ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY (A Component Unit of Rockbridge County, Virginia) FINANCIAL REPORT YEAR ENDED JUNE 30, 2022

(A Component Unit of Rockbridge County, Virginia)

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

(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 <u>Code of Virginia</u>, as amended)

MEMBERS

David Hinty, Jr.

Rick Mast

Jay Melvin

Dr. Grigg Mullen

David Renalds

OFFICIALS

Grigg Mullen, Chairman

Rick Mast, Vice-Chairman

Jay Melvin, Treasurer

Melissa Alexander, Executive Director and Secretary

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rockbridge County Public Service Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement Nos. 87, Leases and 92, *Omnibus*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rockbridge County Public Service Authority's ability to continue as a going concern for twelve months beyond June 30, 2022, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that
 are appropriate in the circumstances, but not for the purpose of expressing an opinion on the
 effectiveness of Rockbridge County Public Service Authority's internal control. Accordingly, no such
 opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rockbridge County Public Service Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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 December 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of the Rockbridge County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rockbridge County Public Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rockbridge County Public Service Authority's internal control over financial reporting and compliance.

Kobinson, Farmer, Cox, Ksociotes
Charlottesville, Virginia

October 27, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements section of this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13 through 40 of this report.

<u>Other information</u>. 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 and OPEB 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 \$20,828,824 (net position). Of this amount \$7,000,638 (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 \$277,630.
- The Authority's total long-term obligations decreased by \$883,211 during the current fiscal year, largely due to payment of revenue bonds.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Service Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,816,936 at the close of the most recent fiscal year.

The largest portion of the Authority's net position (66%) 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					
		2022		2021			
Current and other assets	\$	8,028,094	ċ	7,285,771			
Capital assets	Ş	24,944,418	Ş	25,958,086			
capital assets	-	24,744,410		23,730,000			
Total assets	\$	32,972,512	\$	33,243,857			
Deferred outflows of resources	\$_	104,285	\$_	143,502			
Long-term liabilities outstanding	\$	10,438,578	\$	11,259,072			
Other Liabilities	_	1,552,404		1,585,339			
Total Liabilities	\$	11,990,982	\$	12,844,411			
Deferred inflows of resources	\$_	268,879	\$	3,642			
Net position:							
Net investment in capital assets	\$	13,816,298	\$	13,926,595			
Unrestricted	_	7,000,638	_	6,612,711			
Total net position	\$	20,816,936	\$	20,539,306			

Financial Analysis (continued)

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

		Change in Net Position				
		2022	_	2021		
Revenues: Operating Revenues	\$	3,824,493	\$	3,697,624		
Operating contributions-Rockbridge County Other Revenue	_	223,863 22,082	_	1,098,909 82,017		
Total revenues	\$_	4,070,438	\$_	4,878,550		
Expenses: Operating Expenses Depreciation Expense Interest Expense Other Expense	\$_	3,000,865 1,083,926 118,720 35,618	\$	2,989,994 1,013,800 127,823 35,618		
Total expenses	\$_	4,239,129	\$_	4,167,235		
Change in net position before capital contributions Capital Contributions	\$_	(168,691) 446,321	\$_	711,315 279,956		
Change in net position Net position—July 1	\$_	277,630 20,539,306	\$_	991,271 19,548,035		
Net position—June 30	\$_	20,816,936	\$_	20,539,306		

The Service Authority's net position increased by \$277,630 during the current year. Total revenues increased \$126,869 (excluding capital contributions) while total expenses increased \$80,997 from FY2022 totals. Capital contributions increased by \$166,365 from 2022 amounts.

Capital Asset and Debt Administration

<u>Capital Assets</u> - The Authority's investment in capital assets as of June 30, 2022 amounts to \$24,936,100 (net of accumulated depreciation). Investment in Capital Assets decreased 4% during the year. Below is a comparison of the items that make up Capital Assets as of June 30, 2022 with that of June 30, 2021.

		2022	 2021
Land and Land Rights	\$	410,596	\$ 410,596
Buildings		40,591	45,591
Water structures, lines and equipment		9,411,524	9,815,033
Sewer structures, lines and equipment		14,880,960	15,509,666
Office equipment		192,429	177,200
Construction in Progress		8,318	-
Total Capital Assets	\$_	24,944,418	\$ 25,958,086

Capital Asset and Debt Administration (Continued)

Major capital asset activity for the current fiscal year included:

Projects:

Water Capacity Study	\$ 36,578
Manhole Rehab	8,318
Total	\$ 44,896

<u>Long-Term Debt</u> - At the end of the fiscal year, the Authority had \$11,287,209 in bonds and notes outstanding versus \$12,031,491 last year, a decrease of 6%.

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

<u>Operating Revenues</u> - Water operating revenues increased by 6.06% from last year's levels while sewer operating revenues decreased 1.13%. Total water and sewer fund revenues decreased 12.44%.

<u>Operating Expenses</u> - Operating expenses (excluding depreciation) increased by \$10,871 (.36%) over the prior year. Water operating expenses increased by \$120,198 (11.88%) and sewer expenses decreased by \$14,983 (1.22%). Administrative expenses decreased by \$94,344 (12.61%).

Nonoperating Revenues and Expenses - Nonoperating items are items not directly related to Operations. They more reflect how the business is financed. They include such items as Interest Income and Interest Expense, Availability Fees, Grants and contributions in aid of construction by various parties. Interest earnings this fiscal year increased from last year due to the increasing 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 \$223,863 this year as compared to \$1,098,909 in the previous year.

Long Term Trends in Operations:

The lingering effects of COVID-19 continued to put a strain on the finances this fiscal year. The PSA applied for another round of Coronavirus Aid, the State and Local Fiscal Recovery Funds (SLFRF) through the American Recovery Plan Act. The PSA was awarded \$17,068.17, The funds were applied to customers with arrearages that were greater than 60 days for the time period between March 2020 and August 2021.

The Long Hollow Project remaining bond funds were finally able to be spent this year. Staff bid a new dump truck in January 2021. Due to COVID-19 and the chip shortage, the truck body experienced numerous delays but was finally delivered in the spring.

The Route 60 Sewer Project construction, which was completed last fiscal year has been running smoothly. During the year, we were finally able to hire the vacant field position making the PSA fully staffed.

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.



(Component Unit of County of Rockbridge, VA)

Statement of Net Position June 30, 2022 (With Comparative Totals for 2021)

								Totals for
			A	t June 30, 202	2			June 30,
	_	Water	_	Sewer	_	Total	_	2021
ASSETS								
Current Assets:		10/1/71		2 (10 500	,	(004 070		(100 175
Cash and cash equivalents	\$	4,261,674	\$	2,619,598	\$	6,881,272	\$	6,429,175
Accounts receivable - customers, net Accounts receivable - others		370,537 738		429,164 7,644		799,701 8,382		670,244 38,774
Lease receivable, current portion		1,789		7,044		1,789		30,774
Inventory of maintenance supplies		70,732		14,369		85,101		69,983
Accrued interest		311		-		311		-
Restricted current assets:								
Customer deposits - cash	_	41,717	_	35,787	_	77,504	_	77,595
Total current assets	\$	4,747,498	\$_	3,106,562	\$_	7,854,060	\$_	7,285,771
Noncurrent Assets:								
Other assets:	.	4.4.0.45	<u>_</u>		,	4.4.045	ć	
Lease receivable, net of current portion Net pension asset	\$	14,945 79,545	\$	79,544	\$	14,945 159,089	\$	-
·	_			·		·	_	
Total noncurrent assets	\$_	94,490	- ^{\$} —	79,544	- ^{\$}	174,034	۶_	-
Capital Assets:							_	
Land	\$	194,893	\$	215,703	\$	410,596	\$	410,596
Buildings		99,951 18,587,836		76,915 24,419,257		176,866 43,007,093		176,866 43,007,093
Utility plant and equipment Vehicles and equipment		562,536		446,630		1,009,166		947,226
vernetes and equipment		302,330		770,030		1,007,100	-	747,220
Total capital assets	\$	19,445,216	\$	25,158,505	\$	44,603,721	\$	44,541,781
Accumulated depreciation	_	(9,725,411)		(9,942,210)		(19,667,621)	_	(18,583,695)
Sub-total	\$	9,719,805	\$	15,216,295	\$	24,936,100	\$	25,958,086
Construction work in progress	_	-	_	8,318	_	8,318	_	
Net capital assets	\$	9,719,805	\$_	15,224,613	\$_	24,944,418	\$_	25,958,086
Total noncurrent assets	\$_	9,814,295	\$_	15,304,157	\$_	25,118,452	\$_	25,958,086
Total assets	\$	14,561,793	\$	18,410,719	\$	32,972,512	\$_	33,243,857
DEFERRED OUTFLOWS OF RESOURCES								
Pension related items	\$	49,250	\$	48,700	\$	97,950	\$	135,984
OPEB related items	_	3,167	_	3,168	_	6,335	_	7,518
Total deferred outflows of resources	\$	52,417	\$	51,868	\$	104,285	\$_	143,502

