

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY
(A Component Unit of Rockbridge County, Virginia)

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

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(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

Rick Mast

Larry Bond

Dr. Grigg Mullen

Jay Melvin

David Hinty, Jr.

OFFICIALS

Grigg Mullen, Chairman

Larry Bond, Vice-Chairman

Melissa Alexander, Executive Director and Secretary

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2015, 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, 2015, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 9 to the financial statements, in 2015, the Authority adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

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 43-46 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of pension and OPEB funding progress be on pages 3-7 and 33 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise 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 combining and individual fund financial statements and 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 September 5, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 October 16, 2015, 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 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 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

October 16, 2015

Management's Discussion and Analysis

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, 2015. 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 8 through 11 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 12 through 41 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 \$17,279,432 (net position). Of this amount \$4,879,157 (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 \$39,003.
- The Authority's total long-term obligations decreased by \$620,636 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 exceeded liabilities by \$17,279,432 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position (72%) 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	
	2015	2014
Current and other assets	\$ 5,403,623	\$ 5,243,172
Capital assets	25,171,436	25,855,943
Total assets	<u>\$ 30,575,059</u>	<u>\$ 31,099,115</u>
Deferred outflow of resources	\$ 28,320	\$ -
Long-term liabilities outstanding	\$ 11,868,646	\$ 12,449,861
Other Liabilities	1,369,598	1,366,386
Total Liabilities	<u>\$ 13,238,244</u>	<u>\$ 13,816,247</u>
Deferred inflow of resources	\$ 85,703	\$ -
Net position:		
Net investment in capital assets	\$ 12,400,275	\$ 12,436,493
Restricted	-	76,962
Unrestricted	4,879,157	4,769,413
Total net position	<u>\$ 17,279,432</u>	<u>\$ 17,282,868</u>

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.

	<u>Change in Net Position</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Operating Revenues	\$ 2,723,807	\$ 2,572,505
Operating contributions-Rockbridge County	186,445	184,545
Other Revenue	<u>20,384</u>	<u>10,117</u>
Total revenues	<u>\$ 2,930,636</u>	<u>\$ 2,767,167</u>
Expenses:		
Operating Expenses	\$ 2,028,750	\$ 1,948,219
Depreciation Expenses	944,088	918,700
Interest Expense	83,359	75,294
Other Expense	<u>35,618</u>	<u>15,840</u>
Total expenses	<u>\$ 3,091,815</u>	<u>\$ 2,958,053</u>
Decrease in net position before capital contributions	\$ (161,179)	\$ (190,886)
Capital Contributions	<u>200,182</u>	<u>373,626</u>
Increase in net position	\$ 39,003	\$ 182,740
Net position—July 1, as restated	<u>17,240,429</u>	<u>17,100,128</u>
Net position—June 30	<u>\$ 17,279,432</u>	<u>\$ 17,282,868</u>

The Service Authority's net position increased by \$39,003 during the current year. Total revenues increased \$151,302 (excluding capital contributions) while total expenses increased \$105,919 from FY2014 levels. Capital contributions increased by \$1,900 from 2014 amounts. Key elements of these changes are as follows:

Total revenues increased due to increases in both water and sewer revenues.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2015 amounts to \$25,171,436 (net of accumulated depreciation). Investment in Capital Assets decreased 3% during the year. Below is a comparison of the items that makeup Capital Assets as of June 30, 2015 with that of June 30, 2014.

	<u>2015</u>	<u>2014</u>
Land and Land Rights	\$ 381,259	\$ 381,259
Buildings	72,120	76,542
Water structures, lines and equipment	9,437,470	9,535,754
Sewer structures, lines and equipment	14,949,899	15,462,055
Office equipment	203,722	250,472
Construction in Progress	<u>126,966</u>	<u>149,861</u>
Total Capital Assets	<u>\$ 25,171,436</u>	<u>\$ 25,855,943</u>

Capital Asset and Debt Administration (Continued)

Major capital asset activity for the current fiscal year included:

Projects:

AV Tank Rehab	\$ <u>215,568</u>
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Long-Term Debt - At the end of the fiscal year, the Authority had \$12,771,160 in bonds and notes outstanding versus \$13,419,450 last year, a decrease of 5%.

The Service Authority has bonds issued by the Virginia Resources Authority, the Buena Vista Industrial Development Authority 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 8% from last year's levels while sewer operating revenues increased 4%. Total water and sewer fund revenues increased 6%.

Operating Expenses - Operating expenses (excluding depreciation) increased by \$105,919 (4%) over the prior year. Water operating expenses increased by \$94,823 (6%) and sewer expenses increased by \$11,096 (1%). Administrative expenses decreased by \$22,060 (4%).

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 \$186,445 this year as compared to \$184,545 in the previous year.

Long Term Trends in Operations:

New construction has remained stagnant with only two subdivisions deeded to the Authority during the fiscal year. New home construction was slightly lower than the previous years. New business connections remain consistent with the last few years. During the year a truck wash was constructed in Raphine and by the end of the fiscal year, they were one of the top fifteen water users.

