ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

(A Component Unit of Rockbridge County, Virginia)

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

Rockbridge County Public Service Authority
(A Component Unit of Rockbridge County, Virginia)

Financial Report

Year Ended June 30, 2019

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

(A Component Unit of Rockbridge County, Virginia)

(A governmental organization formed October 10, 1966

under the Water and Sewer Authorities Act, Chapter 51,

Title 15.2 of the Code of Virginia, as amended)

MEMBERS

Albert W. Lewis, Jr.

Joe Sokolowski

Dr. Grigg Mullen

Jay Melvin

David Hinty, Jr.

OFFICIALS

Grigg Mullen, Chairman

Joe Sokolowski, Vice-Chairman

Melissa Alexander, Executive Director and Secretary

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Independent Auditors' Report

To the Board of Directors
Rockbridge County Public Service Authority
Lexington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Rockbridge County Public Service Authority as of and for the year ended June 30, 2019, 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 Rockbridge County Public Service Authority, as of June 30, 2019, 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 Principles

As described in Note 10 to the financial statements, in 2019, the Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 and schedules related to pension and OPEB funding progress on page 43-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The supporting schedules are the responsibility of management and were derived from and relate 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 supporting schedules are fairly presented in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Rockbridge County Public Service Authority's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2020, on our consideration of the Rockbridge 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 Rockbridge 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 Rockbridge County Public Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates
Charlottesville, Virginia
January 2, 2020

To the Board of Directors
Rockbridge County Public Service Authority
Lexington, Virginia

As management of the Rockbridge County Public Service Authority, (the "Authority"), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements section of this 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 only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may 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 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).

The basic enterprise fund financial statements can be found on pages 9 through 12 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13 through 42 of this report.

Other information. In addition to the basic financial statements and accompanying notes, certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees is located immediately following the notes to financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $18,234,477 (net position). Of this amount $7,952,608 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.

- The Authority's total net position increased by $345,499.

- The Authority's total long-term obligations decreased by $503,590 during the current fiscal year, largely due to payment of revenue bonds.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Service Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $18,234,477 at the close of the most recent fiscal year.

The largest portion of the Authority's net position (56%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, 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.

	Net Position	
	2019	2018
Current and other assets	$ 8,811,690	$ 9,053,365
Capital assets	23,217,059	22,819,514
Total assets	$ 32,028,749	$ 31,872,879
Deferred outflows of resources	$ 28,150	$ 38,211
Long-term liabilities outstanding	$ 12,026,451	$ 12,544,886
Other Liabilities	1,762,439	1,424,540
Total Liabilities	$ 13,788,890	$ 13,969,426
Deferred inflows of resources	$ 33,532	$ 52,686
Net position:		
Net investment in capital assets	$ 10,281,869	$ 9,378,567
Unrestricted	7,952,608	8,510,411
Total net position	$ 18,234,477	$ 17,888,978

Financial Analysis (continued)

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

	Change in Net Position	
	2019	2018
Revenues:		
Operating Revenues	$ 3,132,790	$ 3,099,317
Operating contributions-Rockbridge County	210,642	27,500
Other Revenue	114,362	60,353
Total revenues	$ 3,457,794	$ 3,187,170
Expenses:		
Operating Expenses	$ 2,306,553	$ 2,171,318
Depreciation Expense	925,820	958,082
Interest Expense	127,804	76,157
Other Expense	35,618	44,522
Total expenses	$ 3,395,795	$ 3,250,079
Decrease in net position before capital contributions	$ 61,999	$ (62,909)
Capital Contributions	283,500	342,500
Increase in net position	$ 345,499	$ 279,591
Net position—July 1	17,888,978	17,699,481
Net position—June 30	$ 18,234,477	$ 17,979,072

The Service Authority's net position increased by $345,499 during the current year. Total revenues increased $33,473 (excluding capital contributions) while total expenses increased $102,973 from FY2018 totals. Capital contributions increased by $183,142 from 2018 amounts.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2019 amounts to $23,217,058 (net of accumulated depreciation). Investment in Capital Assets decreased 2% during the year. Below is a comparison of the items that makeup Capital Assets as of June 30, 2019 with that of June 30, 2018.

	2019	2018
Land and Land Rights	$ 410,596	$ 410,596
Buildings	53,855	58,277
Water structures, lines and equipment	8,124,471	8,472,107
Sewer structures, lines and equipment	13,097,312	13,608,832
Office equipment	68,529	104,701
Construction in Progress	1,462,295	165,001
Total Capital Assets	$ 23,217,058	$ 22,819,514

Capital Asset and Debt Administration (Continued)

Major capital asset activity for the current fiscal year included:

Projects:		
Long Hollow Water Project	$	1,088,350
Route 60 Sewer Project		208,944
Total	$	1,297,294

Long-Term Debt - At the end of the fiscal year, the Authority had $12,913,269 in bonds and notes outstanding versus $13,416,859 last year, a decrease of 12%.

The Service Authority has bonds issued by the Virginia Resources Authority, the Branch Banking and Trust Company and the United States Department of Agriculture Rural Development. Other long-term obligations of the Authority include accrued vacation pay. More detailed information on the Authority's long-term liabilities is presented in Note 5 of the Notes to the Financial Statements.

Operating Revenues – Water operating revenues increased by 1.05% from last year's levels while sewer operating revenues increased 1.10%. Total water and sewer fund revenues increased 1.09%.

Operating Expenses – Operating expenses (excluding depreciation) increased by $135,235 (6.23%) over the prior year. Water operating expenses decreased by $8,702 (1.09%) and sewer expenses increased by $147,750 (19.67%). Administrative expenses decreased by $3,813 (.61%).

Nonoperating Revenues and Expenses - Nonoperating items are items not directly related to Operations. They more reflect how the business is financed. They include such items as Interest Income and Interest Expense, Availability Fees, Grants and contributions in aid of construction by various parties. Interest earnings this fiscal year decreased from last year due to the decreasing interest rate environment. Investments made by the Authority are tightly regulated as to the type of investments that can be made in the financial markets. Please see Note 2 in the Notes to Financial Statements for a discussion as to the statutes governing the investment of Authority funds.