(Component Unit of County of Rockbridge, VA)

Statement of Net Position June 30, 2022 (With Comparative Totals for 2021)

					_			Totals for
	_		-	At June 30, 202	2		-	June 30,
LIABILITIES	_	Water		Sewer		Total		2021
LIABILITIES								
Current liabilities:	ċ	2/0.75/	ċ	2/2 0/2	ċ	F22 /40	ċ	404 (70
Accounts payable	\$	260,756	\$	262,862	\$	523,618	\$	491,670
Compensated absences		20,932		20,932		41,864		40,748
Accrued interest payable		175		15,860		16,035		18,110
Bonds payable - current portion	_	55,266		838,117		893,383		957,216
Total current liabilities	\$_	337,129	\$	1,137,771	\$_	1,474,900	\$_	1,507,744
Current liabilities payable from restricted assets:								
Customer deposits	\$	41,717	\$	35,787	\$_	77,504	\$_	77,595
Noncurrent liabilities:								
Loan from Rockbridge County	\$	-	\$	4,052,984	Ś	4,052,984	Ś	3,839,992
Net pension liability	•	-	•	-	,	-	,	131,919
Net OPEB liabilities		22,376		22,376		44,752		52,878
Bonds payable - net of current portion	_	2,156,433		4,184,409		6,340,842		7,234,283
Total noncurrent liabilities	\$_	2,178,809	\$	8,259,769	\$_	10,438,578	\$_	11,259,072
Total liabilities	\$_	2,557,655	\$	9,433,327	\$_	11,990,982	\$_	12,844,411
DEFERRED INFLOWS OF RESOURCES								
Pension related items	\$	120,794	\$	121,260	\$	242,054	\$	2,091
OPEB related items		5,064		5,064		10,128		1,551
Lease related items		16,697		-	_	16,697	_	-
Total deferred inflows of resources	\$_	142,555	\$	126,324	\$_	268,879	\$_	3,642
NET POSITION								
Net investment in capital assets	\$	7,587,651	\$	6,228,647	\$	13,816,298	\$	13,926,595
Restricted:	•	, ,	•	, , , ,	•	, , , , , ,	•	, , ,
Net pension asset		79,545		79,544		159,089		-
Unrestricted	_	4,246,804		2,594,745		6,841,549		6,612,711
Total Net Position	\$	11,914,000	\$	8,902,936	\$	20,816,936	\$	20,539,306

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

(Component Unit of County of Rockbridge, VA)

Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2022 $\,$

(With Comparative Totals for 2021)

	Year Ended June 30, 2022						
	_	Water		Sewer	Totals	June 30, 2021	
Operating Revenues:							
Water sales	\$	1,652,638	\$	- \$	1,652,638 \$	1,588,955	
Sewer service charges	·	-	·	1,858,176	1,858,176	1,847,757	
Potential demand charge		74,017		81,471	155,488	76,640	
Extra service units		23,540		24,695	48,235	47,121	
Hookup fees		24,850		16,713	41,563	19,925	
Late charges		27,582		-	27,582	34,944	
Reconnection charges		11,994		3,088	15,082	3,883	
Inspection charge		-		1,113	1,113	600	
Account charge		-		3,488	3,488	9,388	
Miscellaneous revenue	_	15,038		6,090	21,128	68,411	
Total Operating Revenues	\$_	1,829,659	\$	1,994,834 \$	3,824,493 \$	3,697,624	
Operating Expenses:							
Water operating expenses	\$	1,132,338	\$	- \$	1,132,338 \$	1,012,140	
Sewer operating expenses		-		1,214,879	1,214,879	1,229,862	
Administrative and general expenses		339,093		314,555	653,648	747,992	
Depreciation expense		429,078		654,848	1,083,926	1,013,800	
Total Operating Expenses	\$_	1,900,509	\$	2,184,282 \$	4,084,791 \$	4,003,794	
Net Operating Income (Loss)	\$_	(70,850)	\$	(189,448) \$	(260,298) \$	(306,170)	
Nonoperating Revenues (Expenses):							
Interest income	\$	13,729	\$	8,353 \$	22,082 \$	82,017	
Operating contributions - County (Note 5)		-		223,863	223,863	1,098,909	
Interest expense		(52,124)		(66,596)	(118,720)	(127,823)	
Contribution to Maury Service Authority		(35,618)			(35,618)	(35,618)	
Total Nonoperating Income (Expense)	\$_	(74,013)	\$	165,620 \$	91,607 \$	1,017,485	
Income (loss) before contributions	\$	(144,863)	\$	(23,828) \$	(168,691) \$	711,315	
Capital contributions	_	241,571		204,750	446,321	279,956	
Change in net position	\$	96,708	\$	180,922 \$	277,630 \$	991,271	
Net Position, Beginning of Year	_	11,817,292		8,722,014	20,539,306	19,548,035	
Net Position, End of Year	\$	11,914,000	\$	8,902,936 \$	20,816,936 \$	20,539,306	

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

(Component Unit of County of Rockbridge, VA)

Statement of Cash Flows Year Ended June 30, 2022 (With Comparative Totals for 2021)