Due to staffs' efforts to recommend the electronic payment methods to customers, the number of transactions conducted electronically has continued to grow. These methods have not reduced penalty revenues but have increased customer satisfaction and decreased staff workload.

Even though the economic situation has been slow in improving, 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.

The Arnolds Valley 250,000 gallon storage tank was sandblasted and painted, inside and out. Staff continues to work on identifying non-revenue water and reducing inflow an infiltration into the sewage system.

Long Term Trends in Operations (Continued)

The Authority is pursuing a grant from the Department of Health for some residents just outside of Goshen. Several residents have approached the Authority several times seeking a water line extension from the Town of Goshen system. If the grant is awarded to the Authority, it will be used to pay for a preliminary engineering report.

The Authority hired Anderson and Associates to complete a preliminary engineering report on extending water and sewer services to the I81/Rt. 60 interchange east of the City of Lexington. There are many acres around the intersection that have been marketed for development. Currently, the Authority cannot make any additional sewer connections on the existing line due to capacity issues. The report will look at correcting those issues and will break the work into phases.

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, 2015

(With Comparative Amounts for 2014)

	At June 30, 2015			Totals for June 30, 2014
	Water	Sewer	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,928,972	\$ 1,840,241	\$ 4,769,213	\$ 4,603,706
Accounts receivable - customers, net of allowance	238,470	230,568	469,038	432,487
Accounts receivable - others	1,176	284	1,460	1,032
Inventory of maintenance supplies	64,137	7,474	71,611	68,915
Total Current Assets	\$ 3,232,755	\$ 2,078,567	\$ 5,311,322	\$ 5,106,140
Noncurrent Assets:				
Other assets:				
Net pension asset	\$ 18,607	\$ 16,499	\$ 35,106	\$ -
Restricted current assets:				
Customer deposits -- cash	\$ 31,080	\$ 26,115	\$ 57,195	\$ 60,070
Cash and cash equivalents - bond funds	-	-	-	76,962
Total restricted current assets	\$ 31,080	\$ 26,115	\$ 57,195	\$ 137,032
Capital Assets:				
Land	\$ 180,771	\$ 200,488	\$ 381,259	\$ 381,259
Buildings	99,951	76,915	176,866	176,866
Utility plant and equipment	16,027,593	20,653,084	36,680,677	36,427,457
Office and general equipment	413,056	287,269	700,325	690,413
Accumulated depreciation	\$ 16,721,371 (6,932,046)	\$ 21,217,756 (5,962,611)	\$ 37,939,127 (12,894,657)	\$ 37,675,995 (11,969,913)
Sub-total	\$ 9,789,325	\$ 15,255,145	\$ 25,044,470	\$ 25,706,082
Construction work in progress	126,966	-	126,966	149,861
Total net capital assets	\$ 9,916,291	\$ 15,255,145	\$ 25,171,436	\$ 25,855,943
Total Noncurrent Assets	\$ 9,965,978	\$ 15,297,759	\$ 25,263,737	\$ 25,992,975
Total assets	\$ 13,198,733	\$ 17,376,326	\$ 30,575,059	\$ 31,099,115
DEFERRED OUTFLOW OF RESOURCES				
Post measurement date employer pension contributions				
	\$ 15,010	\$ 13,310	\$ 28,320	\$ -

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Net Position
June 30, 2015 (Continued)
(With Comparative Amounts for 2014)

	At June 30, 2015			Totals for June 30, 2014
	Water	Sewer	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 181,542	\$ 170,017	\$ 351,559	\$ 285,576
Compensated absences	22,434	19,895	42,329	38,151
Bonds payable - current portion	228,398	690,117	918,515	982,589
Total current liabilities	\$ 432,374	\$ 880,029	\$ 1,312,403	\$ 1,306,316
Current liabilities payable from restricted assets:				
Customer deposits	\$ 31,080	\$ 26,115	\$ 57,195	\$ 60,070
Noncurrent liabilities:				
Revenue bonds payable (noncurrent portion):				
Loan from Rockbridge County	\$ -	\$ 2,247,509	\$ 2,247,509	\$ 1,951,496
Net OPEB obligation	9,120	6,880	16,000	13,000
Bonds payable - net of current portion	2,358,910	7,246,227	9,605,137	10,485,365
Total noncurrent liabilities	\$ 2,368,030	\$ 9,500,616	\$ 11,868,646	\$ 12,449,861
Total liabilities	\$ 2,831,484	\$ 10,406,760	\$ 13,238,244	\$ 13,816,247
DEFERRED INFLOW OF RESOURCES				
Items related to measurement of net pension asset/liability	\$ 45,424	\$ 40,279	\$ 85,703	\$ -
NET POSITION				
Net investment in capital assets	\$ 7,328,983	\$ 5,071,292	\$ 12,400,275	\$ 12,436,493
Restricted for debt service and bond covenants	-	-	-	76,962
Unrestricted	3,007,852	1,871,305	4,879,157	4,769,413
Total Net Position	\$ 10,336,835	\$ 6,942,597	\$ 17,279,432	\$ 17,282,868

