084 during FY 17-18.

The Authority's net position reflected in its investment in capital assets net of related outstanding debt used to acquire those assets (such as utility lines, pump stations and trucks) totaled $15,248,777, or approximately 76%, of total net position. Since the Authority uses these capital assets to provide services to its customers, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

	2018	2017
Assets:		
Current and Other Assets	$ 6,558,777	$ 5,440,186
Capital Assets	24,997,059	25,980,049
Total Assets	$ 31,555,836	$ 31,420,235
Deferred Outflows of Resources	$ 156,935	$ 287,976
Liabilities:		
Current Liabilites	$ 1,028,149	$ 1,184,594
Non-Current Liabilities	10,389,805	10,873,193
Total Liabilities	$ 11,417,954	$ 12,057,787
Deferred Inflows of Resources	$ 169,404	$ 34,718
Net Position:		
Invested in Capital Assets, net of related debt	$ 15,248,777	$ 15,697,820
Restricted	257,785	234,090
Unrestricted	4,618,851	3,683,796
Total Net Position	$ 20,125,413	$ 19,615,706

As of June 30, 2018, the Authority maintains a positive balance in net position.

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Financial Analysis: (continued)

Change in Net Position

		2018		2017
Revenues:				
Operating Revenues	$	9,773,113	$	9,821,972
Investment Income		34,252		34,902
Other Income		36,900		66,832
Contribution		132,862		127,393
Total Revenues	$	9,977,127	$	10,051,099
Expenses:				
Operating Expenses	$	7,391,335	$	7,838,686
Depreciation Expense		1,540,558		1,427,561
Interest Expense		314,150		304,602
Total Expenses	$	9,246,043	$	9,570,849
Increase (Decrease) in Net Position	$	731,084	$	480,250
Beginning Net Position		19,394,329		19,135,456
Ending Net Position	$	20,125,413	$	19,615,706

As shown in the above table, the Authority's net position increased by $731,084 during the 2017-18 fiscal year. Operating revenues decreased by $48,859 due to reductions in other income and the local contribution. Overall operating expenses decreased by $447,351 during FY 2018. Key elements of these changes are explained in greater detail under the Review of Operations section below.

Capital Asset and Debt Administration

Capital Assets – As summarized below, the Authority's investment in capital assets as of June 30, 2018 totaled $24,997,059 (net of accumulated depreciation). The net investment in capital assets decreased by 4%, or $982,990, over the prior year. Below is a listing of capital assets as of June 30, 2018 with a comparison to the prior fiscal year.

		2018		**2017**
Land and improvements	$	225,354	$	225,354
Construction in progress		269,878		750,641
Buildings and improvements		503,384		503,384
Vehicles and other equipment		5,457,756		5,074,511
Water and sewer system (infrastructure)		47,629,722		46,989,790
Accumulated depreciation		(29,089,035)		(27,563,631)
Total capital assets	$	24,997,059	$	25,980,049

More detailed information on the Authority's capital assets is presented in Note 3 of the notes to the financial statements.

Capital Asset and Debt Administration: (continued)

The Authority has several bond issues outstanding, funded through Rural Development, the Virginia Resource Authority, and local banks. As noted in Note 4, the Authority retired $1,594,564 in long-term obligations during the 2017-2018 fiscal year. In addition, long term obligations were increased by $743,024 due to increases in both the net pension liability, compensated absences, and the net OPEB obligation. Additional information related to the pension liability can be found in Note 7 of the financial statements. Additional information related to the compensated absences can be found in Note 6 while additional information on the OPEB obligation can be found in Note 8 – Group Life Insurance (GLI) Program (OPEB Plan) and Note 9 – Other Postemployment Benefits – Health Insurance.

Review of Operations

Operational Revenues – As shown in Schedule 1, operating revenues decreased by $48,859, or a slight .04%, from $9,821,972 to $9,773,113 during the 2017-2018 fiscal year. Garbage services reported the majority of the overall increase in operational revenues. In order to better understand the operating revenues, it is helpful to further divide all PSA financial transactions operations into specific cost centers based on actual services provided to the citizens of the County. The chart below breaks down cost centers for water, sewer, refuse, and street lighting.