		Year E	22	Totals for June 30,	
	_	Water	Sewer	Totals	2021
Cash flows from operating activities: Receipts from customers and users Payments to suppliers Payments to employees	\$	1,794,805 \$ (1,193,112) (256,197)	1,913,798 \$ (1,501,418) (26,873)	3,708,603 \$ (2,694,530) (283,070)	3,696,904 (2,896,875) (570,606)
Net cash provided by (used for) operating activities	\$_	345,496 \$	385,507 \$	731,003 \$	229,423
Cash flows from noncapital financing activities: Operating grants received - County Contribution to Maury Service Authority	\$_	- \$ (35,618)	223,863 \$	223,863 \$ (35,618)	1,098,909 (35,618)
Net cash provided by (used for) noncapital financing activities	\$_	(35,618) \$	223,863 \$	188,245 \$	1,063,291
Cash flows from capital and related financing activities: Additions to utility plant Additions to office and general equipment Principal payments on bonds Interest paid Proceeds from loans from Rockbridge Contributions in aid of construction Net cash provided by (used for) capital and related financing activities	\$ \$	- \$ (27,900) (124,157) (53,022) - 241,571 36,492 \$	(8,318) \$ (34,040) (833,117) (67,772) 212,992 204,750 (525,505) \$	(8,318) \$ (61,940) (957,274) (120,794) 212,992 446,321 (489,013) \$	(2,952,627) - (946,073) (129,851) 332,012 279,956 (3,416,583)
Cash flows from investing activities: Interest income	\$_	13,418 \$	8,353_\$	21,771 \$	82,017
Increase (decrease) in cash and cash equivalents	\$	359,788 \$	92,218 \$	452,006 \$	(2,041,852)
Cash and cash equivalents at beginning of year (including \$40,940 and \$36,655 respectively reported in restricted accounts) Cash and cash equivalents at end of year (including \$41,717 and \$35,787 respectively reported in	_	3,943,603	2,563,167	6,506,770	8,548,622
restricted accounts)	\$	4,303,391 \$	2,655,385 \$	6,958,776 \$	6,506,770
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	\$	(70,850) \$	(189,448) \$	(260,298) \$	(306,170)
Depreciation Changes in operating assets and liabilities:		429,078	654,848	1,083,926	1,013,800
(Increase) decrease in receivables (Increase) decrease in lease receivables (Increase) decrease in inventories (Increase) decrease in net pension asset Increase (decrease) in accounts payable Increase (decrease) in compensated absences Increase (decrease) in net OPEB liability Increase (decrease) in net pension liability (Increase) decrease in deferred outflows of resources Increase (decrease) in deferred inflows of resources		(18,897) (16,734) (13,699) (79,545) 24,229 558 (4,063) (65,959) 19,346 141,255	(80,168) - (1,419) (79,544) 7,718 558 (4,063) (65,960) 19,871 123,982	(99,065) (16,734) (15,118) (159,089) 31,947 1,116 (8,126) (131,919) 39,217 265,237	(2,745) - 63 6,279 (510,762) (12,976) 1,216 131,919 (73,719) (19,507)
Increase (decrease) in customers deposits		777	(868)	(91)	2,025
Net cash provided by (used for) operating activities	\$_	345,496 \$	385,507 \$	731,003 \$	229,423

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

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022

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.

<u>Financial Reporting Entity</u> - 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.

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

- Management's discussion and analysis
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Required Supplementary Information
 - Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 - Schedule of Employer Contributions Pension
 - Notes to Required Supplementary Information Pension
 - Schedule of Authority's Share of Net OPEB Liability—Group Life Insurance Plan
 - Schedule of Employer Contributions—Group Life Insurance Plan
 - Notes to Required Supplementary Information—Group Life Insurance Plan
 - Schedule of Authority's Proportionate Share of Net OPEB Liability Medical and Dental Insurance
 - Schedule of Employer Contributions Medical and Dental Insurance
 - Notes to Required Supplementary Information Medical and Dental Insurance

<u>Basis of Accounting</u> - 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.

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

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

<u>Restricted Assets</u> - 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.

<u>Revenue</u> - 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 for delinquent balances at June 30, 2022 totaled \$39,608.

<u>Cash and Cash Equivalents</u> - The Authority's cash and cash equivalents include cash on hand, amounts in demand deposits, as well as short-term investments with original maturities of three months or less from the date of acquisition.

<u>Inventory</u> - Inventories of new spare parts are valued at average cost. Inventories of salvaged parts are valued at zero.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, 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
Overhead	40

<u>Compensated Absences</u> - 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.

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

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

<u>Use of Estimates</u> - 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.

<u>Net Position</u> - The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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

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

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

<u>Deferred Outflows/Inflows of Resources</u> - In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets 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 pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

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

Pensions

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

Other Postemployment Benefits

Group Life Insurance

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

<u>Investments</u>

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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2022, the Authority held no investments.

The Authority has no formal deposit and investment policy.

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 3—CAPITAL ASSETS:

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

	_	Beginning Balance	_	Increases	_	Decreases	_	Ending Balance
Water								
Capital assets not being depreciated: Land	\$	194,893	¢	_	\$	_	\$	194,893
	~ <u> </u>	171,075	۷-		۷ –		٧-	171,073
Other Capital Assets:		00.054	,		,		,	00.054
Buildings Accumulated depreciation	\$	99,951 (76,797)	\$	(2, 400)	\$	-	\$	99,951
Total	<u>s</u> -	23,154	\$	(2,499)	s -	<u>-</u>	<u>,</u> –	(79,296)
Utility plant and equipment	* – \$	18,587,836	*- \$	(2) 177)	* - \$		Ť-	18,587,836
Accumulated depreciation	Ą	(8,772,803)	۲	(403,509)	۲	-	Ç	(9,176,312)
Total	\$ ⁻	9,815,033	\$	(403,509)	\$ ⁻	-	\$ ⁻	9,411,524
Office and general equipment	\$	534,636	\$	27,900	\$		\$ -	562,536
Accumulated depreciation		(446,733)		(23,070)		-		(469,803)
Total	\$_	87,903	\$	4,830	\$_	-	\$_	92,733
Other capital assets, net	\$_	9,926,090	\$_	(401,178)	\$_		\$_	9,524,912
Water capital assets, net	\$_	10,120,983	\$_	(401,178)	\$_		\$_	9,719,805
Sewer Capital assets not being depreciated: Land Construction work in progress	\$	215,703	\$	- 8,318	\$	-	\$	215,703 8,318
Total capital assets not being depreciated	\$_	215,703	\$	8,318	\$_	-	\$_	224,021
Other Capital Assets:								
Buildings	\$	76,915	\$	-	\$	-	\$	76,915
Accumulated depreciation		(55,056)	_	(1,923)	_	-		(56,979)
Total	\$_	21,859	\$_	(1,923)	\$_	-	\$_	19,936
Utility plant and equipment	\$	24,419,257	\$	-	\$	-	\$	24,419,257
Accumulated depreciation	_	(8,909,014)	_	(629,283)	_		_	(9,538,297)
Total	\$_	15,510,243	\$_	(629,283)	\$_		\$ <u></u> _	14,880,960
Office and general equipment	\$	412,590	\$	34,040	\$	-	\$	446,630
Accumulated depreciation	. –	(323,292)		(23,642)	. –		. –	(346,934)
Total	\$_	89,298	\$_	10,398	\$_	-	\$_	99,696
Other capital assets, net	\$_	15,621,400	\$_	(620,808)	\$_		\$_	15,000,592
Sewer capital assets, net	\$_	15,837,103	\$_	(612,490)	\$_	_	\$_	15,224,613
Total capital assets, net	\$_	25,958,086	\$_	(1,013,668)	\$_		\$_	24,944,418

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 4-PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	5
Inactive members: Vested inactive members	1
Non-vested inactive members	2
Inactive members active elsewhere in VRS	2
Total inactive members	5
Active members	9
Total covered employees	19

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2022 was 4.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$17,040 and \$18,252 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, the net pension liability was measured as of June 30, 2021. The total pension asset used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation 2.50%

Salary increases, including inflation 3.50% - 5.35%

Investment rate of return 6.75%, net of pension plan investment

expenses, including inflation

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (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)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*		
Public Equity	34.00%	5.00%	1.70%		
Fixed Income	15.00%	0.57%	0.09%		
Credit Strategies	14.00%	4.49%	0.63%		
Real Assets	14.00%	4.76%	0.67%		
Private Equity	14.00%	9.94%	1.39%		
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%		
PIP - Private Investment Partnership	3.00%	6.84%	0.21%		
Total	100.00%		4.89%		
	<u> </u>	Inflation	2.50%		
	*Expected arithmetic nominal return				

^{*} The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer

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

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension asset.