The Authority received operating contributions from Rockbridge County in the form of debt service payments of $210,642 this year as compared to $27,500 in the previous year.

Long Term Trends in Operations:

The PSA continued to work on the sewer capacity issues along Route 60 east of Lexington. The preliminary engineering report (PER) by Anderson & Associates, looked at both correcting the current deficiencies and extending both water and sewer to the I-81/Rt. 60 interchange. The PER broke the project into phases. Phase 1 focused on increasing capacity in the existing service area and Phase 2 extended water and sewer to the interchange. Rockbridge County assisted the PSA in the hiring of a consulting firm to determine the best course of action. In March 2018, a loan was obtained for $2,461,000 to complete Phase 1 with Rockbridge County agreeing to reimburse the PSA for the payments. Hurt & Proffitt was hired to design the project. The project design is close to completion and the project will be bid in the next fiscal year.

The Long Hollow Project bids from last fiscal year were over budget. Rural Development worked with the PSA to obtain some additional funding. The PSA also agreed to put in additional capital to fund the project. Construction began this year and is expected to be completed in the early part of next fiscal year.

Long Term Trends in Operations: (Continued)

Growth is slowly increasing in the county. The Raphine area around the truck stop continues to grow with several new businesses opened this year and more are proposed. There is a potential hotel project that is waiting on the completion of the Route 60 sewer project.

Even with the increase in new growth, the Authority will still need assistance from the county for the Raphine/Fairfield sewer project debt payment. Staff is diligent in allocating the revenue from the project area to be used toward the debt service. The amount being borrowed has continued to go down year after year.

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 the Director, 150 South Main Street, Lexington, Virginia 24450.

Financial Statements

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Net Position
June 30, 2019
(With Comparative Totals for 2018)

	At June 30, 2019			Totals for June 30, 2018
	Water	Sewer	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,424,590	$ 2,345,178	$ 5,769,768	$ 5,920,106
Investments	-	2,266,368	2,266,368	2,413,651
Accounts receivable - customers, net of allowance	263,763	298,255	562,018	537,089
Accounts receivable - others	761	-	761	-
Prepaid items	50	50	100	100
Inventory of maintenance supplies	57,809	10,083	67,892	59,131
Restricted current assets:				
Customer deposits -- cash	$ 38,120	$ 33,300	$ 71,420	$ 65,695
Total Current Assets	$ 3,785,093	$ 4,953,234	$ 8,738,327	$ 8,995,772
Noncurrent Assets:				
Other assets:				
Net pension asset	$ 38,882	$ 34,481	$ 73,363	$ 57,593
Capital Assets:				
Land	$ 194,893	$ 215,703	$ 410,596	$ 410,596
Buildings	99,951	76,915	176,866	176,866
Utility plant and equipment	16,107,976	20,908,984	37,016,960	36,995,142
Vehicles and equipment	442,336	320,291	762,627	758,377
Total Capital Assets	$ 16,845,156	$ 21,521,893	$ 38,367,049	$ 38,340,981
Accumulated depreciation	(8,464,623)	(8,147,663)	(16,612,286)	(15,686,468)
Sub-total	$ 8,380,533	$ 13,374,230	$ 21,754,763	$ 22,654,513
Construction work in progress	1,251,725	210,571	1,462,296	165,001
Total net capital assets	$ 9,632,258	$ 13,584,801	$ 23,217,059	$ 22,819,514
Total Noncurrent Assets	$ 9,671,140	$ 13,619,282	$ 23,290,422	$ 22,877,107
Total assets	$ 13,456,233	$ 18,572,516	$ 32,028,749	$ 31,872,879
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 12,350	$ 11,627	$ 23,977	$ 36,122
OPEB related items	2,170	2,003	4,173	2,089
Total deferred outflows of resources	$ 14,520	$ 13,630	$ 28,150	$ 38,211

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Net Position
June 30, 2019 (Continued)
(With Comparative Totals for 2018)

	At June 30, 2019			Totals for June 30, 2018
	Water	Sewer	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	$ 447,696	$ 190,976	$ 638,672	$ 367,791
Retainage payable	49,962	-	49,962	-
Compensated absences	24,323	24,323	48,646	45,993
Accrued interest payable	2,740	19,181	21,921	24,088
Bonds payable - current portion	107,701	824,117	931,818	920,973
Total current liabilities	$ 632,422	$ 1,058,597	$ 1,691,019	$ 1,358,845
Current liabilities payable from restricted assets:				
Customer deposits	$ 38,120	$ 33,300	$ 71,420	$ 65,695
Noncurrent liabilities:				
Loan from Rockbridge County	$ -	$ 3,279,263	$ 3,279,263	$ 3,057,273
Net OPEB liability	23,400	21,600	45,000	49,000
Bonds payable - net of current portion	2,018,429	6,683,759	8,702,188	9,438,613
Total noncurrent liabilities	$ 2,041,829	$ 9,984,622	$ 12,026,451	$ 12,544,886
Total liabilities	$ 2,712,371	$ 11,076,519	$ 13,788,890	$ 13,969,426
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 15,652	$ 13,880	$ 29,532	$ 48,686
OPEB related items	2,080	1,920	4,000	4,000
Total deferred inflows of resources	$ 17,732	$ 15,800	$ 33,532	$ 52,686
NET POSITION				
Net investment in capital assets	$ 7,506,128	$ 5,064,030	$ 10,281,869	$ 9,378,567
Unrestricted	3,234,522	2,429,797	7,952,608	8,510,411
Total Net Position	$ 10,740,650	$ 7,493,827	$ 18,234,477	$ 17,888,978