Operational Expenses – As further described in Schedule 1, operational expenses decreased by $334,354 or a slight .03%, from $9,266,247 in the 2017 fiscal year to $8,931,893 in the 2018 fiscal year. The refuse department experienced an increase in operating expenses while the water, sewer, and street lighting departments saw decreases in operating expenses. The Public Service Authority Board of Directors and staff continue to search for expenditure reductions that can have an impact long-term.

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

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

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	Fiscal Year Ending June 30, 2018					
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues	$ -	$ 3,094,363	$ 1,165,487	$ 5,112,091	$ 14,022	$ 9,385,963
Reconnection fees	11,950	11,950	-	-	-	11,950
Penalty and interest (1)	263,529	86,880	32,723	143,532	394	263,529
Miscellaneous income (1)	111,671	36,816	13,867	60,822	167	111,671
Subtotal categorized operating revenue	$ 387,150	$ 3,230,009	$ 1,212,077	$ 5,316,445	$ 14,582	$ 9,773,113
Operating expenses	$ -	$ 2,578,109	1,351,111	4,295,460	16,209	8,240,889
Billing expenses (1)	172,840	54,072	28,337	90,091	340	172,840
Administrative expenses (2)	518,164	162,104	84,954	270,086	1,019	518,164
Subtotal categorized operating expenses	$ 691,004	$ 2,794,285	$ 1,464,403	$ 4,655,636	$ 17,569	$ 8,931,893
Net Operating Income	$ (303,854)	$ 435,725	(252,327)	660,808	(2,987)	841,220
Non-operating revenues (expenses):						
Interest earned (1)	$ 34,252	$ 11,292	4,253	18,654	52	34,252
County transfer	132,862	-	132,862			132,862
Grants	-	-	-			-
Interest expense	(314,150)	(238,421)	(75,729)			(314,150)
Connection fees	36,900	26,400	10,500			36,900
Subtotal net non-operating items	$ (110,136)	$ (200,730)	71,885	18,654	52	(110,136)
Net income (loss)	$ (413,990)	$ 234,995	$ (180,441)	$ 679,463	$ (2,935)	$ 731,084

	Fiscal Year Ending June 30, 2017					
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues	$ -	$ 2,613,740	$ 956,949	$ 5,801,000	$ 14,028	$ 9,385,717
Reconnection fees	10,000	10,000	-	-	-	10,000
Penalty and interest (1)	217,429	60,550	22,169	134,386	325	217,430
Miscellaneous income (1)	208,826	58,154	21,291	129,068	312	208,825
Subtotal categorized operating revenue	$ 436,255	$ 2,742,444	$ 1,000,409	$ 6,064,454	$ 14,664	$ 9,821,972
Operating expenses	$ -	$ 2,482,124	1,280,115	4,931,146	16,142	8,709,527
Billing expenses (1)	185,644	52,907	27,286	105,108	344	185,645
Administrative expenses (2)	371,076	105,753	54,540	210,095	688	371,076
Subtotal categorized operating expenses	$ 556,720	$ 2,640,785	$ 1,361,941	$ 5,246,348	$ 17,175	$ 9,266,248
Net Operating Income	$ (120,465)	$ 101,660	(361,533)	818,105	(2,510)	555,724
Non-operating revenues (expenses):						
Interest earned (1)	$ 34,902	$ 9,720	$ 3,559	$ 21,571	$ 53	34,903
County transfer	127,393	-	127,393	-	-	127,393
Grants	38,000	35,000	3,000	-	-	38,000
Interest expense	(304,602)	(228,873)	(75,729)	-	-	(304,602)
Connection fees	28,832	18,332	10,500	-	-	28,832
Subtotal net non-operating items	$ (75,475)	$ (165,822)	68,722	21,571	53	(75,474)
Net income (loss)	$ (195,940)	$ (64,162)	$ (292,810)	$ 839,677	$ (2,458)	$ 480,250
Change from FY17 to FY18 Increase(dec)		$ 299,157	$ 112,369	$ (160,214)	$ (477)	$ 250,834

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

Both fiscal years 2018 and 2017 are presented for comparative purposes. As noted in the above FY 18 table, net income for FY 18 increased by $731,084. The Water and Refuse services departments had net operating incomes in 2018 while the Sewer and Street Lights department show a net operating loss. When factoring in Non-operating Revenues and Expenses, the Refuse department had an overall net income. The Water, Sewer, and Street Lights departments had an overall net income during FY 18. The PSA Board of Directors continues to analyze the impact of rate changes on both Water, Sewer and Refuse services in order to meet not only operating expenses, but also fund future capital improvement needs without relying solely on outside funding for water and sewer line construction. The allocation of depreciation between water and sewer is an estimate and should be considered when analyzing profitability on both water and sewer services. Depreciation expense on infrastructure has a large impact on net operating income/loss and profitability.