Changes in Net Pension Liability

		Increase (Decrease)				
		Total Pension Liability (a)	_ ,	Plan Fiduciary Net Position (b)		Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$_	1,913,819	\$	1,781,900	\$	131,919
Changes for the year:						
Service cost	\$	43,598	\$	-	\$	43,598
Interest		126,328		-		126,328
Changes of assumptions		59,008		-		59,008
Differences between expected and actual experience		3,122		-		3,122
Contributions - employer		-		18,253		(18,253)
Contributions - employee		-		20,692		(20,692)
Net investment income		-		485,293		(485,293)
Benefit payments, including refunds						
of employee contributions		(84,573)		(84,573)		-
Administrative expenses		-		(1,220)		1,220
Other changes		-		46		(46)
Net changes	\$	147,483	\$	438,491	\$	(291,008)
Balances at June 30, 2021	\$	2,061,302	\$	2,220,391	\$	(159,089)

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

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

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

		Rate		
	1% Decrease	Current Discount	1% Increase	
	(5.75%)	(6.75%)	(7.75%)	
Net Pension Liability (Asset)	\$ 118,970 \$	(159,089) \$	(388,382)	

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

For the year ended June 30, 2022, the Authority recognized pension expense of \$3,689. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	red Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,935 \$	-
Change in assumptions	54,425	-
Net difference between projected and actual earnings on pension plan investments	-	241,505
Change in proportionate share	550	550
Employer contributions subsequent to the measurement date	 17,040	
Total	\$ 80,910 \$	242,055

\$17,040 was reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	•	
2023	\$	(12,988)
2024		(27,593)
2025		(47,241)
2026		(73,323)
2027		-
Thereafter		-

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Pension Plan Data

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

NOTE 5-LONG-TERM OBLIGATIONS:

Details of long-term obligations: Water Fund:	_	Total Amount	 Amount Due Within One Year
<u>Direct Borrowings and Placements:</u> Rural Development Bonds:			
\$637,000 Water System Revenue Bond (Series 2018) issued through the United States Department of Agriculture, dated October 30, 2018, payable monthly through July 2028, stated interest rate of 2.75%	\$	611,639	\$ 9,927
\$2,081,000 Water System Revenue Bond (Series 2012) issued through the United States Department of Agriculture, dated June 28, 2012, payable annually in varying amounts through June 28, 2052, stated interest rate of 2.0%.		1,600,060	45,339
Total Revenue Bonds	\$	2,211,699	\$ 55,266
Other Long-term Obligations:			
Compensated absences		20,932	20,932
Net OPEB liabilities	_	22,376	 -
Total Water Fund	\$_	2,255,007	\$ 76,198

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 5-LONG-TERM OBLIGATIONS: (CONTINUED)

	_	Total Amount		Amount Due Within One Year
Sewer Fund:				
<u>Direct Borrowings and Placements:</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	\$	3,105,526	Ś	690,117
\$2,461,000 Sewer System Revenue Bonds, Series 2018 issued through the Virginia Revolving Loan Fund payable through December 31, 2033 in equal installments with interest at 3.29%. Amount advanced and outstanding at year-end	·	1,917,000	,	148,000
Advances:				
Loan from Rockbridge County, dated September 1, 2010. No agreed upon repayment terms.		4,052,984		-
Other Long-term Obligations:				
Compensated absences		20,932		20,932
Net OPEB liabilities	_	22,376		-
Total Sewer Fund	\$	9,118,818	\$	859,049
Grand total	\$_	11,373,825	\$	935,247

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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

		Direct Borrowings and Placements							
Year Ending	•	Re	venue and R	ural Deve	elopment Bonds				
June 30		Principal Intere							
2023		\$	893,383		111,411				
2024			898,576		105,349				
2025			904,794		99,130				
2026			912,040		92,719				
2027			573,255		86,083				
2028			234,497		79,255				
2029			241,827		72,233				
2030			249,186		64,985				
2031			256,575		57,509				
2032			263,995		49,806				
2033-2037			561,394		167,358				
2038-2042			389,441		119,779				
2043-2047			443,102		74,938				
2048-2052			248,966		31,769				
2053-2057			120,015		13,425				
2058-2059			43,179	_	686				
Total	\$		7,234,225	\$	1,226,435				

Changes in Long-Term Obligations:

Water Fund: Direct Borrowings and Placements: 8 691,362 \$ - \$ 79,722 \$ 611,640 Rural Development Bonds 1,644,494 - 44,435 1,600,059 Compensated Absences 20,374 1,745 1,187 20,932 Net pension liability 65,959 116,638 182,597 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Water Fund \$ 2,448,628 \$ 123,146 \$ 316,767 \$ 2,255,007 Sewer Fund: Direct Borrowings and Placements: 8 833,117 \$ 5,022,526 Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818 T		_	Balance July 1, 2021		Issuances/ Retirement/ Additions Reductions			Balance June 30, 2022	
Revenue Bonds \$ 691,362 \$ - \$ 79,722 \$ 611,640 Rural Development Bonds 1,644,494 - 44,435 1,600,059 Compensated Absences 20,374 1,745 1,187 20,932 Net pension liability 65,959 116,638 182,597 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Water Fund \$ 2,448,628 123,146 \$ 316,767 \$ 2,255,007 Sewer Fund: Direct Borrowings and Placements: Revenue Bonds \$ 5,855,643 \$ - \$ 833,117 \$ 5,022,526 Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Water Fund:								
Rural Development Bonds 1,644,494 - 44,435 1,600,059 Compensated Absences 20,374 1,745 1,187 20,932 Net pension liability 65,959 116,638 182,597 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Water Fund \$ 2,448,628 123,146 \$ 316,767 \$ 2,255,007 Sewer Fund: Direct Borrowings and Placements: Revenue Bonds \$ 5,855,643 \$ - \$ 833,117 \$ 5,022,526 Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Direct Borrowings and Placements:								
Compensated Absences 20,374 1,745 1,187 20,932 Net pension liability 65,959 116,638 182,597 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Water Fund \$ 2,448,628 \$ 123,146 \$ 316,767 \$ 2,255,007 Sewer Fund: Direct Borrowings and Placements: Revenue Bonds \$ 5,855,643 \$ - \$ 833,117 \$ 5,022,526 Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Revenue Bonds	\$	691,362	\$	-	\$	79,722	\$	611,640
Net pension liability 65,959 116,638 182,597 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Water Fund \$ 2,448,628 \$ 123,146 \$ 316,767 \$ 2,255,007 Sewer Fund: Direct Borrowings and Placements: Revenue Bonds \$ 5,855,643 \$ - \$ 833,117 \$ 5,022,526 Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Rural Development Bonds		1,644,494		-		44,435		1,600,059
Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Water Fund \$ 2,448,628 \$ 123,146 \$ 316,767 \$ 2,255,007 Sewer Fund: Direct Borrowings and Placements: Revenue Bonds \$ 5,855,643 \$ - \$ 833,117 \$ 5,022,526 Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Compensated Absences		20,374		1,745		1,187		20,932
Total Water Fund \$ 2,448,628 \$ 123,146 \$ 316,767 \$ 2,255,007 Sewer Fund: Direct Borrowings and Placements: Revenue Bonds \$ 5,855,643 \$ - \$ 833,117 \$ 5,022,526 Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Net pension liability		65,959		116,638		182,597		-
Sewer Fund: Direct Borrowings and Placements: Revenue Bonds \$ 5,855,643 \$ - \$ 833,117 \$ 5,022,526 Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - 10,025,728 5 22,376 Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Net OPEB liabilities	_	26,439		4,763	_	8,826		22,376
Direct Borrowings and Placements: Revenue Bonds \$ 5,855,643 \$ - \$ 833,117 \$ 5,022,526 Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Total Water Fund	\$	2,448,628	\$	123,146	\$	316,767	\$	2,255,007
Revenue Bonds \$ 5,855,643 \$ - \$ 833,117 \$ 5,022,526 Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Sewer Fund:								
Advances 3,839,992 212,992 - 4,052,984 Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Direct Borrowings and Placements:								
Compensated absences 20,374 1,745 1,187 20,932 Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Revenue Bonds	\$	5,855,643	\$	-	\$	833,117	\$	5,022,526
Net pension liability 65,960 116,638 182,598 - Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Advances		3,839,992		212,992		-		4,052,984
Net OPEB liabilities 26,439 4,763 8,826 22,376 Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Compensated absences		20,374		1,745		1,187		20,932
Total Sewer Fund \$ 9,808,408 \$ 336,138 \$ 1,025,728 \$ 9,118,818	Net pension liability		65,960		116,638		182,598		-
	Net OPEB liabilities	_	26,439		4,763	_	8,826	i	22,376
Totals \$ 12,257,036 \$ 459,284 \$ 1,342,495 \$ 11,373,825	Total Sewer Fund	\$	9,808,408	\$	336,138	\$	1,025,728	\$	9,118,818
	Totals	\$	12,257,036	\$	459,284	\$	1,342,495	\$	11,373,825