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, 2015
 (With Comparative Amounts for 2014)

	Year Ended June 30, 2015			Totals for June 30, 2014
	Water	Sewer	Totals	
Operating Revenues:				
Water Sales	\$ 1,220,005	\$ -	\$ 1,220,005	\$ 1,118,391
Sewer Service Charges	-	1,264,370	1,264,370	1,205,936
Potential Demand Charge	60,833	63,494	124,327	117,280
Extra Service Units	20,168	20,942	41,110	38,746
Hookup fees	11,475	5,250	16,725	34,975
Late charges	12,167	8,019	20,186	20,516
Reconnection charges	6,023	798	6,821	6,435
Trip charges	-	-	-	20
Inspection Charge	236	75	311	763
Account Charge	5,085	2,475	7,560	7,440
Lease revenue - Glasgow Interconnection	7,482	-	7,482	7,482
Miscellaneous Revenue	11,542	3,368	14,910	14,521
Total Operating Revenues	\$ 1,355,016	\$ 1,368,791	\$ 2,723,807	\$ 2,572,505
Operating expenses:				
Water operating expenses	\$ 746,960	\$ -	\$ 746,960	\$ 664,085
Sewer operating expenses	-	703,736	703,736	684,020
Administrative and general expenses	306,868	271,186	578,054	600,114
Depreciation and amortization	405,094	538,994	944,088	918,700
Total Operating Expenses	\$ 1,458,922	\$ 1,513,916	\$ 2,972,838	\$ 2,866,919
Operating Income (Loss)	\$ (103,906)	\$ (145,125)	\$ (249,031)	\$ (294,414)
Nonoperating Income (Expense):				
Interest income	\$ 13,516	\$ 6,868	\$ 20,384	\$ 10,117
Operating contributions - County (Note 5)	186,445	-	186,445	184,545
Interest expense	(83,359)	-	(83,359)	(75,294)
Contribution to Maury Service Authority	(35,618)	-	(35,618)	(15,840)
Total Nonoperating Income (Expense)	\$ 80,984	\$ 6,868	\$ 87,852	\$ 103,528
Income (loss) before contributions	\$ (22,922)	\$ (138,257)	\$ (161,179)	\$ (190,886)
Capital contributions	112,432	87,750	200,182	373,626
Change in net position	\$ 89,510	\$ (50,507)	\$ 39,003	\$ 182,740
Net Position, Beginning of Year, as restated	10,247,325	6,993,104	17,240,429	17,100,128
Net Position, End of Year	\$ 10,336,835	\$ 6,942,597	\$ 17,279,432	\$ 17,282,868

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, 2015
(With Comparative Amounts for 2014)

	Year Ended June 30, 2015			Totals for June 30, 2014
	Water	Sewer	Totals	
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,319,267	\$ 1,364,687	\$ 2,683,954	\$ 2,655,315
Payments to suppliers	(753,116)	(744,752)	(1,497,868)	(1,473,021)
Payments to employees	(254,856)	(226,005)	(480,861)	(469,035)
Net cash provided by (used for) operating activities	\$ 311,295	\$ 393,930	\$ 705,225	\$ 713,259
Cash flows from noncapital financing activities:				
Operating grants received - County	\$ 186,445	\$ -	\$ 186,445	\$ 184,545
Contribution to Maury Service Authority	(35,618)	-	(35,618)	(15,840)
Net cash provided by (used for) noncapital financing activities	\$ 150,827	\$ -	\$ 150,827	\$ 168,705
Cash flows from capital and related financing activities:				
Additions to utility plant	\$ (244,670)	\$ (14,629)	\$ (259,299)	\$ (625,651)
Principal payments on loans from Rockbridge	-	-	-	(5,500)
Principal payments on bonds	(254,186)	(690,117)	(944,303)	(1,059,909)
Interest paid	(83,359)	-	(83,359)	(75,294)
Proceeds from issuance of bonds	-	-	-	628,772
Proceeds from loans from Rockbridge	-	296,013	296,013	336,784
Contributions in aid of construction	112,432	87,750	200,182	373,626
Net cash provided by (used for) financing activities	\$ (469,783)	\$ (320,983)	\$ (790,766)	\$ (427,172)
Cash flows from investing activities:				
Interest income	\$ 13,516	\$ 6,868	\$ 20,384	\$ 10,117
Increase (decrease) in cash and cash equivalents	\$ 5,855	\$ 79,815	\$ 85,670	\$ 464,909
Cash and cash equivalents at beginning of year (including \$39,780 and \$20,290 respectively reported in restricted accounts)	2,954,197	1,786,541	4,740,738	4,275,829
Cash and cash equivalents at end of year (including \$31,080 and \$26,115 respectively reported in restricted accounts)	\$ 2,960,052	\$ 1,866,356	\$ 4,826,408	\$ 4,740,738
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (103,906)	\$ (145,125)	\$ (249,031)	\$ (294,414)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	405,094	538,994	944,088	918,700
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	(27,048)	(9,931)	(36,979)	60,810
(Increase) decrease in inventories	(1,993)	(703)	(2,696)	(8,458)
Increase (decrease) in accounts payable	56,136	9,566	65,702	19,116
Increase (decrease) in compensated absences	688	3,490	4,178	(5,495)
Increase (decrease) in net OPEB obligation	1,710	1,290	3,000	1,000
Increase (decrease) in net pension asset	(10,685)	(9,477)	(20,162)	-
Increase (decrease) in customers deposits	(8,700)	5,825	(2,875)	22,000
Net cash provided by (used for) operating activities	\$ 311,295	\$ 393,930	\$ 705,225	\$ 713,259
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 14,432	\$ -	\$ 14,432	\$ 35,876
Capitalized interest	-	-	-	16,523