Long-Term Trends

Capital Plan – The PSA Board of Directors continues to review long term capital plans and evaluate the need for capital improvements on aging water and sewer utility lines while also evaluating the current utility rates to provide funding for capital improvements. The PSA will have water and sewer master plans completed during FY 2019 which will assist in determining where additional growth may be necessary in water and sewer infrastructure. The PSA also continues to monitor the water treatment plant intake in Claytor Lake to determine an efficient method and a long term solution for prevention and removal of siltation settling around the intake.

Long-Term Debt – The Authority continues to work with financial consultants to evaluate debt options on all future capital projects while also evaluating the market interest rates to potentially refinance current debt issues. No refinancing of existing debt occurred during the FY 2017-18 year.

Cash and Reserves – As noted in Exhibit 1, the Authority had an unrestricted cash balance of $4,618,851 as of June 30, 2018. The balance represents approximately 3 months of operational expenses (excluding depreciation). In comparison with the prior year report, the unrestricted cash balance has increased by $935,055 from FY 17 to FY 18. In addition, the total net position increased by $509,707 while the investment in capital assets decreased by $449,043 during FY 18.

Requests for Information

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

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Financial Statements

Exhibit 1

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Statement of Net Position
At June 30, 2018

Assets:		
Current Assets:		
Cash	$	3,088,018
Receivables (net of allowance for uncollectibles)		1,899,967
Prepaid expenses		8,679
Loans receivable, current portion		46,628
Total Current Assets	$	5,043,292
Noncurrent Assets:		
Restricted cash	$	257,785
Loans receivable, long-term portion		1,257,568
Capital assets		
Land		225,354
Proprietary capital assets (net of accumulated depreciation)		24,501,827
Construction in progress		269,878
Total Capital Assets	$	24,997,059
Intangible Assets		
Organization expense (net of amortization)	$	132
Total Noncurrent Assets	$	26,512,544
Total Assets	$	31,555,836
Deferred Outflows of Resources:		
Pension related items	$	146,786
OPEB related items		10,149
Total Deferred Outflows of Resources	$	156,935
Liabilities:		
Current Liabilities:		
Accounts payable	$	434,941
Interest payable		16,007
Customer deposits		144,770
Proprietary debt, current portion		386,160
Compensated absences, current portion		46,271
Total Current Liabilities	$	1,028,149
Noncurrent Liabilities:		
Compensated absences, long-term portion	$	138,813
Net OPEB liabilities		313,108
Net pension liability		575,762
Proprietary debt, long-term portion		9,362,122
Total Noncurrent Liabilities	$	10,389,805
Total Liabilities	$	11,417,954
Deferred Inflows of Resources:		
Pension related items	$	155,910
OPEB related items		13,494
Total Deferred Inflows of Resources	$	169,404
Net Position:		
Net investment in capital assets	$	15,248,777
Restricted for Debt Service		257,785
Unrestricted		4,618,851
Total Net Position	$	20,125,413

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

Exhibit 2

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018

Operating Revenues:		
Garbage service	$	5,112,091
Water service		3,094,363
Sewer service		1,165,487
Street lights		14,022
Reconnection fees		11,950
Penalties and interest on delinquent accounts		263,529
Miscellaneous		111,671
Total operating revenues	$	9,773,113
Operating Expenses:		
Water Distribution	$	1,194,004
Water Treatment Plant		1,384,105
Sewer Collection and Treatment		1,351,111
Refuse Collection and Disposal		4,295,460
Administration		518,164
Street Lighting		16,209
Billing		172,840
Total operating expenses	$	8,931,893
Operating income (loss)	$	841,220
Nonoperating Revenues (Expenses):		
Interest income	$	34,252
Contributions from Pulaski County		132,862
Connection fees		36,900
Interest expense		(314,150)
Total nonoperating revenues (expenses)	$	(110,136)
Increase (decrease) in Net Position	$	731,084
Net Position, Beginning of Year, as restated		19,394,329
Net Position, End of Year	$	20,125,413