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 5-LONG-TERM OBLIGATIONS: (CONTINUED)

Related Party Activity:

Operating contributions from Rockbridge County consisted of the following:

Principal and interest payments on the 2018 Sewer Revenue Bonds

\$ 237,002
\$ 237,002

Rockbridge County issued a loan to the Authority in 2010 in the amount of \$2,823,785, with additional issuances of \$233,488 in 2018, \$221,900 in 2019, \$228,717 in 2020, \$332,011 in 2021, and \$212,992 in 2022. The total amount outstanding at June 30, 2022 is \$\$4,052,984. The loan has no agreed upon repayment terms.

NOTE 6-RISK MANAGEMENT:

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

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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

Plan Description

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

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

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

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for COLA \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Plan are governed by \$51.1-506 and \$51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$2,150 and \$2,271 for the years ended June 30, 2022 and June 30, 2021, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2022, the entity reported a liability of \$23,751 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .00200% as compared to .00210% at June 30, 2020.

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$790. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	-	Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$	2,709	\$ 181
Net difference between projected and actual earnings on GLI OPEB Plan investments		-	5,669
Change in assumptions		1,309	3,250
Changes in proportionate share		167	1,028
Employer contributions subsequent to the measurement date	-	2,150	 <u>-</u>
Total	\$	6,335	\$ 10,128

\$2,150 was reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2023	\$ (1,353)
2024	(1,090)
2025	(1,078)
2026	(1,949)
2027	(473)
Thereafter	_

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation 2.50%

Salary increases, including inflation:

Locality - General employees 3.50%-5.35%

Investment rate of return 6.75%, net of investment expenses,

including inflation

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Plan
Total GLI OPEB Liability Plan Fiduciary Net Position	\$	3,577,346 2,413,074
Employers' Net GLI OPEB Liability (Asset)	\$ <u> </u>	1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Long-Term Expected Rate of Return

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

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

^{*}The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

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

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

		Rate								
	1% Decrease		Current Discount	1% Increase						
		(5.75%)	(6.75%)	(7.75%)						
Authority's proportionate										
share of the Group Life										
Insurance Plan										
Net OPEB Liability	\$	34,701 \$	23,751	\$ 14,908						

GLI Program Fiduciary Net Position

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

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Plan Description

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

Benefits Provided

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

Total active employees with coverage	9
Total	9

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. Contributions to the OPEB plan from the Rockbridge County Public Service Authority were \$0 for the year ended June 30, 2022.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2021
Salary Increases	2.50% per year for general salary inflations
Discount Rate	1.92% for accounting and funding disclosures
	10.19% for fiscal year end 2021, decreasing 0.50% per year to an ultimate rate of 5.00%

Mortality rates were based on the RP-2014 Fully Generational Mortality Table, with base year 2006 projected using two-dimensional improvement scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on July 1, 2021 valuation data. The methods, assumptions, and participant data used can be found in the July 1, 2021 actuarial valuation report.

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Discount Rate

The discount rate has been set equal to 1.92% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date.

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

The following presents the total OPEB liability of the Rockbridge County Public Service Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current discount rate:

			Rate			
1% Decrease			Current Discount		1% Increase	
	(.92%)		Rate (1.92%)		(2.92%)	
\$ _	23,000	\$	21,000	\$ _	19,000	

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

The following presents the total OPEB liability of the Rockbridge County Public Service Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (9.19% decreasing by 0.50% annually to an ultimate rate of 4.00%) or one percentage point higher (11.19% decreasing by 0.50% annually to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

		Rates		
		Healthcare Cost		
	1% Decrease	Trend		1% Increase
(9.19% decreasing		(10.19% decreasing		(11.19% decreasing
	to 4.00%)	to 5.00%)		to 6.00%)
\$	18,500	\$ 21,000	\$	24,000

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

At June 30, 2022, the Rockbridge County Public Service Authority reported a liability of \$21,000 for its proportionate share of the Total OPEB Liability. The Total OPEB Liability was measured as of July 1, 2021 and was determined by an actuarial valuation as of that date. At June 30, 2022 and 2021, the Rockbridge County Public Service Authority's proportion was 3.80% and 3.70%, respectively.

For the year ended June 30, 2022, the Rockbridge County Public Service Authority recognized OPEB expense of \$0. Additional disclosures on changes in total OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Aggregate OPEB Information:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS Group Life Insurance Plan	6,335	10,128	23,752	790
Stand-Alone Plan	<u> </u>		21,000	
Totals	6,335	10,128	44,752	790

NOTE 8-LEASE RECEIVABLES:

The Authority entered into an agreement to lease radio tower operations at the Huffman water tank site, which is payable monthly through June 2030. The annual lease payments originated at \$1,600 per year, and provides for annual base rent escalations of \$50 per year. The Authority recognized \$2,261 in lease revenue and \$311 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the Authority's receivable for lease payments was \$16,734. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$16,697.

NOTE 9-LITIGATION:

At June 30, 2022, there were no matters of litigation involving the Authority for which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 10—ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, Leases and 92, Omnibus 2020 during the fiscal year ended June 30, 2022. Statement No. 87, Leases requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 92, Omnibus 2020 addresses a variety of topics, including leases. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases.

	2021
\$	18,784
	18,784
•	
\$	18,784
	18,784
	\$

(Component Unit of County of Rockbridge, VA)

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 10-ADOPTION OF ACCOUNTING PRINCIPLES: (CONTINUED)

Effective July 1, 2021, the Authority adopted GASB's No. 87 - Leases, using the facts and circumstances that existed at the beginning of the period of implementation. The standard requires that it is applied retroactively unless it is impractical to do so. Due to staffing constraints, the Authority considered impractical to do so. As a result, there was no impact to the Authority's beginning net position upon adoption of the new accounting standard.