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Year Ended June 30, 2019			Totals for June 30,
	Water	Sewer	Totals	2018
Operating Revenues:				
Water Sales	$ 1,353,620	$ -	$ 1,353,620	$ 1,341,025
Sewer Service Charges	-	1,501,081	1,501,081	1,490,640
Potential Demand Charge	74,725	79,288	154,013	147,981
Extra Service Units	23,089	24,289	47,378	44,983
Hookup fees	15,875	8,100	23,975	25,825
Late charges	13,000	7,795	20,795	24,489
Reconnection charges	6,573	1,458	8,031	4,346
Inspection Charge	-	650	650	200
Account Charge	5,420	2,850	8,270	7,380
Miscellaneous Revenue	8,896	6,031	14,927	12,448
Total Operating Revenues	$ 1,501,198	$ 1,631,592	$ 3,132,790	$ 3,099,317
Operating expenses:				
Water operating expenses	$ 788,098	$ -	$ 788,098	$ 796,800
Sewer operating expenses	-	898,884	898,884	751,134
Administrative and general expenses	310,465	309,106	619,571	623,384
Depreciation expense	367,947	557,873	925,820	958,082
Total Operating Expenses	$ 1,466,510	$ 1,765,863	$ 3,232,373	$ 3,129,400
Operating Income (Loss)	$ 34,688	$ (134,271)	$ (99,583)	$ (30,083)
Nonoperating Income (Expense):				
Interest income	$ 36,255	$ 78,107	$ 114,362	$ 60,353
Operating contributions - County (Note 5)	-	210,642	210,642	27,500
Interest expense	(47,561)	(80,243)	(127,804)	(76,157)
Bond issuance costs	-	-	-	(90,094)
Contribution to Maury Service Authority	(35,618)	-	(35,618)	(44,522)
Total Nonoperating Income (Expense)	$ (46,924)	$ 208,506	$ 161,582	$ (122,920)
Income (loss) before contributions	$ (12,236)	$ 74,235	$ 61,999	$ (153,003)
Capital contributions	144,000	139,500	283,500	342,500
Change in net position	$ 131,764	$ 213,735	$ 345,499	$ 189,497
Net Position, Beginning of Year	10,608,886	7,280,092	17,888,978	17,699,481
Net Position, End of Year	$ 10,740,650	$ 7,493,827	$ 18,234,477	$ 17,888,978

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Year Ended June 30, 2019			Totals for June 30,
	Water	**Sewer**	**Totals**	**2018**
Cash flows from operating activities:				
Receipts from customers and users	$ 1,492,235	$ 1,620,590	$ 3,112,825	$ 3,089,740
Payments to suppliers	(878,760)	(936,880)	(1,815,640)	(1,632,754)
Payments to employees	(256,128)	(269,136)	(525,264)	(528,869)
Net cash provided by (used for) operating activities	$ 357,347	$ 414,574	$ 771,921	$ 928,117
Cash flows from noncapital financing activities:				
Operating grants received - County	$ -	$ 210,642	$ 210,642	$ 27,500
Contribution to Maury Service Authority	(35,618)	-	(35,618)	(44,522)
Net cash provided by (used for) noncapital financing activities	$ (35,618)	$ 210,642	$ 175,024	$ (17,022)
Cash flows from capital and related financing activities:				
Additions to utility plant	$ (770,603)	$ (232,539)	$ (1,003,142)	$ (27,807)
Principal payments on bonds	(101,849)	(819,117)	(920,966)	(791,139)
Interest paid	(48,330)	(81,641)	(129,971)	(55,578)
Proceeds from issuance of bonds	195,386	-	195,386	2,461,000
Bond issuance costs	-	-	-	(90,094)
Proceeds from loans from Rockbridge	-	221,990	221,990	233,488
Contributions in aid of construction	144,000	139,500	283,500	342,500
Net cash provided by (used for) financing activities	$ (581,396)	$ (771,807)	$ (1,353,203)	$ 2,072,370
Cash flows from investing activities:				
Interest income	$ 36,255	$ 78,107	$ 114,362	$ 60,351
Increase (decrease) in cash and cash equivalents	**$ (223,412)**	**$ (68,484)**	**$ (291,896)**	**$ 3,043,816**
Cash and cash equivalents at beginning of year (including $35,445 and $30,250 respectively reported in restricted accounts)	3,686,122	4,713,330	8,399,452	5,355,636
Cash and cash equivalents at end of year (including $38,120 and $2,299,668 respectively reported in restricted accounts)	**$ 3,462,710**	**$ 4,644,846**	**$ 8,107,556**	**$ 8,399,452**
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 34,688	$ (134,271)	$ (99,583)	$ (30,083)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	367,947	557,873	925,820	958,082
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	(11,638)	(14,052)	(25,690)	(9,802)
(Increase) decrease in prepaid items	8	(8)	-	-
(Increase) decrease in inventories	(6,849)	(1,912)	(8,761)	967
Increase (decrease) in accounts payable	(14,339)	14,959	620	21,769
Increase (decrease) in compensated absences	407	2,246	2,653	2,480
Increase (decrease) in net OPEB liability	(2,570)	(1,430)	(4,000)	(2,000)
(Increase) decrease in net pension asset/liability	(8,358)	(7,412)	(15,770)	(64,685)
(Increase) decrease in deferred outflows of resources	5,567	4,494	10,061	21,365
Increase (decrease) in deferred inflows of resources	(10,191)	(8,963)	(19,154)	29,799
Increase (decrease) in customers deposits	2,675	3,050	5,725	225
Net cash provided by (used for) operating activities	$ 357,347	$ 414,574	$ 771,921	$ 928,117
Noncash investing, capital and financing activities:				
Contributions of capital assets	$ -	$ -	$ -	$ -

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Rockbridge County Public Service Authority was established October 10, 1966 by Rockbridge County under the Water and Waste Authorities Act of 1950 of the Commonwealth of Virginia. The Authority provides water and sewer services to residential and commercial customers in Rockbridge County.

Financial Reporting Entity - The Rockbridge County Public Service Authority is a component unit of the County of Rockbridge. The Authority is a legally separate entity from the County. The County is financially accountable for the Authority in that the County appoints the Authority's board of directors and has a financial indebtedness burden related to the Authority as discussed in Note 5.