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015

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 - The Authority's financial statements are presented in accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis-For State and Local Governments*. 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 Components of and Changes in Net Pension Liability and Related Ratios
 - Schedule of Employer Contributions
 - Notes to Required Supplementary Information
 - Schedule of OPEB Funding Progress

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.

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.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

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

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 estimated fair market value at the date of donation.

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

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.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

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

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 only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset measurement date, which will be recognized as a reduction of the net pension asset next fiscal year. For more detailed information on these items, reference the pension note.

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

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.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize 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, 2015 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
Local Government Investment Pool	\$ 1,188,396

External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC 2a-7.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 3—CAPITAL ASSETS:

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Water</u>				
Capital assets not being depreciated:				
Land	\$ 180,771	\$ -	\$ -	\$ 180,771
Construction in progress	149,861	215,893	238,788	126,966
Total capital assets not being depreciated	\$ 330,632	\$ 215,893	\$ 238,788	\$ 307,737
Other Capital Assets:				
Buildings	\$ 99,951	\$ -	\$ -	\$ 99,951
Less: accumulated depreciation	(59,305)	(2,499)	-	(61,804)
Total	\$ 40,646	\$ (2,499)	\$ -	\$ 38,147
Utility plant and equipment	\$ 15,774,373	\$ 253,220	\$ -	\$ 16,027,593
Less: accumulated depreciation	(6,238,618)	(351,505)	-	(6,590,123)
Total	\$ 9,535,755	\$ (98,285)	\$ -	\$ 9,437,470
Office and general equipment	\$ 398,428	\$ 14,627	\$ -	\$ 413,055
Less: accumulated depreciation	(229,029)	(51,090)	-	(280,119)
Total	\$ 169,399	\$ (36,463)	\$ -	\$ 132,936
Other capital assets, net	\$ 9,745,800	\$ (137,247)	\$ -	\$ 9,608,553
Water capital assets, net	\$ 10,076,432	\$ 78,646	\$ 238,788	\$ 9,916,290
<u>Sewer</u>				
Capital assets not being depreciated:				
Land	\$ 200,488	\$ -	\$ -	\$ 200,488
Total capital assets not being depreciated	\$ 200,488	\$ -	\$ -	\$ 200,488
Other Capital Assets:				
Buildings	\$ 76,915	\$ -	\$ -	\$ 76,915
Less: accumulated depreciation	(41,019)	(1,923)	-	(42,942)
Total	\$ 35,896	\$ (1,923)	\$ -	\$ 33,973
Utility plant and equipment	\$ 20,653,084	\$ -	\$ -	\$ 20,653,084
Less: accumulated depreciation	(5,191,029)	(512,156)	-	(5,703,185)
Total	\$ 15,462,055	\$ (512,156)	\$ -	\$ 14,949,899
Office and general equipment	\$ 291,985	\$ 14,629	\$ 19,344	\$ 287,270
Less: accumulated depreciation	(210,913)	(24,915)	(19,344)	(216,484)
Total	\$ 81,072	\$ (10,286)	\$ -	\$ 70,786
Other capital assets, net	\$ 15,579,023	\$ (524,365)	\$ -	\$ 15,054,658
Sewer capital assets, net	\$ 15,779,511	\$ (524,365)	\$ -	\$ 15,255,146
Grand total capital assets, net	\$ 25,855,943	\$ (445,719)	\$ 238,788	\$ 25,171,436

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Meherrin River Regional Jail Authority are automatically covered by VRS Retirement Plan upon employment. This plan is 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.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members:	
Vested inactive members	2
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>1</u>
Total inactive members	6
Active members	<u>9</u>
Total covered employees	<u><u>18</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Rockbridge County Public Service Authority's contractually required contribution rate for the year ended June 30, 2015 was 8.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 Rockbridge County Public Service Authority were \$28,320 and \$30,514 for the years ended June 30, 2015 and June 30, 2014, respectively.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Net Pension Liability