NOTE 11-UPCOMING PRONOUNCEMENTS:

Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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

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

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



(Component Unit of County of Rockbridge, VA)

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios For the Measurement Dates of June 30, 2014 through June 30, 2021

		2021	2020	2019	2018	2017
Total pension liability						
Service cost	\$	43,598 \$	42,331 \$	39,097 \$	37,532 \$	38,895
Interest		126,328	117,663	111,834	106,421	100,315
Changes in assumptions		59,008	-	51,688	-	(15,705)
Differences between expected and actual experience		3,122	44,728	9,080	(4,053)	24,257
Benefit payments, including refunds of employee contributions		(84,573)	(68,109)	(64,243)	(60,911)	(60,153)
Net change in total pension liability	\$	147,483 \$	136,613 \$	147,456 \$	78,989 \$	87,609
Total pension liability - beginning		1,913,819	1,777,206	1,629,750	1,550,761	1,463,152
Total pension liability - ending (a)	\$	2,061,302 \$	1,913,819 \$	1,777,206 \$	1,629,750 \$	1,550,761
Plan fiduciary net position						
Contributions - employer	\$	18,253 \$	12,266 \$	11,909 \$	17,960 \$	17,436
Contributions - employee	*	20,692	21,520	20,893	20,089	19,504
Net investment income		485,293	33,942	113,007	118,751	176,686
Benefit payments, including refunds of employee contributions		(84,573)	(68,109)	(64,243)	(60,911)	(60,153)
Administrative expense		(1,220)	(1,163)	(1,124)	(1,024)	(1,022)
Other		46	(40)	(71)	(106)	(157)
Net change in plan fiduciary net position	\$	438,491 \$	(1,584) \$	80,371 \$	94,759 \$	152,294
Plan fiduciary net position - beginning		1,781,900	1,783,484	1,703,113	1,608,354	1,456,060
Plan fiduciary net position - ending (b)	\$	2,220,391 \$	1,781,900 \$	1,783,484 \$	1,703,113 \$	1,608,354
Authority's net pension liability (asset) - ending (a) - (b)	\$	(159,089) \$	131,919 \$	(6,278) \$	(73,363) \$	(57,593)
BL CI					_	
Plan fiduciary net position as a percentage of the total pension liability		107.72%	93.11%	100.35%	104.50%	103.71%
Covered payroll	\$	420,552 \$	430,402 \$	417,862 \$	401,781 \$	390,078
Authority's net pension liability (asset) as a percentage of covered payroll		-37.83%	30.65%	-1.50%	-18.26%	-14.76%

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

(Component Unit of County of Rockbridge, VA)

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios For the Measurement Dates of June 30, 2014 through June 30, 2020

		2016	2015	2014
Total pension liability				
Service cost	\$	36,790 \$	35,500 \$	42,889
Interest		96,238	93,316	88,171
Changes in assumptions		-	-	-
Differences between expected and actual experience		(12,565)	(25,361)	-
Benefit payments, including refunds of employee contributions		(64,284)	(59,123)	(55,998)
Net change in total pension liability	\$	56,179 \$	44,332 \$	75,062
Total pension liability - beginning		1,406,973	1,362,641	1,287,579
Total pension liability - ending (a)	\$	1,463,152 \$	1,406,973 \$	1,362,641
Plan fiduciary net position				
Contributions - employer	\$	30,013 \$	28,320 \$	30,278
Contributions - employee		18,618	17,568	17,769
Net investment income		25,120	63,878	191,855
Benefit payments, including refunds of employee contributions		(64,284)	(59,123)	(55,998)
Administrative expense		(897)	(875)	(1,030)
Other		(11)	(14)	10
Net change in plan fiduciary net position	\$	8,559 \$	49,754 \$	182,884
Plan fiduciary net position - beginning		1,447,501	1,397,747	1,214,863
Plan fiduciary net position - ending (b)	\$_	1,456,060 \$	1,447,501 \$	1,397,747
Authority's net pension liability (asset) - ending (a) - (b)	\$_	7,092 \$	(40,528) \$	(35,106)
Plan fiduciary net position as a percentage of the total				
pension liability		99.52%	102.88%	102.58%
Covered payroll	\$	372,358 \$	351,360 \$	362,539
Authority's net pension liability (asset) as a percentage				
of covered payroll		1.90%	-11.53%	-9.68%

(Component Unit of County of Rockbridge, VA)

Schedule of Employer Contributions - Pension Years Ended June 30, 2013 through June 30, 2022

Date	_	Contractually Required Contribution* (1)	 Contributions in Relation to Contractually Required Contribution* (2)	 Contribution Deficiency (Excess) (3)	 Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$	17,040	\$ 17,040	\$ -	\$ 398,175	4.28%
2021		18,252	18,252	-	420,552	4.34%
2020		12,236	12,236	-	430,402	2.84%
2019		11,909	11,909	-	417,862	2.85%
2018		17,960	17,960	-	401,781	4.47%
2017		17,436	17,436	-	390,078	4.47%
2016		30,013	30,013	-	372,358	8.06%
2015		28,320	28,320	-	351,360	8.06%
2014		30,515	30,515	-	362,539	8.42%
2013		30,417	30,417	-	326,909	9.30%

^{*}Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

(Component Unit of County of Rockbridge, VA)

Notes to Required Supplementary Information - Pension Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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

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

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

(Component Unit of County of Rockbridge, VA)

Schedule of Authority's Share of Net OPEB Liability Group Life Insurance (GLI) Plan For the Measurement Dates of June 30, 2017 through June 30, 2021

				Employer's	
	Employer's	Employer's		Proportionate Share	
	Proportion of	Proportionate		of the Net GLI	Plan Fiduciary
	the Net GLI	Share of the	Employer's	OPEB Liability	Net Position as a
	OPEB	Net GLI OPEB	Covered	as a Percentage of	Percentage of Total
Date	Liability	Liability	 Payroll	Covered Payroll	GLI OPEB Liability
2021	0.00200% \$	23,751	\$ 420,552	5.65%	67.45%
2020	0.00210%	34,878	430,402	8.10%	52.64%
2019	0.00213%	34,661	417,862	8.29%	52.00%
2018	0.00211%	32,000	401,781	7.96%	51.22%
2017	0.00211%	32,000	390,078	8.20%	48.86%

(Component Unit of County of Rockbridge, VA)

Schedule of Employer Contributions Group Life Insurance (GLI) Plan Years Ended June 30, 2013 through June 30, 2022

Date	 Contractually Required Contribution	 Contributions in Relation to Contractually Required Contribution	-	Contribution Deficiency (Excess)	_	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2022	\$ 2,150	\$ 2,150	\$	-	\$	398,175	0.54%
2021	2,271	2,271		-		420,552	0.54%
2020	2,238	2,238		-		430,402	0.52%
2019	2,173	2,173		-		417,862	0.52%
2018	2,089	2,089		-		401,781	0.52%
2017	2,028	2,028		-		390,078	0.52%
2016	1,787	1,787		-		372,360	0.48%
2015	1,687	1,687		-		351,360	0.48%
2014	1,706	1,706		-		355,379	0.48%
2013	1,714	1,714		-		357,009	0.48%

(Component Unit of County of Rockbridge, VA)

Notes to Required Supplementary Information Group Life Insurance (GLI) Plan Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

(Component Unit of County of Rockbridge, VA)

Schedule of Authority's Proportionate Share of Net OPEB Liability Medical and Dental Insurance For the Years Ended June 30, 2018 through June 30, 2022

Date	Employer's Proportion of the Net OPEB Liability (NOLA)	Proportionate Share of the NOLA	•		Proportionate Share of the NOLA as a Percentage of Covered-Employe Payroll
2022	3.7910% \$	21,000	\$	398,175	5.27%
2021	3.6960%	18,000	·	420,552	4.28%
2020	4.2394%	17,000		430,402	3.95%
2019	3.8235%	13,000		417,862	3.11%
2018	4.3038%	17,000		401,781	4.23%

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

(Component Unit of County of Rockbridge, VA)

Notes to Required Supplementary Information Medical and Dental Insurance Year Ended June 30, 2022

