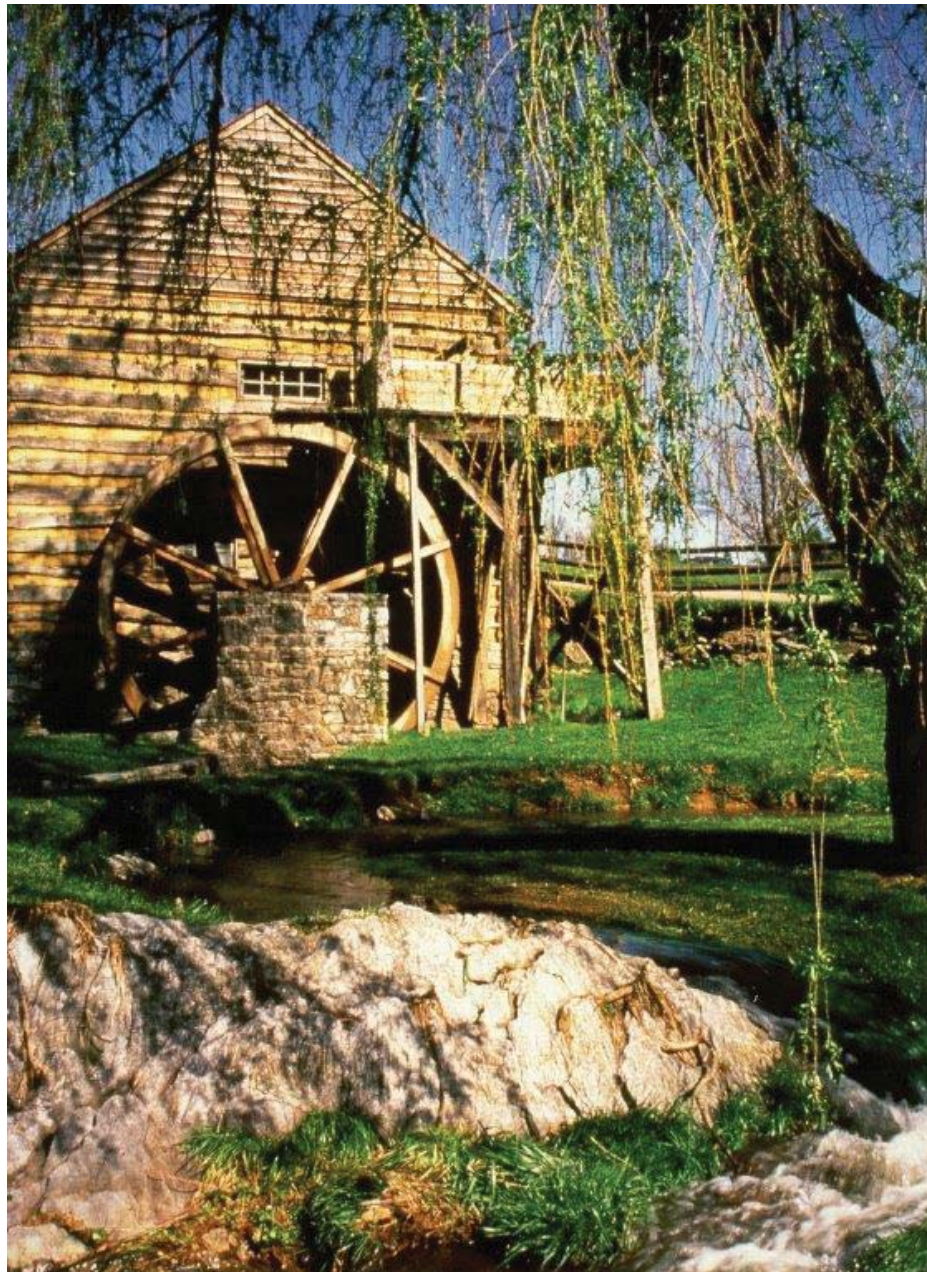


COUNTY OF ROCKBRIDGE, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

COUNTY OF ROCKBRIDGE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by

Steven Bolster, Director of Fiscal Services

County of Rockbridge, Virginia

COUNTY OF ROCKBRIDGE, VIRGINIA

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016

Table of Contents

Introductory Section

	<u>Page</u>
Letter of Transmittal	i
GFOA Certificate of Achievement	ii
Organizational Chart	iii
List of Elected and Appointed Officials	iv