The Rockbridge County Public Service Authority's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Rockbridge County Public Service Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Rockbridge County Public Service Authority Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 1,287,579	\$ 1,214,863	\$ 72,716
Changes for the year:			
Service cost	\$ 42,889	\$ -	\$ 42,889
Interest	88,171	-	88,171
Differences between expected and actual experience	-	-	-
Contributions - employer	-	30,278	(30,278)
Contributions - employee	-	17,769	(17,769)
Net investment income	-	191,855	(191,855)
Benefit payments, including refunds of employee contributions	(55,998)	(55,998)	-
Administrative expenses	-	(1,030)	1,030
Other changes	-	10	(10)
Net changes	\$ 75,062	\$ 182,884	\$ (107,822)
Balances at June 30, 2014	\$ 1,362,641	\$ 1,397,747	\$ (35,106)

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Asset	150,891	(35,106)	(189,505)

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

For the year ended June 30, 2015, the Rockbridge County Public Service Authority recognized pension expense of \$8,159. At June 30, 2015, the Rockbridge County Public Service Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	85,703
Employer contributions subsequent to the measurement date	28,320	-
Total	\$ -	\$ -

\$28,320 reported as deferred outflows of resources related to pensions resulting from the Rockbridge County Public Service Authority's contributions subsequent to the measurement date will be recognized as a component of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	\$ (21,426)
2017	(21,426)
2018	(21,426)
2019	(21,425)
Thereafter	-

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Details of long-term obligations:		
<u>Water Fund:</u>		
Revenue Bonds (payable from the Water Fund):		
\$1,266,223 Water Revenue Refunding Bond dated March 1, 2001, payable in semi-annual installments of \$58,554 through October 1, 2016. Interest rate of 4.74%. Payments on this bond are anticipated to be made by Rockbridge County.	\$ 168,082	\$ 110,320
\$767,900 Water Revenue Obligation issued through the Buena Vista Industrial Development Authority (Authority portion of \$1,400,000 issue), dated August 1, 1996, payable semi-annually in varying amounts through July 14, 2016, average interest rate of approximately 6.3%. Payments on this bond are anticipated to be made by Rockbridge County.	95,988	63,078
\$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%.	430,000	55,000
Rural Development Bond:		
\$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%.	<u>1,893,238</u>	<u>39,421</u>
Total Revenue Bonds	\$ 2,587,308	\$ 267,819
Other Long-term Obligations:		
Compensated absences	22,434	22,434
Net OPEB obligation	<u>9,120</u>	<u>-</u>
Total Water Fund	<u>\$ 2,618,862</u>	<u>\$ 290,253</u>

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Sewer Fund:</u>		
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	\$ 7,936,344	\$ 690,117
Advances:		
Loan from Rockbridge County, dated September 1, 2010. No agreed upon repayment terms.	2,247,509	-
Other Long-term Obligations:		
Compensated absences	19,895	19,895
Net OPEB Obligation	<u>6,880</u>	<u>-</u>
Total Sewer Fund	\$ <u>10,210,628</u>	\$ <u>710,012</u>
Grand total	<u>\$ 12,829,490</u>	<u>\$ 1,000,265</u>

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

Year Ending June 30	Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 918,514	\$ 33,420
2017	835,789	21,264
2018	750,117	16,170
2019	750,117	13,260
2020	755,117	10,200
2021-2025	3,585,584	10,455
2026-2027	<u>1,035,175</u>	<u>-</u>
Total	<u>\$ 8,630,413</u>	<u>\$ 104,769</u>

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Changes in Long-Term Obligations:

	<u>Restated Balance July 1, 2014</u>	<u>Issuances/ Additions</u>	<u>Retirement/ Reductions</u>	<u>Balance June 30, 2015</u>
Water Fund:				
Revenue Bonds	\$ 909,622	\$ -	\$ 215,552	\$ 694,070
Rural Development Bond	1,931,872	-	38,634	1,893,238
Compensated Absences	21,746	689	-	22,435
Net OPEB obligation	<u>7,410</u>	<u>2,850</u>	<u>1,140</u>	<u>9,120</u>
Total Water Fund	<u>\$ 2,870,650</u>	<u>\$ 3,539</u>	<u>\$ 255,326</u>	<u>\$ 2,618,863</u>
Sewer Fund:				
Revenue Bonds	\$ 8,626,460	\$ -	\$ 690,117	\$ 7,936,343
Advances	1,951,496	296,013	-	2,247,509
Compensated absences	16,405	3,490	-	19,895
Net OPEB obligation	<u>5,590</u>	<u>2,150</u>	<u>860</u>	<u>6,880</u>
Total Sewer Fund	<u>\$ 10,599,951</u>	<u>\$ 301,653</u>	<u>\$ 690,977</u>	<u>\$ 10,210,627</u>
Totals	<u>\$ 13,470,601</u>	<u>\$ 305,192</u>	<u>\$ 946,303</u>	<u>\$ 12,829,490</u>

Operating contributions from Rockbridge County consisted of the following:

Principal and interest payments on the 2001 Water Revenue Refunding Bonds	\$ 117,106
Principal and interest payments on the Route 60 Project	<u>69,339</u>
	<u>\$ 186,445</u>

Related Party Indebtedness:

Rockbridge County issued its revenue bonds, Series 1988, in the amount of \$1,500,000 and Series 1989 in the amount of \$940,000 for the purpose of paying a portion of the costs of the acquisition, construction and equipping of certain sewer and water system facilities to be operated and maintained by the Rockbridge County Public Service Authority. The bonds are legally payable solely from revenues payable by the Authority to the County under a Facilities Agreement between the two entities. The current County Board of Supervisors intends to appropriate funds each year, in its annual budget, which are sufficient to make necessary payments under the Facilities Agreement. The County has made all required payments during the years the bonds have been outstanding. Accordingly, this indebtedness is not included in these financial statements.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

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 PROGRAM:

Authority and Other Participating Entities:

Beginning in fiscal year 2010, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits. Historically, the plan subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the Authority accrue the cost of other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future costs of postemployment benefits and the financial impact on the Authority. This funding methodology mirrors the funding approach used for pension benefits.