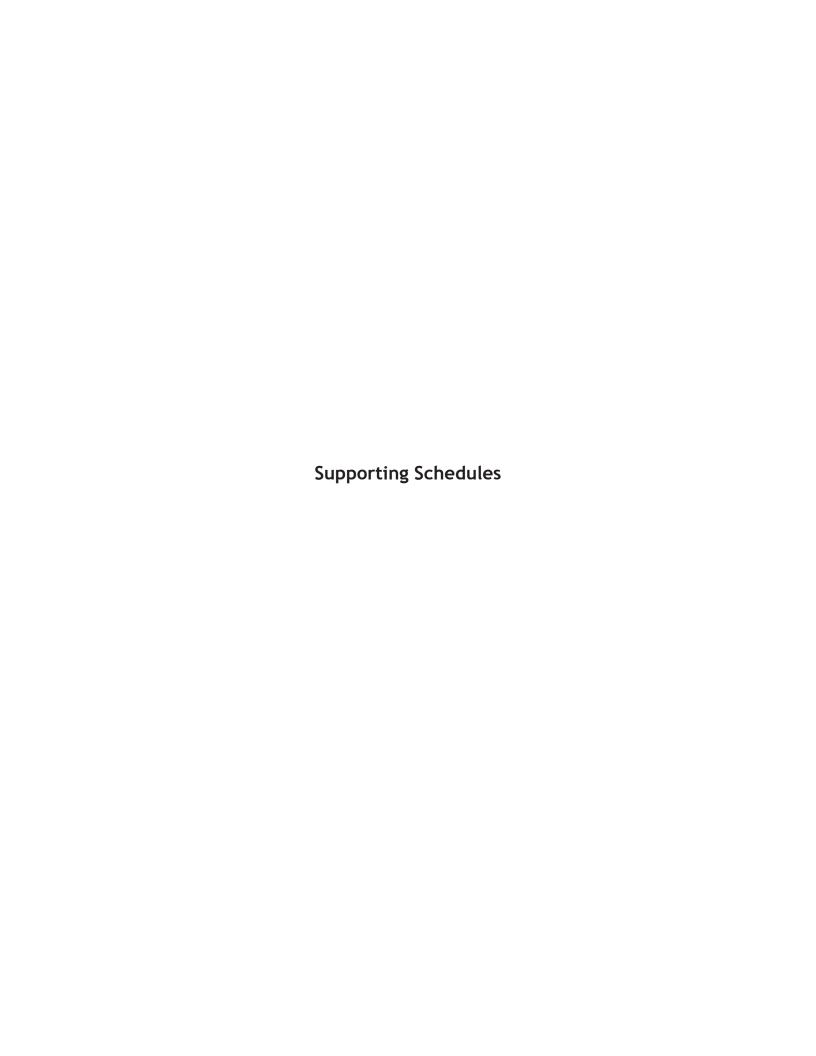
Valuation Date: 7/1/2020 Measurement Date: 7/1/2021

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Actuarial Cost Method								
Discount Rate	1.92%								
Inflation	2.50%								
Healthcare Trend Rate	10.19% for fiscal year end 2021, decreasing 0.50% per year to an ultimate rate of 5.00%								
Salary Increase Rates	2.50%								
Retirement Age	The average age at retirement is 59								
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021								





(Component Unit of County of Rockbridge, VA)

Schedule of Revenues - Budget and Actual Year Ended June 30, 2022

		Budget		Actual	Variance Favorable (Unfavorable)
WATER FUND:			_		
Operating Revenues:					
Water sales	\$	1,616,765	\$	1,652,638	\$ 35,873
Potential demand charge		77,329		74,017	(3,312)
Extra service units		22,807		23,540	733
Hookup fee - water		7,700		24,850	17,150
Late charges		17,000		27,582	10,582
Reconnection charges		2,000 4,785		11,994	9,994
Account charge		12,076		15,038	(4,785) 2,962
Miscellaneous revenue	_		_		 ·
Total Operating Revenues	\$_	1,760,462	\$_	1,829,659	\$ 69,197
Nonoperating Revenue and Capital Contributions:					
Interest income	\$	30,600	\$	13,729	\$ (16,871)
Availability fee - water		88,000		194,000	106,000
Capital contributions	_	165,500	_	47,571	 (117,929)
Total Nonoperating Revenues and Contributions	\$_	284,100	\$_	255,300	\$ (28,800)
Total Water Fund Revenues	\$_	2,044,562	\$_	2,084,959	\$ 40,397
SEWER FUND:					
Operating Revenues:					
Sewer service charges	\$	1,831,304	\$	1,858,176	\$ 26,872
Potential demand charge		81,349		81,471	122
Extra service units		23,769		24,695	926
Hookup fee - sewer		6,900		16,713	9,813
Late charges		10,000		-	(10,000)
Reconnection charges		350		3,088	2,738
Inspection charge		1,300		1,113	(187)
Account charge		2,955		3,488	533
Miscellaneous revenue	_	3,075	_	6,090	 3,015
Total Operating Revenues	\$_	1,961,002	\$_	1,994,834	\$ 33,832
Nonoperating Revenue and Capital Contributions:					
Interest income	\$	18,600	\$	8,353	\$ (10,247)
Availability fee - sewer		99,000		204,750	105,750
Capital contributions		642,017		-	(642,017)
Operating contributions - County	_	210,774	_	223,863	 13,089
Total Nonoperating Revenues and Contributions	\$_	970,391	\$_	436,966	\$ (533,425)
Total Sewer Fund Revenues	\$_	2,931,393	\$_	2,431,800	\$ (499,593)

(Component Unit of County of Rockbridge, VA)

Schedule of Water Expenses - Budget and Actual Year Ended June 30, 2022

		Budget		Actual		Variance Favorable (Unfavorable)
Operating Expenses:			_			
Water:						
Licenses & Permits	\$	7,825	\$	7,314	\$	511
Maintenance of Wells		500		1,657		(1,157)
Purchased Water		950,000		952,891		(2,891)
O & M-Water Pumping Equipment		7,100		8,286		(1,186)
Power for Pumping Water		69,000		63,026		5,974
O & M-Water Buildings		950		853		97
O & M-Water Treatment Equipment		775		1,251		(476)
Water Treatment Supplies and Expense		5,000		4,192		808
Sampling and Analysis		4,856		7,830		(2,974)
Maintenance of Water Tanks		1,500		208		1,292
Maintenance of Mains and Accessories		12,600		19,623		(7,023)
Maintenance/Installation of Water Services		25,000		6,405		18,595
Maintenance of Large Meters		5,800		4,236		1,564
Maintenance of Hydrants		1,000		1,030		(30)
Repair and Replacement Expense		347,872		53,536		294,336
Total Water Operating Expenses	\$ <u>_</u>	1,439,778	٤ _	1,132,338	. Ş -	307,440
Administrative and Company Francisco						
Administrative and General Expenses:	\$	50	¢	13	¢	27
Bank Service Charges	Ą		۲	13	ڔ	37
Uncollected Expenses		3,500		- 204 E27		3,500
Salaries Office Supplies and Expenses		217,425		201,527		15,898 212
Office Supplies and Expenses		3,440		3,228		
Outside Services Employed - Financial		9,750		8,374		1,376
Outside Services Employed - Legal		7,500		- - 020		7,500
Outside Services - Software		6,353		5,028		1,325
Outside Services - General		750		- 0.250		750
Insurance Expense		8,808		8,350		458
Payroll Contract		300		300		-
Employee Benefits - Medical Insurance		37,307		39,513		(2,206)
Employee Benefits - OPEB		-		(6,627)		6,627
Employee Benefits - Retirement - VRS		9,717		11,520		(1,803)
Employee Benefits - Group Life - VRS		2,914		2,668		246

(Component Unit of County of Rockbridge, VA)

Schedule of Water Expenses - Budget and Actual Year Ended June 30, 2022 (Continued)