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

Exhibit 3

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from operating activities:		
Cash received from customers	$	9,429,216
Cash paid to suppliers for goods and services		(4,728,595)
Cash paid to employees for services		(2,729,906)
Net cash provided by (used for) operating activities	$	1,970,715
Cash flows from noncapital financing activities:		
Debt service contribution from Pulaski County	$	132,862
Cash flows from capital and related financing activities:		
Connection charges	$	36,900
Acquisition of capital assets		(557,031)
Retirement of debt		(531,670)
Interest and loan cost paid on debt		(316,423)
Net cash provided by (used for) capital and related financing activities	$	(1,368,224)
Cash flows from investing activities:		
Interest income	$	34,252
Issuance of loans receivable		(30,978)
Loan payments received		24,187
Net cash provided by (used for) investing activities	$	27,461
Net increase (decrease) in cash	$	762,814
Cash at beginning of year (including restricted cash of $234,090)		2,582,989
Cash at end of year (including restricted cash of $257,785)	$	3,345,803
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating income (loss)	$	841,220
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation/Amortization		1,540,558
(Increase) decrease in receivables		(351,855)
(Increase) decrease in prepaid expenses		2,332
(Increase) decrease in deferred outflows of resources		138,757
Increase (decrease) in operating accounts payable		(25,348)
Increase (decrease) in compensated absences		32,112
Increase (decrease) in net OPEB liabilities		(685)
Increase (decrease) in net pension liability		(349,020)
Increase (decrease) in deferred inflows of resources		134,686
Increase (decrease) in customer deposits		7,958
Net cash provided by (used for) operating activities	$	1,970,715
Noncash capital and related financing activities:		
Donated vehicle from County:		
Cost	$	19,209
Less: accumulated depreciation		(19,209)
Net book value reported by the Authority	$	-

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. The Financial Reporting Entity:
The Authority is a discretely presented component unit of the County of Pulaski, Virginia and is presented as such in the County's financial report for the fiscal year ended June 30, 2018.

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest totaled $0 and $17,188 for fiscal years ending June 30, 2018 and June 30, 2017, respectively.

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

Assets	Years
Water & Sewer System	5-50
Equipment	3-10
Buildings	30-50

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

D. Allowance for Uncollectible Accounts:
The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2018, the allowance amounted to approximately $1,819,124.

E. Cash, Cash Equivalents and Investments:
For the purposes of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less. Certificates of deposit are reported in the accompanying financial statements as cash and cash equivalents.

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

G. Restricted Assets:
Included in restricted cash and cash equivalents are amounts held in debt service reserve accounts in the amount of $257,785.

H. Compensated Absences:
Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the statement of net position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

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

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

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

J. Net Position:
Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

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

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

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

M. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

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 the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Authority had no investments at June 30, 2018.

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NOTE 3 – CAPITAL ASSETS:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 225,354	$ -	$ -	$ 225,354
Construction in progress	750,641	91,445	(572,208)	269,878
Total capital assets not being depreciated	$ 975,995	$ 91,445	$ (572,208)	$ 495,232
Capital assets, being depreciated:				
Infrastructure	$ 46,989,790	$ 639,932	$ -	$ 47,629,722
Buildings and improvements	503,384	-	-	503,384
Machinery and equipment	5,074,511	417,071	(33,826)	5,457,756
Total capital assets being depreciated	$ 52,567,685	$ 1,057,003	$ (33,826)	$ 53,590,862
Accumulated depreciation:				
Infrastructure	$ (24,237,752)	$ (1,223,492)	$ -	$ (25,461,244)
Buildings and improvements	(16,749)	(12,046)	-	(28,795)
Machinery and equipment	(3,309,130)	(323,692)	33,826	(3,598,996)
Total accumulated depreciation	$ (27,563,631)	$ (1,559,230)	$ 33,826	$ (29,089,035)
Total capital assets being depreciated, net	$ 25,004,054	$ (502,227)	$ -	$ 24,501,827
Capital assets, net	$ 25,980,049	$ (410,782)	$ (572,208)	$ 24,997,059

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NOTE 4 – LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligations of the Authority for the fiscal year ended June 30, 2018:

	Beginning Balance, as restated	Issuances/ Increases	Retirements/Decreases	Ending Balance
Revenue bonds	$ 10,248,066	$ -	$ (531,670)	$ 9,716,396
Unamortized bond premiums	34,163	-	(2,277)	31,886
Net OPEB liabilities	313,793	21,219	(21,904)	313,108
Net pension liability	924,782	651,450	(1,000,470)	575,762
Compensated absences	152,972	70,355	(38,243)	185,084
Total	$ 11,673,776	$ 743,024	$ (1,594,564)	$ 10,822,236

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

Year Ending	Water and Sewer Revenue Bonds	
June 30,	Principal	Interest
2019	$ 383,883	$ 296,086
2020	388,834	284,772
2021	329,593	274,093
2022	314,612	264,444
2023	323,398	255,865
2024-2028	1,534,151	1,130,960
2029-2033	1,723,309	879,081
2034-2038	1,268,014	632,520
2039-2043	1,323,989	442,355
2044-2048	1,517,322	216,725
2049-2051	609,291	18,668
Totals	$ 9,716,396	$ 4,695,569

NOTE 4 – LONG-TERM OBLIGATIONS: (continued)

Details of Long-term Obligations:

	Interest Rate(s)	Issue Date	Final Maturity Date	Amount of Original Issue	Balance	Amount Due Within One Year
Rural Development (RD) Water and Sewer Revenue Bonds:						
Central Utilites	4.50%	5/11/2009	2049	$ 865,900	$ 789,847	$ 12,257
Highland Park Sewer	4.25%	11/19/2009	2050	1,187,600	1,090,555	17,084
Dublin Subdivisions Sewer	4.25%	11/19/2009	2050	804,400	739,201	11,569
Commerce Park Initial	2.375%	2/17/2011	2051	3,812,000	3,448,109	71,434
Commerce Park Subsequent	2.375%	2/17/2011	2051	929,000	838,658	17,717
Total RD Revenue Bonds					$ 6,906,370	$ 130,061
Virginia Resource Authority (VRA) Water and Sewer Revenue Bonds:						
Shrader Hill	0.00%	12/1/1993	2024	$ 130,000	$ 25,503	$ 4,638
Generator	2.00%	3/31/2016	2024	220,000	210,903	5,989
Total VRA Revenue Bonds					$ 236,406	$ 10,627
Other Water and Sewer Revenue Bonds:						
Claytor Lake #1 and #2	3.300%	3/5/2014	2034	$ 2,490,038	$ 2,075,791	$ 102,315
Suntrust Refinancing Revenue Bond	2.75%	3/5/2014	2045	1,515,489	497,829	140,880
Total Other Revenue Bonds					$ 2,573,620	$ 243,195
Premium	n/a	6/30/2004	2032	$ 63,764	$ 31,886	$ 2,277
Total Revenue Bonds					$ 9,748,282	$ 386,160
Other Obligations:						
Net OPEB liabilities	n/a	n/a	n/a	n/a	$ 313,108	$ -
Compensated absences	n/a	n/a	n/a	n/a	185,084	46,271
Net pension liability	n/a	n/a	n/a	n/a	575,762	-
Total Other Obligations					$ 1,073,954	$ 46,271
Totals					$ 10,822,236	$ 432,431

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NOTE 5 – LOAN RECEIVABLE:

During 2013, the PSA entered into an agreement with Virginia's First RIFA whereby the RIFA agreed to repay the PSA for a portion of the cost of the Commerce Park water and sewer expansion project. The agreement resulted in a $2,145,000 loan payable, dated April 13, 2010, which is due to the PSA in annual installments of $55,000. The loan became due and payable upon completion of the PSA Commerce Park water and sewer expansion project on June 30, 2013. The loan is non-interest bearing; however, interest has been imputed at a rate of 2.375% based upon market conditions. The discounted value of the loan at June 30, 2018 is $1,273,218.

During 2018, the PSA entered into an agreement with Pulaski Sewerage Authority for a loan payable totaling $32,800. The loan is payable in monthly installments with a final maturity date of November 2019. The loan is a non-interest bearing loan and based on the dollar amount, interest has not been imputed on same. The outstanding balance on the loan is $30,978 at June 30, 2018.

NOTE 6 – COMPENSATED ABSENCES:

In accordance with GASB Statement No. 16 "Accounting for Compensated Absences," the Authority has an accrued liability arising from outstanding compensated absences.