Financial Section

	<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report		1-3
Management's Discussion and Analysis.....		4-14

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	1	15-16
Statement of Activities	2	17-18

Fund Financial Statements:

Balance Sheet-Governmental Funds.....	3	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	20
Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds	5	21
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	22
Statement of Net Position—Proprietary Funds	7	23
Statement of Revenues, Expenses, and Changes in Net Position— Proprietary Funds	8	24
Statement of Cash Flows—Proprietary Funds.....	9	25
Statement of Fiduciary Net Position—Fiduciary Funds	10	26
Notes to Financial Statements		27-93

COUNTY OF ROCKBRIDGE, VIRGINIA

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016

Table of Contents (Continued)

Financial Section (Continued)

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual – General Fund.....	11	94
Schedule of Components of and Changes in Net Pension Liability and Related Ratios – Primary Government.....	12	95
Schedule of Components of and Changes in Net Pension Liability and Related Ratios – Component Unit Rockbridge Regional Jail Commission	13	96
Schedule of Components of and Changes in Net Pension Liability and Related Ratios – Component Unit School Board (nonprofessional)	14	97
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	15	98
Schedule of Employer Contributions.....	16	99
Notes to Required Supplementary Information	17	100
Schedule of OPEB Funding Progress.....	18	101
Other Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual:		
County Capital Projects Fund	19	102
Other Capital Projects Fund	20	103
Combining Statement of Fiduciary Net Position – Fiduciary Funds.....	21	104
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	22	105
Discretely Presented Component Unit—School Board:		
Combining Balance Sheet	23	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	24	107
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	25	108-109
Statement of Fiduciary Net Position – Fiduciary Fund.....	26	110

COUNTY OF ROCKBRIDGE, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016

Table of Contents (Continued)

Financial Section (Continued)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information: (continued)		
Discretely Presented Component Unit—School Board: (continued)		
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	27	111
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues—Budget and Actual—Governmental Funds	1	112-116
Schedule of Expenditures—Budget and Actual—Governmental Funds	2	117-120

Statistical Section

	<u>Table</u>	<u>Page</u>
Net Position by Component	1	121-122
Changes in Net Position	2	123-126
Governmental Activities Tax Revenues by Source	3	127
Fund Balances of Governmental Funds	4	128-129
Changes in Fund Balances of Governmental Funds	5	130-131
General Governmental Tax Revenues by Source	6	132
Assessed Value and Estimated Actual Value of Taxable Property	7	133-134
Property Tax Rates	8	135
Property Tax Levies and Collections	9	136
Principal Property Taxpayers	10	137
Ratios of Outstanding Debt by Type	11	138-139
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	12	140
Pledged-Revenue Coverage	13	141
Demographic and Economic Statistics	14	142
Principal Employers	15	143
Full-time Equivalent County Government Employees by Function	16	144-145

COUNTY OF ROCKBRIDGE, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016

Table of Contents (Continued)

Statistical Section (continued)

	<u>Table</u>	<u>Page</u>
Operating Indicators by Function	17	146-147
Capital Asset Statistics by Function	18	148-149
Schedule of the City of Lexington's and Buena Vista's Share of Certain General Government Expenditures	19	150-151

Compliance Section

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		152-153
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....		154-155
Schedule of Expenditures of Federal Awards		156-157
Schedule of Findings and Questioned Costs		158