A. Plan Description

The Rockbridge County Voluntary Early Retirement Incentive Program (VERIP) is a single-employer defined benefit plan. VERIP benefits are paid monthly for a period of five years or until age 65, whichever comes first. In addition to the monthly stipend, the Authority will pay an amount equivalent to the Board's annual contribution toward medical insurance. Participants may accept it as a cash payment, or apply it toward the cost of the continuation of their Authority medical/dental benefits.

To be eligible, employees must meet the age and service criteria for reduced VRS retirement and be a current employee at least 50 years of age and have been employed by the Authority in a benefits-eligible position for 10 of the last 13 years prior to retirement.

B. Funding Policy

The Authority establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The Authority also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is presented in the following table for fiscal year 2015. The Authority has elected not to pre-fund OPEB liabilities. The Authority is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the year, the estimated contribution to the Plan, and changes in the Authority's net OPEB obligation to the Plan:

	<u>Rockbridge Public Service Authority</u>
Annual Required Contribution (ARC)	\$ 2,000
Interest on OPEB Obligation	1,000
Adjustment to ARC	2,000
Annual OPEB Cost	\$ <u>5,000</u>
Contributions Made During FY15	(2,000)
Increase in Net OPEB Obligation	\$ <u>3,000</u>
Net OPEB Obligation-beginning of year	<u>13,000</u>
Net OPEB Obligation-end of year	\$ <u><u>16,000</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years as follows:

	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Rockbridge County Public Service Authority	June 30, 2015	\$ 5,000	40.00%	\$ 16,000
Rockbridge County Public Service Authority	June 30, 2014	3,000	66.67%	13,000
Rockbridge County Public Service Authority	June 30, 2013	2,000	0.00%	12,000

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial, is as follows:

Actuarial accrued liability (AAL)	\$	11,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability	\$	11,000
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	N/A
UAAL as a percentage of covered payroll		N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

E. Actuarial Methods and Assumptions

Cost Method

The unfunded liability is amortized over 30 years as a level percentage of annual earnings.

Interest Assumptions	Not funded
Discount rate	4%
Payroll growth	2.50%

The entry age normal cost method is used to determine the Plan's funding liabilities and costs.

NOTE 8—LITIGATION:

At June 30, 2015, 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.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 9—ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The Authority implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The implementation of these Statements resulted in the following restatement of net position:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Net Position as reported at June 30, 2014	\$ 10,269,818	\$ 7,013,050	\$ 17,282,868
Implementation of GASB 68	<u>(22,493)</u>	<u>(19,946)</u>	<u>(42,439)</u>
Net Position as restated at June 30, 2014	<u>\$ 10,247,325</u>	<u>\$ 6,993,104</u>	<u>\$ 17,240,429</u>

In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirements of GASB 68 and 71.

NOTE 10—UPCOMING PRONOUNCEMENTS:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 10—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Required Supplementary Information

Rockbridge County Public Service Authority

Schedule of Components of and Changes in Net Pension Liability and Related Ratios Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 42,889
Interest	88,171
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(55,998)
Net change in total pension liability	<u>\$ 75,062</u>
Total pension liability - beginning	<u>1,287,579</u>
Total pension liability - ending (a)	<u><u>\$ 1,362,641</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 30,278
Contributions - employee	17,769
Net investment income	191,855
Benefit payments, including refunds of employee contributions	(55,998)
Administrative expense	(1,030)
Other	10
Net change in plan fiduciary net position	<u>\$ 182,884</u>
Plan fiduciary net position - beginning	<u>1,214,863</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,397,747</u></u>
 Political subdivision's net pension liability - ending (a) - (b)	 \$ (35,106)
 Plan fiduciary net position as a percentage of the total pension liability	 102.58%
 Covered-employee payroll	 \$ 362,539
 Political subdivision's net pension liability as a percentage of covered-employee payroll	 -9.68%

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

Rockbridge County Public Service Authority

Schedule of Employer Contributions

Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	\$ 28,320	\$ 28,320	\$ -	\$ 351,360	2%

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

Rockbridge County Public Service Authority

Notes to VRS Required Supplementary Information Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Schedule of OPEB Funding Progress