		Declaret	Antoni		Variance Favorable
Operating Expenses: (Cent'd)	_	Budget	Actual		(Unfavorable)
Operating Expenses: (Cont'd)					
Administrative and General Expenses: (Cont'd) Employee Benefits-Social Security	\$	13,722	12,331	ς	1,391
Virginia Unemployment Tax	Y	13,722	- 12,331	Y	132
Employee Benefits-Medicare		3,210	2,874		336
Workers Compensation Insurance		5,079	3,983		1,096
Transportation Expense		10,225	12,561		(2,336)
Board Members Compensation/Travel		4,400	2,909		1,491
Miscellaneous Expense		5,000	939		4,061
Uniform Rental		1,329	910		419
Dues and Subscriptions		1,200	805		395
Staff Development		1,712	743		969
Employee Appreciation		500	373		127
Operation and Maint General Equipment		9,000	6,826		2,174
Telephone Expense		3,630	3,294		336
Postage		4,655	3,681		974
Outside Services Employed - Non Construction		12,880	12,970		(90)
Engineering Services - Non Construction	_	7,500			7,500
Total Administrative and General Expenses	\$_	391,988	339,093	_\$	52,895
Depreciation:					
Depreciation Expense	\$	- 9	429,078	\$	(429,078)
Total Depreciation	\$_	- 9	429,078	_\$	(429,078)
Interest and other nonoperating expenses:					
Interest expense	\$	212,796	52,124	\$	160,672
Contribution to Maury Service Authority		-	35,618		(35,618)
Total interest and other nonoperating expenses	\$	212,796	87,742	\$	125,054
TOTAL EXPENSES	\$_	2,044,562	1,988,251	\$	56,311

(Component Unit of County of Rockbridge, VA)

Schedule of Sewer Expenses - Budget and Actual Year Ended June 30, 2022

	_	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:				
Sewer:				
Licenses and Permits	\$	400 \$	- \$	
Maintenance of Sewer Mains		5,000	844	4,156
Sewer Services		2,500	(55)	2,555
Power for Pumping Sewage		23,000	21,267	1,733
O&M of Sewage Pumping Equipment		25,600	17,302	8,298
O&M of Sewer Pumping Station Building		4,000	274	3,726
Sewage Treatment by Contract		1,194,585	1,014,928	179,657
Maintenance of Sewage Meters		3,600	1,235	2,365
Repair and Replacement Expense		276,835	51,212	225,623
Sewage Chemical Supplies and Expense		4,000	3,375	625
Septage & Leachate Treatment Expense		110,824	104,497	6,327
Total Sewer Operating Expenses	\$_	1,650,344 \$	1,214,879 \$	435,465
Administrative and General Expenses:				
Bank Service Charges	\$	30 \$	3 \$	27
Uncollected Expenses		1,000	-	1,000
Salaries		217,425	201,527	15,898
Office Supplies and Expenses		3,440	3,228	212
Outside Services Employed - Financial		9,750	8,374	1,376
Outside Services Employed - Legal		7,500	-	7,500
Outside Services - Software		6,353	5,028	1,325
Outside Services - General		750	-	750
Insurance Expense		8,808	8,350	458
Payroll Contract		300	300	-
Employee Benefits-Medical Insurance		37,307	39,513	(2,206)
Employee Benefits - OPEB		-	(6,625)	6,625
Employee Benefits-Retirement-VRS		9,610	(6,641)	16,251
Employee Benefits-Group Life-VRS		2,848	2,668	180
Employee Benefits-Social Security		13,829	12,331	1,498
Virginia Unemployment Tax		132	-	132
Employee Benefits-Medicare		3,210	2,875	335
Workers Compensation Insurance		5,079	3,983	1,096
Transportation Expense		10,225	12,588	(2,363)

(Component Unit of County of Rockbridge, VA)

Schedule of Sewer Expenses - Budget and Actual Year Ended June 30, 2022 (Continued)

Operating Expenses: (Cont'd)	_	Budget		Actual	_	Variance Favorable (Unfavorable)
Administrative and General Expenses: (Cont'd)						
Board Members Compensation/Travel	\$	4,400	\$	2,909	\$	1,491
Miscellaneous Expense		5,000		936		4,064
Uniform Rental		1,329		911		418
Dues and Subscriptions		400		1,616		(1,216)
Staff Development		1,712		743		969
Employee Appreciation		500		372		128
Operation and Maintenance - General Equipment		9,000		6,776		2,224
Telephone Expense		3,630		3,294		336
Postage		4,655		3,681		974
Outside Services Employed - Non Construction		4,436		4,565		(129)
Engineering Services - Non Construction	_	7,500		1,250		6,250
Total Administrative and General Expenses	\$_	380,158	\$_	314,555	\$_	65,603
Depreciation:						
Depreciation Expense	\$	-	\$	654,848	\$	(654,848)
Total Depreciation	\$	-	\$	654,848	\$	(654,848)
Interest and other non-operating expenses:						
Interest expense	\$	900,891	\$	66,596	\$	834,295
Total interest and other non-operating expenses	\$	900,891	\$	66,596	\$	834,295
TOTAL EXPENSES	\$_	2,931,393	\$	2,250,878	\$	680,515

Schedule 4

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

(Component Unit of County of Rockbridge, VA)

Schedule of Water and Sewer Rates Year Ended June 30, 2022

	Water		Sewer	
Number of Customers:				
Residential		2,123	997	
Commercial		387	283	
Basic rates per thousand gallons	\$	6.45	\$ 10.75	

(Component Unit of County of Rockbridge, VA)

Insurance Coverage

Year Ended June 30, 2022

Insurance Company	Certificate Number	Dates	Туре	Po	olicy Limits
Virginia Association of Counties Group Self Insurance Risk Pool	VA-RO-078A	7/1/21-7/1/22	Workmen's Compensation		
	,,,,,,	.,,,=,,,,=	and Employer's Liability		Statutory
		7/1/21-7/1/22	Automobile Liability	\$	2,000,000
			Values per policy	Repla	acement cost
			Fidelity/Crime Contribution	\$	250,000
			Comprehensive general liability	\$	2,000,000

(Component Unit of County of Rockbridge, VA)

Debt Service Coverage Schedule Year Ended June 30, 2022

			Less Net Revenues			Debt Service					
Fiscal Year	 Gross Revenue (1)	-	Operating Expenses (2)		available for debt service	_	Principal		Interest	_	Coverage
2022	\$ 4,070,438	\$	3,000,865	\$	1,069,573	\$	957,274	\$	118,720	\$	99.40%
2021	4,878,550		2,989,994		1,888,556		946,130		127,823		175.85%
2020	3,977,062		2,306,553		1,670,509		920,966		127,804		159.28%
2019	3,457,794		2,306,553		1,151,241		920,966		127,804		109.77%
2018	3,187,170		2,171,318		1,015,852		791,139		76,157		117.13%
2017	3,216,960		2,118,731		1,098,229		875,997		75,168		115.46%
2016	3,015,849		2,034,201		981,648		957,929		70,955		95.41%
2015	2,930,636		2,028,750		901,886		944,303		83,359		87.76%
2014	2,767,167		1,948,219		818,948		1,059,909		75,294		72.14%
2013	2,779,760		1,850,047		929,713		883,956		66,570		97.81%

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

⁽²⁾ Operating expenses net of depreciation and amortization

Schedule 7

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

(Component Unit of County of Rockbridge, VA)

Schedule of Long Hollow Project Activity Year Ended June 30, 2022

Long Hollow Project: Operating Revenues:	
Water sales	\$ 121,348
Penalties	2,396
Reconnection charges	1,650
Miscellaneous revenue	 605
Total Operating Revenues	\$ 125,999
Operating Expenses:	
Supplies	\$ 2,100
Repairs & maintenance	1,089
Water supply	55,373
Power for pumping water	 9,265
Total Operating Expenses	\$ 67,827
Net operating income (loss)	\$ 58,172
Total net activity	\$ 58,172





ROBINSON, FARMER, COX ASSOCIATES, PLLC

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 (a component unit of Rockbridge County, Virginia) as of and for the year ended June 30, 2022, 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 27, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

olinson, Farmer, Cox, Associates

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charlottesville, Virginia

October 27, 2022