INTRODUCTORY SECTION



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County of Rockbridge

150 South Main Street

Lexington, Virginia 24450

County Board of Supervisors

JOHN M. HIGGINS
Buffalo
Magisterial District

RUSSELL S. FORD
Kerrs Creek
Magisterial District

DAVID W. HINTY, JR.
Natural Bridge
Magisterial District

RONNIE R. CAMPBELL
South River
Magisterial District

ALBERT W. LEWIS, JR.
Walkers Creek
Magisterial District

December 18, 2016

To the Honorable Board of Supervisors and the Citizens of the County of Rockbridge, Virginia:

Commonwealth of Virginia law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Robinson, Farmer, Cox Associates, Certified Public Accountants, have issued an unmodified ("clean") opinion on the County of Rockbridge's financial statements for the year ended June 30, 2016. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. The independent auditor's report is located at the front of the financial section of this document.

In addition to meeting requirements set forth by state statutes, the independent audit was also designed to meet the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) to meet the special needs of federal grantor agencies. As a part of the County's single audit, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2016 provided no instances of material weaknesses in the system of internal control and no violations of applicable laws and regulations. The auditors' report related specifically to the single audit is included in the Compliance Section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management discussion and analysis (MD&A). The MD&A complements the letter of transmittal and should be read in conjunction with it. The County of Rockbridge MD&A immediately follows the independent auditor's report.

Profile of Rockbridge County

The County of Rockbridge was formed in 1778 and named after the Natural Bridge of Virginia, a historic geological wonder located in the southern part of the County. Two-thirds of the County's 607 square miles came from Botetourt County to the south and the remainder from Augusta County to the north. Rockbridge County is located in the southern portion of the Shenandoah Valley between the Alleghany and Blue Ridge Mountain ranges. Two major interstates, I-81 and I-64, intersect near the geographical center of the County, creating a superb transportation corridor. In addition, thousands of tourists annually traverse the 17 miles of the Blue Ridge Parkway which lies along the County's eastern border. Additionally, the 361-acre Virginia Horse Center is located in the center of Rockbridge County, just north of the City of Lexington. The Center provides year-round activities including equine competition events, major horse sales, instructional classes, and recreation opportunities.

The County of Rockbridge is a political subdivision of the Commonwealth of Virginia that is administered by a five-member Board of Supervisors. Policy-making and legislative authority are vested in the governing body (Board). Board members are elected by magisterial district and serve four-year, staggered terms. The Board appoints the County Administrator who oversees the County's operations.

The Board of Supervisors adopted mission, vision, and values statements on March 11, 2013. The Board envisions a community defined by first-class educational programs for youth and adults, enhanced through widespread and quality access to broadband connectivity; where our citizens enjoy a healthy, safe environment, and where rural character, scenic beauty and agricultural roots are respected, protected and balanced with sensible and managed growth to include high-technology development and promotion of local agriculture and outdoor recreation as part of the economic base; and where the levels of services provided meet or exceed the expectations of our residents at every level; and where our youth and succeeding generations can grow, play, and economically thrive. The Board has a mission to provide leadership, responsibly allocate resources, and establish policies which will promote safety, protection of our rural environment, education, and managed growth in a manner which is at all times open, honest, and respectful. In every interaction the Board will adhere to the tenets of integrity, openness, mutual respect, innovation and adaptability, humility, accountability, and loyalty.

The County of Rockbridge provides a full range of services, including law enforcement protection; building inspections; licenses and permits; refuse and recycling collection centers; and recreational facilities. Local volunteer fire departments provide fire protection and volunteer rescue squads, supplemented by a paid emergency medical service, deliver emergency medical response and transport services. The County furnishes support to the volunteer agencies through cash contributions for operational and capital expenditures. Rockbridge County is financially accountable for a legally separate school division (education), a public service authority (water & sewer), and a solid waste authority (refuse & recycling). Each organization is a component unit or blended component unit within the County's financial statements.