Other Postemployment Benefits - Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (c)-(b) (c)	Funded Ratio (a)/(b) (d)	Covered Payroll (e)	UAAL as % of Payroll (c)/(e) (f)
7/1/14	- \$	11,000 \$	11,000	0.00%	\$ 151,707	7.25%
7/1/12	-	20,000	20,000	0.00%	133,738	14.95%
1/1/09	-	11,000	11,000	0.00%	128,352	8.57%

Other Supplementary Information

Supporting Schedules

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
WATER FUND:			
Operating Revenues:			
Water Sales	\$ 1,240,735	\$ 1,220,005	\$ (20,730)
Potential Demand Charge	-	60,833	60,833
Extra Service Units	-	20,168	20,168
Hookup Fee-Water	5,650	11,475	5,825
Late charges	12,872	12,167	(705)
Reconnection charges	4,838	6,023	1,185
Trip charge	200	-	(200)
Inspection Charge	150	236	86
Account Charge	4,740	5,085	345
Lease revenue - Glasgow Interconnection	7,482	7,482	-
Miscellaneous Revenue	8,267	11,542	3,275
Total Operating Revenues	\$ 1,284,934	\$ 1,355,016	\$ 70,082
Nonoperating Revenue and Capital Contributions:			
Interest Income	\$ 5,000	\$ 13,516	\$ 8,516
Availability Fee - Water	80,000	98,000	18,000
Capital contributions	-	14,432	14,432
Operating contributions - County	-	186,445	186,445
Total Nonoperating Revenues and Contributions	\$ 85,000	\$ 312,393	\$ 227,393
Total Water Revenues	\$ 1,369,934	\$ 1,667,409	\$ 297,475
SEWER FUND:			
Operating Revenues:			
Sewer Service Charges	\$ 1,242,305	\$ 1,264,370	\$ 22,065
Potential Demand Charge	-	63,494	63,494
Extra Service Units	-	20,942	20,942
Hookup Fee-Sewer	5,250	5,250	-
Late charges	10,458	8,019	(2,439)
Reconnection charges	1,000	798	(202)
Trip charge	20	-	(20)
Inspection Charge	50	75	25
Account Charge	2,340	2,475	135
Miscellaneous Revenue	1,839	3,368	1,529
Total Operating Revenues	\$ 1,263,262	\$ 1,368,791	\$ 105,529
Nonoperating Revenue and Capital Contributions:			
Interest Income	\$ 2,000	\$ 6,868	\$ 4,868
Availability Fee - Sewer	90,000	87,750	(2,250)
Total Nonoperating Revenues and Contributions	\$ 92,000	\$ 94,618	\$ 2,618
Total Sewer Revenues	\$ 1,355,262	\$ 1,463,409	\$ 108,147

Schedule of Water Expenses - Budget and Actual
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:			
Water:			
Licenses & Permits	\$ 6,750	\$ 6,631	\$ 119
Maintenance of Source of Supply Plant	500	841	(341)
Purchased Water	574,629	620,882	(46,253)
O & M-Water Pumping Equipment	2,400	2,729	(329)
Power for Pumping Water	55,000	53,619	1,381
O & M-Water Pumping Station	600	4,350	(3,750)
O & M-Water Treatment Equipment	770	751	19
Water Treatment Supplies and Expense	4,500	2,639	1,861
Sampling and analysis	7,165	6,063	1,102
Maintenance of Water Tanks	1,500	1,131	369
Maintenance of Mains and Accessories	5,020	4,679	341
Water Services	10,300	7,922	2,378
Maintenance of Meters	2,060	1,624	436
Maintenance of Fire Hydrants and Accessories	5,400	1,116	4,284
Repair and replacement expense	169,231	31,983	137,248
Total Water Operating Expenses	\$ 845,825	\$ 746,960	\$ 98,865
Administrative and General Expenses:			
Bank Service Charges	\$ 50	\$ 43	\$ 7
Uncollected Expenses	1,100	1,469	(369)
Salaries	188,759	186,793	1,966
Office Supplies and Expenses	3,000	1,850	1,150
Outside Services Employed - Financial	6,700	6,178	522
Outside Services Employed - Legal	7,500	1,459	6,041
Outside Services - Software	2,550	1,559	991
Outside Services - General	750	-	750
Insurance Expense	7,166	7,166	-
Payroll contract	315	300	15
Employee Benefits-Medical Insurance	33,085	32,472	613
Employee Benefits - OPEB ARC	-	1,710	(1,710)
Employee Benefits-Retirement-VRS	15,214	4,324	10,890
Employee Benefits-Group Life-VRS	2,492	2,216	276