The Authority's employees earn vacation leave at various rates. No benefit or pay is received for unused sick leave upon termination. Accumulated vacation is paid upon termination. The Authority has outstanding accrued vacation pay totaling $185,084.

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NOTE 7 – PENSION PLAN:

Plan Description

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

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. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Cont.)	**About Plan 2 (Cont.)**	**About the Hybrid Retirement Plan (Cont.)** • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is 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. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contribution Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contribution Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component 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. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of creditable service.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

NOTE 7 – PENSION PLAN: (continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Pulaski County Service Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 9.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Pulaski County Service Authority were $146,152 and $142,214 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Pulaski County Service Authority reported a liability of $575,762 for its proportionate share of the net pension liability. The Pulaski County Service Authority's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The Pulaski County Service Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2017 and 2016 as a basis for allocation. At June 30, 2017 and 2016, the Pulaski County Service Authority's proportion was 12.9667% and 12.7300% respectively.

NOTE 7 – PENSION PLAN: (continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Pulaski County Public Service Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% 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.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 7 – PENSION PLAN: (continued)

Actuarial Assumptions – General Employees (Continued)

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

Largest 10 – 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% to 20%

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% to 15%

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NOTE 7 – 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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Pulaski County Public Service Authority Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed 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.

NOTE 7 – PENSION PLAN: (continued)

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

The following presents the Pulaski County Public Service Authority's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Pulaski County Public Service Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

		Rate	
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Pulaski County Public Service Authority's proportionate share of the County Retirement Plan Net Penstion Liability (Asset)	$ 1,448,891	$ 575,762	$ (152,366)

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NOTE 7 – PENSION PLAN: (continued)

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

For the year ended June 30, 2018, the Pulaski County Public Service Authority recognized pension expense of $60,476. 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, 2018, the Pulaski County Public Service Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 48,019
Change in assumptions	-	12,900
Net difference between projected and actual earnings on pension plan investments	-	94,991
Changes in proportion and differences between employer contributions and proportionate share of contributions	634	-
Employer contributions subsequent to the measurement date	146,152	-
Total	$ 146,786	$ 155,910

$146,152 reported as deferred outflows of resources related to pensions resulting from the Pulaski County Public Service Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. 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	
2018	$ (91,599)
2019	1,338
2020	(4,650)
2021	(60,365)

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. • **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program 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.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Program from the entity were $8,112 and $7,716 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of $120,808 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.008026% as compared to 0.007885% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $1,782. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, 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	$ -	$ 2,673
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,583
Change in assumptions	-	6,238
Changes in proportion	2,037	-
Employer contributions subsequent to the measurement date	8,112	-
Total	$ 10,149	$ 13,494

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

$8,112 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, 2019. 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		
2019	$	(2,419)
2020		(2,419)
2021		(2,419)
2022		(2,419)
2023		(1,273)
Thereafter		(508)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

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 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

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

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	Adjusted rates to better match experience
Salary Scale	No change

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

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 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates – 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.

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

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% to 20%

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (Continued)

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.

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

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% to 15%

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

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

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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 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. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

		Rate	
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Pulaski County Public Service Authority's proporionate share of the Group Life Insurance Program Net OPEB Liability	$ 156,324	$ 120,808	$ 92,165

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE:

Plan Description

In addition to the pension benefits described in Note 7, the Pulaski County Public Service Authority participates in a cost-sharing defined benefit healthcare plan, the Plan. Several entities participate in the defined benefit healthcare plan through the Pulaski County Public Service Authority and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides postemployment health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for immediate retirement benefits under VRS which requires that the employees be age 50 with 10 years of service or permanently, totally disabled and injured in the line of duty. The Plan does not issue a publicly available financial report.

Benefits Provided

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE: (continued)

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. Contributions to the OPEB plan from the Pulaski County Public Service Authority were $900 for the year ended June 30, 2018.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	3.56%
Healthcare Cost Trend Rate	0.00% for fiscal year end 2017, reverting to 6.50% for fiscal year end 2018, decreasing 0.50% per year to an ultimate

Mortality rates were based on the RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017.

The actuarial assumptions used in the July 1, 2017 valuation were based on July 1, 2016 valuation data rolled forward to the measurement date. The methods, assumptions, and participant data used can be found in the July 1, 2017 actuarial valuation report.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that contributions from the Pulaski County Public Service Authority will be made at rates equal to the actuarially determined contribution rates.