The Board of Supervisors adopts an initial budget for the fiscal year no later than May 1 preceding the beginning of the fiscal year on July 1, unless events beyond the Board's control preclude such action. This annual budget serves as the foundation for the Rockbridge County's financial planning and control. The budget is prepared by fund, function, department, and object class. Department heads may request to transfer resources within a department to meet changing program needs during a fiscal cycle. Transfers between departments, however, are coordinated between the county executive and Board representatives of the Finance Committee.

Local economy

The County of Rockbridge is a rural locality in the Shenandoah Valley, at the heart of a major transportation network with direct access to air, rail, and highway transportation. The County's geographic position in the west-central portion of Virginia is within a one-day drive of half the population of the United States. Rockbridge County is approximately 45 miles north of Roanoke, VA; 140 miles west of Richmond, VA; and 190 miles southwest of Washington, D.C. Distances to multi-state markets for area industries are Baltimore, MD – 210 miles; Greensboro, NC – 145 miles; New York, NY – 460 miles; Cincinnati, OH – 460 miles; and Atlanta, GA – 440 miles.

During the past ten years, the unemployment rate rose from a low of 3.0 percent in June 2006 to a decade high of 8.7 percent in February 2010. Typically the County of Rockbridge experiences unemployment rates consistently lower than national averages. For example, the unemployment rate as of June 2016 was 4.5 percent compared to 5.1 percent nationally. The Rockbridge County unemployment dropped to 4.3 percent in July and August 2016 compared to 5.1 and 5.0 percent nationally. However, the County of Rockbridge maintains a slightly higher unemployment rate than the Commonwealth of Virginia. The unemployment rates for the state were 4.0 percent in June and July, and 4.1 percent in August 2016. Based on economic forecasts, subsequent employment rates are anticipated to remain positive.

Median household incomes within Rockbridge County are notably lower than the state as a whole. In 2014, the median household income in Rockbridge County was \$48,497. In the Commonwealth of Virginia it was \$64,923. The Commonwealth of Virginia's population was 7,683,718 in 2006 and 8,382,993 in 2015. Rockbridge County's population was 21,229 in 2006, and 22,163 in 2015. Housing prices in the vicinity of Rockbridge County steadily increased beginning in 2005 until the economic downturn a few years later. The 2007 average home sale price was \$284,428 (nominal dollars). At the end of 2007, the median price of a single family home in the vicinity of the Rockbridge County was \$244,913 (nominal dollars).

Rockbridge County has a diverse economy from manufacturing and trucking businesses to retail shops and tourism. Over the past ten plus years, the County's economy has been relatively stable compared to Virginia as a whole. None of its top employers have closed or experienced significant layoffs.

In the fiscal year ending June 30, 2016, there were 529 building permits issued in Rockbridge County totaling \$51,804,141. This figure includes part of Washington and Lee University's development of campus property within Rockbridge County. The multi-year projects reflect nearly \$58M in investments with associated permit fees in excess of \$300,000, and will result in the creation of at least 22 jobs. The projects include: 1) construction of 3rd-year student housing area (townhomes and apartments) for 338 students (completed); 2) construction of a 48,000 square foot natatorium; 3) developing a grass practice field in a former overflow parking area; and 4) the repurposing of the former maintenance shop/yard into an overflow parking lot. Stable development, access to major interstates and highways, a vast array of outdoor recreation, and historical tourist sites, as well as the proximity to four higher education institutes, makes Rockbridge County a prime location for business and travel.

The top five industries by employment in Rockbridge County are retail trade (1,123 reported), manufacturing (950 reported), local government (860 reported), accommodations and food services (642 reported), and health care and social assistance (642 reported). The top five average weekly wages were in the following industries: state government (\$894), transportation and warehousing (\$832), construction (\$789), finance and insurance (\$770) and manufacturing (\$759).