Schedule of Water Expenses - Budget and Actual
 Year Ended June 30, 2015 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses: (Cont'd)			
Administrative and General Expenses: (Cont'd)			
Employee Benefits-Social Security	\$ 11,703	\$ 11,667	\$ 36
Virginia Unemployment Tax	220	325	(105)
Employee Benefits-Medicare	2,737	2,717	20
Workers compensation insurance	4,294	4,344	(50)
Transportation Expense	12,063	8,839	3,224
Board Members Compensation	2,220	1,625	595
Miscellaneous Expense	5,000	849	4,151
Uniform Rental	874	855	19
Dues and Subscriptions	970	1,119	(149)
Staff Development	2,063	858	1,205
Operation and Maint.-General Equipment	10,717	9,730	987
Telephone Expense	3,350	2,588	762
Postage	3,640	3,157	483
Outside Services Employed - NonConstruction	9,175	9,111	64
Engineering Services -Non Construction	10,000	1,545	8,455
Total Administrative and General Expenses	\$ 347,707	\$ 306,868	\$ 40,839
Depreciation and Amortization:			
Depreciation Expense	\$ -	\$ 402,786	\$ (402,786)
Amortization	-	2,308	(2,308)
Total Depreciation and Amortization	\$ -	\$ 405,094	\$ (405,094)
Interest and other nonoperating expenses:			
Interest expense	\$ 83,359	\$ 83,359	\$ -
Contribution to Maury Service Authority	35,618	35,618	
Total interest and other nonoperating expenses	\$ 118,977	\$ 118,977	\$ -
TOTAL EXPENSES	\$ 1,312,509	\$ 1,577,899	\$ (265,390)

Schedule of Sewer Expenses - Budget and Actual
 Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:			
Sewer:			
Licenses and Permits	\$ -	\$ 11	\$ (11)
Maintenance of Sewer Lines	9,575	848	8,727
Maintenance of Services-Sewer	2,100	(282)	2,382
Power for Pumping Sewer	18,000	14,208	3,792
Operation and Maintenance of Sewage Pumping Equipment	4,900	4,467	433
Sewage Treatment by Contract	643,925	669,043	(25,118)
Maintenance of Sewage Meters	2,050	2,610	(560)
Repair and Replacement Expense	105,300	10,577	94,723
Operations and Maintenance of Sewer Buildings	500	74	426
Sewage Chemical Supplies and Expense	2,500	2,180	320
Total Sewer Operating Expenses	\$ 788,850	\$ 703,736	\$ 85,114
Administrative and General Expenses:			
Bank Service Charges	\$ 50	\$ 13	\$ 37
Uncollected Expenses	1,100	610	490
Salaries	167,390	168,321	(931)
Office Supplies and Expenses	3,000	1,851	1,149
Outside Services Employed - Financial	6,700	6,178	522
Outside Services Employed - Legal	7,500	1,459	6,041
Outside Services - Software	2,550	1,559	991
Outside Services - General	750	-	750
Insurance Expense	7,166	7,166	-
Payroll contract	315	300	15
Employee Benefits-Medical Insurance	29,339	28,796	543
Employee Benefits - OPEB ARC	-	1,290	(1,290)
Employee Benefits-Retirement-VRS	13,492	3,835	9,657
Employee Benefits-Group Life-VRS	2,210	1,965	245
Employee Benefits-Social Security	10,378	10,551	(173)
Virginia Unemployment Tax	196	288	(92)
Employee Benefits-Medicare	2,427	2,410	17
Workers compensation insurance	3,838	3,853	(15)
Transportation Expense	12,063	8,839	3,224

Schedule of Sewer Expenses - Budget and Actual
 Year Ended June 30, 2015 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses: (Cont'd)			
Administrative and General Expenses: (Cont'd)			
Board Members Compensation	\$ 2,220	\$ 1,625	\$ 595
Miscellaneous Expense	5,000	960	4,040
Uniform Rental	874	855	19
Dues and Subscriptions	325	424	(99)
Staff Development	1,163	705	458
Operation and Maintenance - General Equipment	9,957	9,726	231
Telephone Expense	3,350	2,588	762
Postage	2,860	2,537	323
Outside Services Employed - NonConstruction	2,750	2,635	115
Engineering Services -Non Construction	5,000	(153)	5,153
Total Administrative and General Expenses	\$ 303,963	\$ 271,186	\$ 32,777
Depreciation and Amortization:			
Depreciation Expense	\$ -	\$ 538,994	\$ (538,994)
Total Depreciation and Amortization	\$ -	\$ 538,994	\$ (538,994)
TOTAL EXPENSES	\$ 1,092,813	\$ 1,513,916	\$ (421,103)

Schedule of Water and Sewer Rates

Year Ended June 30, 2015

	<u>Water</u>	<u>Sewer</u>
Number of Customers:		
Residential	1,933	829
Commercial	312	223
Basic rates per thousand gallons	\$ 4.80	\$ 8.10

Insurance Coverage

Year Ended June 30, 2015

Insurance Company	Certificate Number	Dates	Type	Policy Limits
Virginia Association of Counties Group Self Insurance Risk Pool	VA-RO-078A	7/1/14-7/1/15	Workmen's Compensation and Employer's Liability	Statutory
		7/1/14-7/1/15	Automobile Liability	2,000,000
			Values per policy	Replacement cost
			Fidelity/Crime Contribution	250,000
			Comprehensive general liability	2,000,000

Compliance

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
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, 2015, and the related notes to the financial statements, which collectively comprise the Rockbridge County Public Service Authority and have issued our report thereon dated October 16, 2015.

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, Farney Cox Associates
Charlottesville, Virginia
October 16, 2015