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NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE: (continued)

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

The following presents the net OPEB liability of the Pulaski County Public Service Authority, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	Rate	
1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
$ 212,140	$ 192,300	$ 174,339

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

The following presents the net OPEB liability of the Pulaski County Public Service Authority, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50% decreasing by 0.50% annually to an ultimate rate of 5%) or one percentage point higher (7.50% decreasing by 0.50% annually to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (-1.00%)	Healthcare Cost Current Rate (0.00%)	1% Increase (1.00%)
$ 167,279	$ 192,300	$ 222,193

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

At June 30, 2018, the Pulaski County Public Service Authority reported a liability of $192,300 for its proportionate share of the Net OPEB Liability. The Net OPEB Liability was measured as of July 1, 2017 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2016 and rolled forward to that date. At June 30, 2018 and 2017, the Pulaski County Public Service Authority's proportion was 4.24% and 4.10%, respectively.

For the year ended June 30, 2018, the Pulaski County Public Service Authority recognized OPEB expense of $17,400.

At June 30, 2018, the Pulaski County Public Service Authority did not report deferred outflows of resources or deferred inflows of resources related to OPEB-Health Insurance plan.

NOTE 10 – OTHER NONCURRENT ASSETS:

As of June 30, 2018, the Authority had the following intangible assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible assets:				
Organization expense	$ 21,480	$ -	$ -	$ 21,480
Accumulated amortization:				
Organization expense	$ (20,811)	$ (537)	$ -	$ (21,348)
Intangible assets, net	$ 669	$ (537)	$ -	$ 132

NOTE 11 – LITIGATION:

At June 30, 2018, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 12 – UPCOMING PRONOUCMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

NOTE 12 – UPCOMING PRONOUCMENT: (continued)

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

NOTE 13 – ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Authority implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

Net position, July 1, 2017, as previously stated	$ 19,615,706
GASB 75 implementation	(221,377)
Net position, July 1, 2017, as restated	$ 19,394,329

Required Supplementary Information

Exhibit 4

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Schedule of the Authority's Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2015 through June 30, 2018

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

Date (1)	Proportion of the Net Position Liability (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2017	12.9667%	$ 575,762	$ 1,498,406	38.42%	91.72%
2016	12.7300%	924,782	1,399,901	66.06%	86.10%
2015	13.2000%	688,791	1,380,323	49.90%	89.62%
2014	13.2000%	615,090	1,341,630	45.85%	90.36%

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

Exhibit 5

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Schedule of Employer Contributions
For the Years Ended June 30, 2015 through June 30, 2018

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 146,152	$ 146,152	$ -	$ 1,552,987	9.67%
2017	142,214	142,214	-	1,498,406	9.67%
2016	169,248	169,248	-	1,399,901	12.09%
2015	166,881	166,881	-	1,380,323	12.09%

Current year contributions are from the Public Serivice Authority's records and prior year contributions are from the VRS actuarial valuation performed each year.

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

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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

Largest 10 – Non-Hazardous Duty:

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% to 20%

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% to 15%

Exhibit 7

Pulaski County Public Service Authority
Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.008026%	$ 120,808	$ 1,498,406	8.06%	48.86%

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

Exhibit 8

Pulaski County Public Service Authority

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2017 through June 30, 2018

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)
2018	$ 8,112	$ 8,112	$ -	$ 1,552,987	0.52%
2017	7,716	7,716	-	1,498,406	0.51%

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

Pulaski County Public Service Authority
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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

General State 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Pulaski County Public Service Authority
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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% to 20%

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% to 15%

Largest Ten Locality Employers - Hazardous Duty 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Exhibit 10

Pulaski County Public Service Authority

Schedule of Authority's Proportionate Share of the Net OPEB Liability (Asset)

Health Insurance

For the Year Ended June 30, 2018

Date (1)	Proportion of the Net OPEB Liability (NPLA) (2)	Proportionate Share of the NOLA (3)	Covered Payroll (4)	Proportionate Share of the NOLA as a Percentage of Covered Payroll (3)/(4) (5)
2018	4.2400%	$ 192,300	$ 1,352,433	14.22%

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

Exhibit 11

Pulaski County Public Service Authority
Schedule of Employer Contributions
Health Insurance
For the Year June 30, 2018

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)
2018	$ 900	$ 900	$ -	$ 1,352,433	0.07%