Public School System

The Rockbridge County Public School (RCPS) system currently serves approximately 2,600 students in kindergarten through 12th grade. RCPS operates four elementary schools for kindergarten through fifth grade, one middle school for grades six through eight, and one high school (shared with the City of Lexington) for grades nine through twelve. All of the County schools, with the exception of our high school, have been completely renovated within the past 17 years. As the oldest school facility in the system, the high school will receive the highest priority for capital improvements in future years. All schools are accredited by the State Department of Education.

RCPS serves a diverse student population and takes pride in meeting the educational needs of all students. To this end, it continues an expansion of Career & Technical Education (CTE) offerings at both the middle school (four programs) and high school level (twelve programs). RCPS's goal is for interested students to begin their CTE educational experience at the middle school so that they may earn industry certifications earlier during their high school career. These early certifications will in turn lead to internship and work experience opportunities prior to high school graduation, creating a more prepared work force for business and industry. Rigorous academic expectations are a standard of RCPS. In Spring 2016, 88% of the 258 RCPS students who took an Advanced Placement (AP) exam scored a three (3) or higher. Comparing this level of success to the Virginia average of 65% meeting this same standard, we are proud to say that RCPS always puts learning first for our students.

Higher Education

Within the Rockbridge County boundaries lie a unique set of higher education campuses offering various degrees. Washington and Lee, a private liberal arts university, ranks as the ninth oldest institution of higher learning in the nation and second oldest in the Commonwealth of Virginia (1749). The Virginia Military Institute is the first state-supported military college in the United States (1839) and is consistently ranked high as one of the best public colleges in the nation. Southern Virginia University is a private, 4-year liberal arts college tracing its founding to 1867. The Dabney S. Lancaster Community College - Rockbridge Regional Center accommodates a diversity of day and night courses to support the pursuit of associate degrees, certification programs, and workforce training. More than a dozen additional two- and four-year institutions of higher education are within 140 miles of Rockbridge County's borders.

Long-term financial planning and major initiatives

The County of Rockbridge has a responsibility to its citizens to account for public funds, to manage its finances wisely, and to allocate its resources efficiently and effectively in order to provide the governmental services desired by the public. The primary objective of establishing financial management policies is to provide a framework wherein sound financial decisions may be made for the long-term development and stability of the County. The Board of Supervisors adopted a comprehensive set of financial policies on July 14, 2014 to include: Operating Budget, Capital Budget, Asset Maintenance and Replacement, Financial Reporting, Debt, and Fund Balance/Reserves.

On January 26, 2015, the Board of Supervisors updated their strategic priorities. The targeted changes will drive planning efforts and future funding decisions. The approved strategic priorities are listed below:

1. Continued dedication to a local solution to regional waste challenges.
2. Continued dedication to provision of Fire and EMS services which meet or exceed the expectations of the public served.
3. Proactively position the County to create and subsequently take full advantage of economic development opportunities in a nimble to responsive fashion.
4. Continued exploration of all opportunities for regional cooperation which are operationally and economically sensible and in the best interest of our citizens, with a focus on consideration of the potential to revisit major agreements such as the Annexation and Immunity Agreement with the City of Lexington.
5. Remain dedicated to ensuring the long-term viability of the County through proactive financial planning, with a focus on an ever-improving budget process.

In accordance with Section 15.2-2239 of the *Code of Virginia*, Rockbridge County has prepared and annually updates a Capital Improvement Program (CIP). The CIP is intended to guide the acquisition and construction of the County's capital improvement plans by identifying needed capital projects, estimating their costs, listing the fiscal year each should begin, and determining the optimum method of funding them within our fiscal capabilities. The County of Rockbridge CIP for fiscal year ending (FYE) 2017 reflects \$3,635,282 in capital procurements. Capital improvements approved for FYE 2017 include: 1) renovation and upgrade of new Regional Dispatch Center - \$1,899,076; 2) constructing/upgrading five staffed collection centers - \$542,500; 3) improvements to the Rockbridge County Administration Building - \$350,000; 4) replacing seven law enforcement vehicles - \$269,606; 5) procuring new voting equipment - \$250,000; 6) completing phase 2 of the real property reassessment service - \$220,250; 7) improvements to the Fleet Services facility - \$75,000; 8) finalize phase 1 construction of law enforcement shooting range - \$18,850.