Basic Financial Statements - Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management’s discussion and analysis

- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements

- Required Supplementary Information
  - Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
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  - Schedule of Employer Contributions—Group Life Insurance Program
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  - Schedule of Changes in Total OPEB Liability and Related Ratios
  - Notes to Required Supplementary Information – Authority OPEB

Basis of Accounting - The Rockbridge County Public Service Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

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. The Authority also recognizes as operating revenue the portion of availability charges intended to recover the cost of connecting new customers to the system. 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.

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

Restricted Assets – Certain resources of the Authority are set aside for the repayment of customer deposits and are classified as restricted assets on the Statement of Net Position because their use is limited by customers.

Revenue – The Authority records water and sewer revenue as billed to its customers principally on a bi-monthly cycle basis. At year end the Authority accrues a pro-rata portion of the unbilled cycle. Uncollectible amounts have not been significant and no allowance for doubtful accounts has been recorded.

Cash and Cash Equivalents – The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventory – Inventories of new spare parts are valued at average cost. Inventories of salvaged parts are valued at zero.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. $0 in interest was capitalized during the current fiscal year.

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

Assets	Years
General equipment	5-10
Buildings	40
Well house/pumping stations	20-40
Wells	20
Tanks	50
Sewer and water pumping and treatment equipment	20
Sewer collections and water distribution equipment, meters & hydrants	20-50
Capitalized interest and overhead	40

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

Compensated Absences - Authority employees earn vacation and sick leave each month at a scheduled rate in accordance with the years of service. Accumulated unpaid vacation and other compensating leave amounts are accrued when incurred, including salary-related payments. Sick leave does not vest and is not recorded as a liability on the financial statements.

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.

Net Position – Net position is the difference between assets and liabilities. Net investment in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows or resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in the component of net position.

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 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.

Comparative Totals – Comparative totals are presented for informational purposes only.

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

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

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

Pensions

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

Other Postemployment Benefits

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI 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 GLI 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 GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI 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.

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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 has no formal deposit and investment policy.

Credit Risk of Debt Securities

The Authority's rated debt investments as of June 30, 2019 were rated by Standard & Poor's, and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

Authority's Rated Debt Investments' Values

	Fair Quality Ratings
	AAAm
State Non-Arbitrage Pool	$ 2,266,368

External Investment Pools

The fair value of the positions in the external investment pools (State Non-Arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

The Authority does not have a formal interest rate risk policy.

Investment Maturies (in years)

	Value	Less Than 1 Year
State Non-Arbitrage Pool	$ 2,266,368	$ 2,266,368

NOTE 3—CAPITAL ASSETS:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water				
Capital assets not being depreciated:				
Land	$ 194,893	$ -	$ -	$ 194,893
Construction in progress	163,374	1,088,350	-	1,251,724
Total capital assets not being depreciated	$ 358,267	$ 1,088,350	$ -	$ 1,446,617
Other Capital Assets:				
Buildings	$ 99,951	$ -	$ -	$ 99,951
Accumulated depreciation	(69,302)	(2,499)	-	(71,801)
Total	$ 30,649	$ (2,499)	$ -	$ 28,150
Utility plant and equipment	$ 16,112,226	$ -	$ 4,250	$ 16,107,976
Accumulated depreciation	(7,640,119)	(343,386)	-	(7,983,505)
Total	$ 8,472,107	$ (343,386)	$ 4,250	$ 8,124,471
Office and general equipment	$ 438,086	$ 4,250	$ -	$ 442,336
Accumulated depreciation	(387,255)	(22,062)	-	(409,317)
Total	$ 50,831	$ (17,812)	$ -	$ 33,019
Other capital assets, net	$ 8,553,587	$ (363,697)	$ 4,250	$ 8,185,640
Water capital assets, net	$ 8,911,854	$ 724,653	$ 4,250	$ 9,632,257
Sewer				
Capital assets not being depreciated:				
Land	$ 215,703	$ -	$ -	$ 215,703
Construction work in progress	1,627	208,944	-	210,571
Total capital assets not being depreciated	$ 217,330	$ 208,944	$ -	$ 426,274
Other Capital Assets:				
Buildings	$ 76,915	$ -	$ -	$ 76,915
Accumulated depreciation	(49,287)	(1,923)	-	(51,210)
Total	$ 27,628	$ (1,923)	$ -	$ 25,705
Utility plant and equipment	$ 20,882,916	$ 26,068	$ -	$ 20,908,984
Accumulated depreciation	(7,274,084)	(537,588)	-	(7,811,672)
Total	$ 13,608,832	$ (511,520)	$ -	$ 13,097,312
Office and general equipment	$ 320,291	$ -	$ -	$ 320,291
Accumulated depreciation	(266,421)	(18,360)	-	(284,781)
Total	$ 53,870	$ (18,360)	$ -	$ 35,510
Other capital assets, net	$ 13,690,330	$ (531,803)	$ -	$ 13,158,527
Sewer capital assets, net	$ 13,907,660	$ (322,859)	$ -	$ 13,584,801
Total capital assets, net	$ 22,819,514	$ 401,794	$ 4,250	$ 23,217,058

NOTE 4—PENSION PLAN:

Plan Description

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

Benefit Structures

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

a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

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

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

NOTE 4—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	4
Inactive members:	
Vested inactive members	2
Non-vested inactive members	2
Inactive members active elsewhere in VRS	2
Total inactive members	6
Active members	9
Total covered employees	19

NOTE 4—PENSION PLAN: (CONTINUED)

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2019 was 2.85% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $11,909 and $17,960 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Asset

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, the net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
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.