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

Exhibit 12

Pulaski County Public Service Authority

Notes to Required Supplementary Information

Health Insurance

For the Year Ended June 30, 2018

Valuation Date: 7/1/2016
Measurement Date: 7/1/2017

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal cost method
Discount Rate	3.56%
Inflation	2.50%
Healthcare Trend Rate	0.00% for fiscal year end 2017, reverting to 6.50% for fiscal year end 2018, decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017

Supporting Schedules

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Comparative Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

	2018	2017
Operating Revenues:		
Garbage service	$ 5,112,091	$ 5,801,000
Water service	3,094,363	2,613,740
Sewer service	1,165,487	956,949
Street lights	14,022	14,028
Reconnection fees	11,950	10,000
Penalties and interest on delinquent accounts	263,529	217,429
Miscellaneous	111,671	208,826
Total operating revenues	$ 9,773,113	$ 9,821,972
Operating Expenses:		
Water Distribution:		
Salaries	$ 162,887	$ 157,855
Fringes	81,849	76,592
Professional Services	15,987	51,338
County central services	29,092	40,913
Supplies	4,058	3,981
Repair and maintenance	69,734	84,950
Machinery and equipment	5	5,087
Other	77,389	96,423
Depreciation	753,003	677,467
Total Water Distribution	$ 1,194,004	$ 1,194,606
Water Treatment Plant:		
Salaries	$ 276,973	$ 275,289
Fringes	107,630	137,320
Professional Services	369,884	374,590
County central services	9,576	8,913
Supplies	215,557	186,053
Repair and maintenance	5,201	2,883
Other	281,585	193,718
Depreciation	117,699	108,752
Total Water Treatment Plant	$ 1,384,105	$ 1,287,518

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Comparative Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

	2018	2017
Operating Expenses: (Continued)		
Sewer Collection and Treatment:		
Salaries	$ 96,405	$ 72,939
Fringes	53,997	43,474
Professional Services	619,633	612,103
County central services	9,749	7,010
Supplies	6,647	10,116
Repair and maintenance	32,670	17,894
Other	75,361	70,128
Depreciation	456,649	446,451
Total Sewer Collection and Treatment	$ 1,351,111	$ 1,280,115
Refuse Collection and Disposal:		
Salaries	$ 1,076,750	$ 1,061,723
Fringes	503,608	521,532
Professional Services	1,980,263	2,563,953
County central services	421,185	495,403
Supplies	8,690	1,903
Other	108,640	101,648
Depreciation	196,324	184,984
Total Refuse Collection and Disposal	$ 4,295,460	$ 4,931,146
Administration:		
Salaries	$ 156,444	$ 149,221
Fringes	71,853	79,634
Professional Services	120,798	94,147
County central services	12,793	6,609
Supplies	2,541	3,065
Computer equipment	1,011	758
Other	135,841	27,198
Amortization expense	16,883	537
Depreciation	-	9,907
Total Administration	$ 518,164	$ 371,076
Street Lighting:		
Electricity	$ 16,209	$ 16,142

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Comparative Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

	2018	2017
Operating Expenses: (Continued)		
Billing:		
Salaries	$ 69,720	$ 64,465
Fringes	27,640	29,002
Professional Services	27,019	23,883
County central services	24,750	22,917
Supplies	1,408	2,598
Other	22,303	42,779
Total Billing	$ 172,840	$ 185,644
Total operating expenses	$ 8,931,893	$ 9,266,247
Operating income (loss)	$ 841,220	$ 555,725
Nonoperating Revenues (Expenses):		
Interest income	$ 34,252	$ 34,902
Grants	-	38,000
Contributions from Primary Government	132,862	127,393
Connection fees	36,900	28,832
Interest expense	(314,150)	(304,602)
Total nonoperating revenues (expenses)	$ (110,136)	$ (75,475)
Increase (decrease) in Net Position	$ 731,084	$ 480,250
Net Position, Beginning of Year, as restated	19,394,329	19,135,456
Net Position, End of Year	$ 20,125,413	$ 19,615,706

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 Honorable Members of
Pulaski County Public Service Authority
Pulaski, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Pulaski County Public Service Authority (the Authority), a component unit of the County of Pulaski, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Pulaski County Public Service Authority's basic financial statements and have issued our report thereon dated December 7, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Pulaski County Public Service Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
December 7, 2018