Mountain View Brewery, LLC (DBA "Devils Backbone Brewery") acquired one of the two county-owned parcels adjacent to its current operations in November 2016. Devils Backbone Brewery plans to invest 15 million dollars into production and bottling facilities over a thirty-six month period. In its five years in the County, Devils Backbone Brewery has experienced rapid growth in production and employment. It has far exceeded the original hiring estimates: 10 full-time positions were expected within three years; the facility currently employs 50.

Rockbridge County efforts to re-purpose two surplus school facilities resulted in the conveyance of one property to BARC Electric Cooperative (BARC) during FY 2015 and the second to Centra Health in October 2016. During FY 2016, BARC moved forward with plans to develop the former Highland Belle Elementary School property into an upgraded office complex, equipment yard, and solar field for power generation. After acquiring the property and a special exception permit, BARC installed a 5.5 megawatt community solar garden. The solar garden is identical to rooftop solar, but without the barriers that generally accompany rooftop solar. By BARC building and maintaining the solar array, customers avoid the upfront cost of the roof-mounted solar system and all maintenance responsibility. Renters, low-income subscribers, and those with physical barriers, such as inadequate roof space or shading, can enjoy the benefits of solar through this project. BARC fixed the subscriber-consumption rate for 20 years. The project sold out, and there are nearly two dozen cooperative members on the waiting list which provides the additional benefit of hedging against future rate increases. This project is the first community-owned solar garden in the Commonwealth of Virginia. Rockbridge

The County also conveyed a portion of the former Rockbridge Middle School campus to Centra Health. Centra Health will make substantial improvements to the building and septic treatment plant before moving their special needs school for children to this location. The remaining acreage surrounding the building will be retained by the County with plans to develop additional athletic fields to support local youth-sport programs.

In addition to the sale of three County-owned properties, the County received a welcomed development regarding continued efforts to plus-up outdoor recreation and tourism, starting with the Natural Bridge of Virginia becoming the Commonwealth's 37th state park. On September 24th, the Natural Bridge officially opened under the State Park system with state officials announcing that the Natural Bridge was approved as a U.S. National Park Affiliated Area. Per the National Park Service webpage, "The Affiliated Areas comprise a variety of locations in the United States and Canada that preserve significant properties outside the National Park System. Some of these have been recognized by Acts of Congress, others have been designated national historic sites by the Secretary of the Interior under authority of the Historic Sites Act of 1935. All draw on technical or financial aid from the National Park Service." The historic Natural Bridge Hotel and the Caverns at Natural Bridge will remain in private ownership.

The County also took steps to designate the James River as a Virginia Scenic River. The Virginia Department of Conservation and Recreation (VDCR) states, “The Virginia Scenic Rivers Program’s intent is to identify, designate and help protect rivers and streams that possess outstanding scenic, recreational, historic and natural characteristics of statewide significance for future generations.” After on-site review and subsequent study, the VDCR determined that the Rockbridge County section of the James River meets the criteria to become a Virginia Scenic River. On October 24th, the Board adopted a resolution supporting designation of the County’s section of the James River as a Virginia Scenic River. The next step in the process is for the County to ask our General Assembly representatives to carry forward the required legislation.

A joint effort between the County and the Cities of Lexington and Buena Vista will bring about improvements to the Chessie Trail in FY 2017 and beyond. Trail connections at Woods Creek and the Buena Vista Riverwalk will be expanded and improved, as well as the installation of a new bridge at the South River intersection of the Chessie Trail. The Virginia Military Institute is facilitating a grant to fund the bridge reconstruction along with other improvements and upgrades to the trail which will include County funding support.