NOTE 4—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

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 4—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates: (continued)

The actuarial assumptions used in the June 30, 2017 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 20%

NOTE 4—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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to

NOTE 4—PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	$ 1,550,761	$ 1,608,354	$ (57,593)
Changes for the year:			
Service cost	37,532	-	37,532
Interest	106,421	-	106,421
Differences between expected and actual experience	(4,053)	-	(4,053)
Contributions - employer	-	17,960	(17,960)
Contributions - employee	-	20,089	(20,089)
Net investment income	-	118,751	(118,751)
Benefit payments, including refunds of employee contributions	(60,911)	(60,911)	-
Administrative expenses	-	(1,024)	1,024
Other changes	-	(106)	106
Net changes	$ 78,989	$ 94,759	$ (15,770)
Balances at June 30, 2018	$ 1,629,750	$ 1,703,113	$ (73,363)

NOTE 4—PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Liability (asset) to Changes in the Discount Rate

The following presents the net pension liability of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension asset 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%)
Net Pension Liability (Asset)	$ 139,853	$ (73,363)	$ (250,716)

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

For the year ended June 30, 2019, the Authority recognized pension expense of ($10,867). At June 30, 2019, the 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	$ 12,067	$ 7,691
Change in assumptions	-	7,813
Net difference between projected and actual earnings on pension plan investments	-	14,031
Employer contributions subsequent to the measurement date	11,909	-
Total	$ 23,976	$ 29,535

$11,909 was reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset in the fiscal year ending June 30, 2020. 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	
2020	$ 1,764
2021	(315)
2022	(17,515)
2023	(1,402)
2024	-
Thereafter	-

NOTE 4—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 5—LONG-TERM OBLIGATIONS:

Details of long-term obligations:	Total Amount	Amount Due Within One Year
Water Fund:		
Direct Borrowings and Placements:		
Revenue Bonds (payable from the Water Fund):		
$940,000 Infrastructure Revenue Bonds (Series 2002A) issued through the Virginia Resources Authority, dated June 6, 2002, payable annually in varying amounts through April 1, 2022, interest payable semi-annually at rates ranging from 3.1% to 5.35%.	$ 200,000	$ 65,000
Rural Development Bond:		
$637,000 Water System Revenue Bond (Series 2018) issued through the United States Department of Agriculture, dated October 30, 2018, payable monthly through July 2028, stated insterest rate of 2.75%	$ 195,386	-
$2,081,000 Water System Revenue Bond (Series 2012) issued through the United States Department of Agriculture, dated June 28, 2012, payable annually in varying amounts through June 28, 2052, stated interest rate of 2.0%.	1,730,744	42,701
Total Revenue Bonds	$ 2,126,130	$ 107,701
Other Long-term Obligations:		
Compensated absences	24,323	24,323
Net OPEB liability	23,400	-
Total Water Fund	$ 2,173,853	$ 132,024

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

	Total Amount	Amount Due Within One Year
Sewer Fund:		
Direct Borrowings and Placements:		
Revenue Bonds:		
$14,700,000 Sewer System Revenue Bonds, Series 2005 issued through the Virginia Revolving Loan Fund payable through December 31, 2027 in equal installments with no interest. Amount advanced and outstanding at year-end	$ 5,175,876	$ 690,117
$2,461,000 Sewer System Revenue Bonds, Series 2018 issued through the Virginia Revolving Loan Fund payable through December 31, 2033 in equal installments with interest at 3.29%. Amount advanced and outstanding at year-end	2,332,000	134,000
Advances:		
Loan from Rockbridge County, dated September 1, 2010. No agreed upon repayment terms.	3,279,263	-
Other Long-term Obligations:		
Compensated absences	24,323	24,323
Net OPEB liability	21,600	-
Total Sewer Fund	$ 10,833,062	$ 848,440
Grand total	$ 13,006,915	$ 980,464

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize the long-term bonds payable and the related interest are as follows:

Year Ending June 30	Direct Borrowings and Placements Revenue Bonds Principal	Interest
2020	$ 889,117	$ 92,364
2021	914,970	84,298
2022	925,578	75,834
2023	861,204	66,934
2024	865,847	61,422
2025	871,508	55,760
2026	878,187	49,916
2027	538,827	43,855
2028	199,486	37,610
2029	181,538	31,458
2030	185,000	25,563
2031	191,000	19,477
2032	197,000	13,193
2033	204,000	6,712
Total	$ 7,903,262	$ 664,396

Changes in Long-Term Obligations:

	Balance July 1, 2018	Issuances/ Additions	Retirement/ Reductions	Balance June 30, 2019
Water Fund:				
Direct Borrowings and Placements:				
Revenue Bonds	$ 260,000	$ 195,386	$ 60,000	$ 395,386
Rural Development Bond	1,772,593	-	41,849	1,730,744
Compensated Absences	23,916	407	-	24,323
Net OPEB liability	25,970	-	2,570	23,400
Total Water Fund	$ 2,082,479	$ 195,793	$ 104,419	$ 2,173,853
Sewer Fund:				
Direct Borrowings and Placements:				
Revenue Bonds	$ 8,326,993	$ -	$ 819,117	$ 7,507,876
Advances	3,057,273	221,990	-	3,279,263
Compensated absences	22,077	2,246	-	24,323
Net OPEB liability	23,030	-	1,430	21,600
Total Sewer Fund	$ 11,429,373	$ 224,236	$ 820,547	$ 10,833,062
Totals	$ 13,511,852	$ 420,029	$ 924,966	$ 13,006,915

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Changes in Long-Term Obligations: (Continued)

Operating contributions from Rockbridge County consisted of the following:

Principal and interest payments on the 2018 Sewer Revenue Bonds	$	210,642
	$	210,642

Related Party Indebtedness:

Rockbridge County issued a loan to the Authority in 2010 in the amount of $2,823,785, with additional issuances of $233,488 in 2018, and $221,900 in 2019. The total amount outstanding at June 30, 2019 is $3,279,263. The loan has no agreed upon repayment terms.

NOTE 6—RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the State to form the Virginia Association of Counties Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its workers' compensation and other insurance coverages. The Agreement for Formation of the association provides that the association will be self-sustaining through member premiums. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) 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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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 GLI Program OPEB.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description: (Continued)

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI 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 GLI 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were $2,173 and $2,089 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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 GLI Program OPEB

At June 30, 2019, the entity reported a liability of $32,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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 GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .00211% as compared to .00211% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of $0. 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, 2019, 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	$ 2,000	$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000
Change in assumptions	-	1,000
Employer contributions subsequent to the measurement date	2,173	-
Total	$ 4,173	$ 3,000

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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 GLI Program OPEB: (Continued)

$2,173 was 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, 2020. 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		
2020	$	(1,000)
2021		-
2022		-
2023		-
2024		-
Thereafter		-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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, 2017 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%

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

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

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

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

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 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 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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, 2017 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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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, 2017 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 GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	$	1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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 ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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 (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 42,000	$ 32,000	$ 24,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Medical and Dental Insurance – Pay-as-you-Go (OPEB Plan):

In addition to the pension benefits described in Note 4, the Authority administers a single-employer defined benefit healthcare plan, The Rockbridge County Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Rockbridge County Public Service Authority's pension plans.

Benefits Provided

Postemployment benefits are provided to eligible retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Rockbridge County Public Service Authority who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Medical and Dental Insurance – Pay-as-you-Go (OPEB Plan): (Continued)

Plan Membership

At July 1, 2018 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	9
Total	9

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. The funding requirements are established and may be amended by the Rockbridge County Public Service Authority's Board. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2019 was $0.

Total OPEB Liability

The Authority's total OPEB liability was measured as of July 1, 2018. The total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2019
Salary Increases	2.50% per year for general salary inflations
Discount Rate	3.62% for accounting and funding disclosures

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate has been set equal to 3.62% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2018.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Medical and Dental Insurance – Pay-as-you-Go (OPEB Plan): (Continued)

Changes in Total OPEB Liability

		Total OPEB Liability
Balances at June 30, 2018	$	17,000
Changes for the year:		
Service cost		1,000
Interest		1,000
Difference between expected and actual experience		(5,000)
Changes in assumptions		(1,000)
Net changes		(4,000)
Balances at June 30, 2019	$	13,000

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the Rockbridge County Public Service Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	Rate	
1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
$ 14,376	$ 13,000	$ 11,776

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Rockbridge County Public Service Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50% decreasing by 0.50% annually to an ultimate rate of 4%) or one percentage point higher (7.50% decreasing by 0.50% annually to an ultimate rate of 6%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (5.50% decreasing to 4.00%)	Healthcare Cost Trend (6.50% decreasing to 5.00%)	1% Increase (7.50% decreasing to 6.00%)
$ 15,100	$ 13,000	$ 19,250

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the Authority recognized OPEB expense in the amount of $1,000.

NOTE 8—LITIGATION:

At June 30, 2019, there were no matters of litigation involving the Authority for which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 9—UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

NOTE 10—ADOPTION OF ACCOUNTING PRINCIPLE:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Required Supplementary Information

Rockbridge County Public Service Authority

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015
Total pension liability				
Service cost	$ 37,532	$ 38,895	$ 36,790	$ 35,500
Interest	106,421	100,315	96,238	93,316
Changes in assumptions	-	(15,705)	-	-
Differences between expected and actual experience	(4,053)	24,257	(12,565)	(25,361)
Benefit payments, including refunds of employee contributions	(60,911)	(60,153)	(64,284)	(59,123)
Net change in total pension liability	$ 78,989	$ 87,609	$ 56,179	$ 44,332
Total pension liability - beginning	1,550,761	1,463,152	1,406,973	1,362,641
Total pension liability - ending (a)	$ 1,629,750	$ 1,550,761	$ 1,463,152	$ 1,406,973
Plan fiduciary net position				
Contributions - employer	$ 17,960	$ 17,436	$ 30,013	$ 28,320
Contributions - employee	20,089	19,504	18,618	17,568
Net investment income	118,751	176,686	25,120	63,878
Benefit payments, including refunds of employee contributions	(60,911)	(60,153)	(64,284)	(59,123)
Administrative expense	(1,024)	(1,022)	(897)	(875)
Other	(106)	(157)	(11)	(14)
Net change in plan fiduciary net position	$ 94,759	$ 152,294	$ 8,559	$ 49,754
Plan fiduciary net position - beginning	1,608,354	1,456,060	1,447,501	1,397,747
Plan fiduciary net position - ending (b)	$ 1,703,113	$ 1,608,354	$ 1,456,060	$ 1,447,501
Authority's net pension liability (asset) - ending (a) - (b)	$ (73,363)	$ (57,593)	$ 7,092	$ (40,528)
Plan fiduciary net position as a percentage of the total pension liability	104.50%	103.71%	99.52%	102.88%
Covered payroll	$ 401,781	$ 390,078	$ 372,358	$ 351,360
Authority's net pension liability (asset) as a percentage of covered payroll	-18.26%	-14.76%	1.90%	-11.53%

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

Rockbridge County Public Service Authority

Schedule of Employer Contributions - Pension
Years Ended June 30, 2010 through June 30, 2019

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)
2019	$ 11,909	$ 11,909	$ -	$ 417,862	2.85%
2018	17,960	17,960	-	401,781	4.47%
2017	17,436	17,436	-	390,078	4.47%
2016	30,013	30,013	-	372,358	8.06%
2015	28,320	28,320	-	351,360	8.06%
2014	30,515	30,515	-	362,539	8.42%
2013	30,417	30,417	-	326,909	9.30%
2012	29,625	29,625	-	304,331	9.73%
2011	27,440	27,440	-	301,331	9.11%
2010	26,457	26,457	-	301,331	8.78%

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

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:

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%

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
2018	0.0021%	$ 32,000	$ 401,781	7.96%	51.22%
2017	0.0021%	32,000	390,078	8.20%	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.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Schedule of Employer Contributions
Group Life Insurance Program
Years Ended June 30, 2010 and June 30, 2019

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$ 2,173	$ 2,173	$ -	$ 417,862	0.52%
2018	2,089	2,089	-	401,781	0.52%
2017	2,028	2,028	-	390,078	0.52%
2016	1,787	1,787	-	372,360	0.48%
2015	1,687	1,687	-	351,360	0.48%
2014	1,706	1,706	-	355,379	0.48%
2013	1,714	1,714	-	357,009	0.48%
2012	912	912	-	325,550	0.28%
2011	847	847	-	302,459	0.28%
2010	610	610	-	225,998	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
Year Ended June 30, 2019

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:

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%

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Schedule of Changes in Total OPEB Liability and Related Ratios
For the Measurement Dates of June 30, 2019 and 2018

	2019	2018
Total OPEB liability		
Service cost	$ 1,000	$ 1,000
Interest	1,000	1,000
Changes in assumptions	(1,000)	-
Differences between expected and actual experience	(5,000)	-
Net change in total OPEB liability	$ (4,000)	$ 2,000
Total OPEB liability - beginning	17,000	15,000
Total OPEB liability - ending	$ 13,000	$ 17,000
Covered payroll	$ 417,862	$ 325,238
Authority's total OPEB liability (asset) as a percentage of covered payroll	3.11%	5.23%

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

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

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 level % of salary
Discount Rate	3.62% which represents the Municipal GO AA 20-year yield curve rate as of June 30, 2018
Inflation	2.50% per year
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.50% in 2019, gradually decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50% annually
Retirement Age	The average age at retirement is 62
Mortality Rates	Mortality is based on the RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018

Other Supplementary Information

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
WATER FUND:			
Operating Revenues:			
Water Sales	$ 1,372,211	$ 1,353,620	$ (18,591)
Potential Demand Charge	72,720	74,725	2,005
Extra Service Units	22,451	23,089	638
Hookup Fee-Water	6,675	15,875	9,200
Late charges	13,500	13,000	(500)
Reconnection charges	5,000	6,573	1,573
Inspection Charge	200	-	(200)
Account Charge	4,425	5,420	995
Miscellaneous Revenue	5,518	8,896	3,378
Total Operating Revenues	$ 1,502,700	$ 1,501,198	$ (1,502)
Nonoperating Revenue and Capital Contributions:			
Interest Income	$ 18,000	$ 36,255	$ 18,255
Availability Fee - Water	80,000	144,000	64,000
Total Nonoperating Revenues and Contributions	$ 98,000	$ 180,255	$ 82,255
Total Water Revenues	$ 1,600,700	$ 1,681,453	$ 80,753
SEWER FUND:			
Operating Revenues:			
Sewer Service Charges	$ 1,505,409	$ 1,501,081	$ (4,328)
Potential Demand Charge	79,930	79,288	(642)
Extra Service Units	23,532	24,289	757
Hookup Fee-Sewer	5,050	8,100	3,050
Late charges	9,000	7,795	(1,205)
Reconnection charges	700	1,458	758
Trip charge	-	50	50
Inspection Charge	100	650	550
Account Charge	2,175	2,850	675
Miscellaneous Revenue	150	6,031	5,881
Total Operating Revenues	$ 1,626,046	$ 1,631,592	$ 5,546
Nonoperating Revenue and Capital Contributions:			
Interest Income	$ 12,000	$ 78,107	$ 66,107
Availability Fee - Sewer	90,000	139,500	49,500
Operating contributions - County	-	210,642	210,642
Total Nonoperating Revenues and Contributions	$ 102,000	$ 428,249	$ 326,249
Total Sewer Revenues	$ 1,728,046	$ 2,059,841	$ 331,795

Schedule of Water Expenses - Budget and Actual
Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:			
Water:			
Licenses & Permits	$ 7,125	$ 6,965	$ 160
Maintenance of Wells	6,900	2,028	4,872
Purchased Water	688,160	661,465	26,695
O & M-Water Pumping Equipment	6,900	4,385	2,515
Power for Pumping Water	57,000	69,458	(12,458)
O & M-Water Buildings	1,700	870	830
O & M-Water Treatment Equipment	2,875	2,161	714
Water Treatment Supplies and Expense	3,500	4,272	(772)
Sampling and analysis	5,000	3,278	1,722
Maintenance of Water Tanks	1,500	1,013	487
Maintenance of Mains and Accessories	5,000	4,233	767
Maintenance/Installation of Water Services	18,000	11,471	6,529
Maintenance of Large Meters	2,911	2,585	326
Maintenance of Hydrants	1,325	877	448
Repair and replacement expense	193,500	13,037	180,463
Total Water Operating Expenses	$ 1,001,396	$ 788,098	$ 213,298
Administrative and General Expenses:			
Bank Service Charges	$ 50	$ 6,521	$ (6,471)
Uncollected Expenses	2,000	1,941	59
Salaries	210,431	196,302	14,129
Office Supplies and Expenses	3,275	1,245	2,030
Outside Services Employed - Financial	7,150	6,171	979
Outside Services Employed - Legal	7,500	588	6,912
Outside Services - Software	3,035	1,875	1,160
Outside Services - General	750	-	750
Insurance Expense	8,276	8,297	(21)
Payroll contract	300	300	-
Employee Benefits-Medical Insurance	32,400	30,603	1,797
Employee Benefits - OPEB ARC	-	(3,673)	3,673
Employee Benefits-Retirement-VRS	5,998	(5,924)	11,922
Employee Benefits-Group Life-VRS	2,757	2,737	20

Schedule of Water Expenses - Budget and Actual
Year Ended June 30, 2019 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses: (Cont'd)			
Administrative and General Expenses: (Cont'd)			
Employee Benefits-Social Security	$ 13,047	$ 13,040	$ 7
Virginia Unemployment Tax	44	40	4
Employee Benefits-Medicare	3,052	3,043	9
Workers compensation insurance	4,815	4,815	-
Transportation Expense	10,225	8,074	2,151
Board Members Compensation/Travel	3,682	1,695	1,987
Miscellaneous Expense	5,000	430	4,570
Uniform Rental	1,170	811	359
Dues and Subscriptions	1,157	1,209	(52)
Staff Development	2,013	672	1,341
Employee Appreciation	500	236	264
Operation and Maint.-General Equipment	15,200	8,415	6,785
Telephone Expense	3,330	2,852	478
Postage	4,169	3,367	802
Outside Services Employed - Non Construction	12,101	11,370	731
Engineering Services -Non Construction	7,500	3,413	4,087
Total Administrative and General Expenses	$ 370,927	$ 310,465	$ 60,462
Depreciation:			
Depreciation Expense	$ -	$ 367,947	$ (367,947)
Total Depreciation	$ -	$ 367,947	$ (367,947)
Interest and other nonoperating expenses:			
Interest expense	$ 48,331	$ 47,561	$ 770
Contribution to Maury Service Authority	35,618	35,618	-
Total interest and other nonoperating expenses	$ 83,949	$ 83,179	$ 770
TOTAL EXPENSES	$ 1,456,272	$ 1,549,689	$ (93,417)

Schedule of Sewer Expenses - Budget and Actual
Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:			
Sewer:			
Maintenance of Sewer Mains	$ 13,300	$ 5,475	$ 7,825
Sewer Services	2,000	(16)	2,016
Power for Pumping Sewage	15,000	19,737	(4,737)
O&M of Sewage Pumping Equipment	9,385	9,123	262
O&M of Sewer Pumping Station Building	6,303	2,238	4,065
Sewage Treatment by Contract	773,655	807,089	(33,434)
Maintenance of Sewage Meters	3,911	4,935	(1,024)
Repair and Replacement Expense	154,000	8,107	145,893
Sewage Chemical Supplies and Expense	4,000	3,222	778
Septage & Leachate Treatment Expense	37,779	38,974	(1,195)
Total Sewer Operating Expenses	$ 1,019,333	$ 898,884	$ 120,449
Administrative and General Expenses:			
Bank Service Charges	$ 50	$ 2,106	$ (2,056)
Uncollected Expenses	100	61	39
Salaries	210,431	211,018	(587)
Office Supplies and Expenses	3,275	1,244	2,031
Outside Services Employed - Financial	7,150	6,171	979
Outside Services Employed - Legal	7,500	588	6,912
Outside Services - Software	3,035	1,875	1,160
Outside Services - General	750	-	750
Insurance Expense	8,275	8,281	(6)
Payroll contract	300	300	-
Employee Benefits-Medical Insurance	32,400	30,603	1,797
Employee Benefits - OPEB ARC	-	(2,411)	2,411
Employee Benefits-Retirement-VRS	5,998	(4,945)	10,943
Employee Benefits-Group Life-VRS	2,757	2,737	20
Employee Benefits-Social Security	13,047	13,171	(124)
Virginia Unemployment Tax	44	40	4
Employee Benefits-Medicare	3,052	3,043	9
Workers compensation insurance	4,815	4,815	-
Transportation Expense	10,225	8,181	2,044

Schedule of Sewer Expenses - Budget and Actual
Year Ended June 30, 2019 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses: (Cont'd)			
Administrative and General Expenses: (Cont'd)			
Board Members Compensation/Travel	$ 3,682	$ 1,695	$ 1,987
Miscellaneous Expense	5,000	435	4,565
Uniform Rental	1,170	811	359
Dues and Subscriptions	427	429	(2)
Staff Development	2,013	672	1,341
Employee Appreciation	500	237	263
Operation and Maintenance - General Equipment	15,200	8,088	7,112
Telephone Expense	3,330	2,852	478
Postage	4,169	3,362	807
Outside Services Employed - Non Construction	3,936	3,647	289
Engineering Services -Non Construction	7,500	-	7,500
Total Administrative and General Expenses	$ 360,131	$ 309,106	$ 51,025
Depreciation:			
Depreciation Expense	$ -	$ 557,873	$ (557,873)
Total Depreciation	$ -	$ 557,873	$ (557,873)
Interest and other non-operating expenses:			
Interest expense	$ 81,642	$ 80,243	$ 1,399
Total interest and other non-operating expenses	$ 81,642	$ 80,243	$ 1,399
TOTAL EXPENSES	$ 1,461,106	$ 1,846,106	$ (385,000)

Schedule of Water and Sewer Rates
Year Ended June 30, 2019

	Water	Sewer
Number of Customers:		
Residential	2,077	961
Commercial	314	227
Basic rates per thousand gallons	$ 5.10	$ 8.50

Insurance Coverage
Year Ended June 30, 2019

Insurance Company	Certificate Number	Dates	Type	Policy Limits
Virginia Association of Counties				
Group Self Insurance Risk Pool	VA-RO-078A	7/1/18-7/1/19	Workmen's Compensation	
			and Employer's Liability	Statutory
		7/1/18-7/1/19	Automobile Liability	2,000,000
			Values per policy	Replacement cost
			Fidelity/Crime Contribution	250,000
			Comprehensive general liability	2,000,000

Debt Service Coverage Schedule
Year Ended June 30, 2019

Fiscal Year	Gross Revenue (1)	Less Operating Expenses (2)	Net Revenues available for debt service	Debt Service Principal	Debt Service Interest	Coverage
2019	$ 3,457,794	$ 2,306,553	$ 1,151,241	$ 920,966	$ 127,804	$ 109.77%
2018	3,187,170	2,171,318	1,015,852	791,139	76,157	117.13%
2017	3,216,960	2,118,731	1,098,229	875,997	75,168	115.46%
2016	3,015,849	2,034,201	981,648	957,929	70,955	95.41%
2015	2,930,636	2,028,750	901,886	944,303	83,359	87.76%
2014	2,767,167	1,948,219	818,948	1,059,909	75,294	72.14%
2013	2,779,760	1,850,047	929,713	883,956	66,570	97.81%
2012	2,549,792	1,671,513	878,279	875,664	76,162	92.27%
2011	2,296,632	1,602,484	694,148	863,757	85,016	73.16%
2010	2,150,296	1,602,484	547,812	856,978	93,177	57.66%

(1) Operating revenues, interest income, and operating contributions

(2) Operating expenses net of depreciation and amortization

Compliance

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | Consultants

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

To the Board of Directors
Rockbridge County Public Service Authority
Lexington, 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 Rockbridge County Public Service Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Rockbridge County Public Service Authority and have issued our report thereon dated January 2, 2020.

Internal Control over Financial Reporting

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

Charlottesville, Virginia
January 2, 2020