With funds provided by a technical assistance grant, the Lexington and Rockbridge Area Tourism Office, along with several private and public partners, has developed an Outdoor Recreation Plan and Implementation Strategy for the Rockbridge area called Braiding the Way. The goal of Braiding the Way is to have a braided network of trails, blueways, bikeways, and parks that support community health and conservation goals, and link the region’s cultural, historic, and natural attractions. The efforts of this program are expected to bring a positive economic impact to the Rockbridge area.

At the request of the Fire and EMS Director, in coordination with the Rockbridge Emergency Rescue Group and the Rockbridge County Firefighters Association, the Board of Supervisors included \$69,000 in funding during FY 2017 for the following equipment testing and annual certification services in support of volunteer fire and EMS agencies: 1) pump service and aerial apparatus; 2) self-contained breathing apparatus; 3) fire hose and ground ladders; 4) stretchers; and 5) cardiac monitors. In addition, the Board committed \$10,000 in funding the procurement and strategic placement of additional swift water rescue equipment for the expanding program. This proactive measure better prepares the region for immediate response and mitigation of water-related incidents. Staff anticipates that these funding mechanisms will be an ongoing financial commitment in the out-years.

It has been regionally acknowledged that the current Emergency Communications Center (911 Center) is only marginally adequate for ongoing emergency communication needs and is not optimally located relative to the construction of the region’s new radio system. Additionally, the Rockbridge area does not currently have a dedicated Emergency Operations Center (EOC). For the past four years, Rockbridge County has searched for a new 911 Center location. In March 2016, the Board purchased the former Lomax Funeral Home in Buena Vista for the purpose of renovating the facility into a 21st Century 911 Center and EOC. The combined project is nearly \$2,000,000. The County completed negotiations with the Cities of Lexington and Buena Vista to reach a cost-share arrangement in order to preserve the existing partnership in regional 911 call-taking and dispatching services. The County CIP currently reflects funding to complete the EOC in FY 2019. A dedicated EOC facility will conform to the National Incident Management System's incident command structure. We anticipate financial contributions from our partner cities and will also aggressively pursue grants for development of the space.

The Board of Supervisors, which serves as the Rockbridge County Solid Waste Authority (RCSWA), has determined that solid waste disposal for County citizens and the region is a vital public service. As a result of this commitment, it has committed to the expansion of the existing landfill as the preferred means of providing for future waste disposal in Rockbridge County. After a multi-year due diligence period of evaluating the feasibility of the proposed expansion project which includes, but is not limited to, design, engineering, studies, exploration and monitoring, financing, permitting, constructing, and operating a new landfill cell, the RCSWA executed financing of \$5,710,00 to complete the project. The first cell of the landfill expansion will begin operations on July 1, 2017. The County is currently working with the City of

Lexington in an effort to expand its current partnership with the City in the area of solid waste management, via creation of a new regional solid waste authority.

Relevant financial policies

The County of Rockbridge Fund Balance and Reserve Policy includes the goal to maintain a fund balance for cash liquidity purposes that will provide sufficient cash flow to minimize the possibility of short-term revenue anticipation borrowing. At the close of each fiscal year, the County's unassigned General Fund balance should be equal to at least 20% of the County's total General Fund expenditures. If the County does not meet its target, it will develop a plan during the annual budget adoption process to replenish the unassigned fund balance to the 20% target level over a period of not more than three (3) years. The County's unassigned fund balance in the General Fund is 51.41% for fiscal ended June 30, 2016.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Rockbridge for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the second year that the County of Rockbridge has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedicated service and strong commitment of the entire staffs of the Fiscal Services Department and the Office of the Treasurer. We also wish to thank all government departments for their assistance in providing the data necessary to prepare this report. In addition, credit is due to the Board of Supervisors for their unfailing support for maintaining the highest standards of professionalism in the management of Rockbridge County's finances.

Respectfully submitted,



Spencer H. Suter, County Administrator



Steven J. Bolster, Fiscal Services Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Rockbridge
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

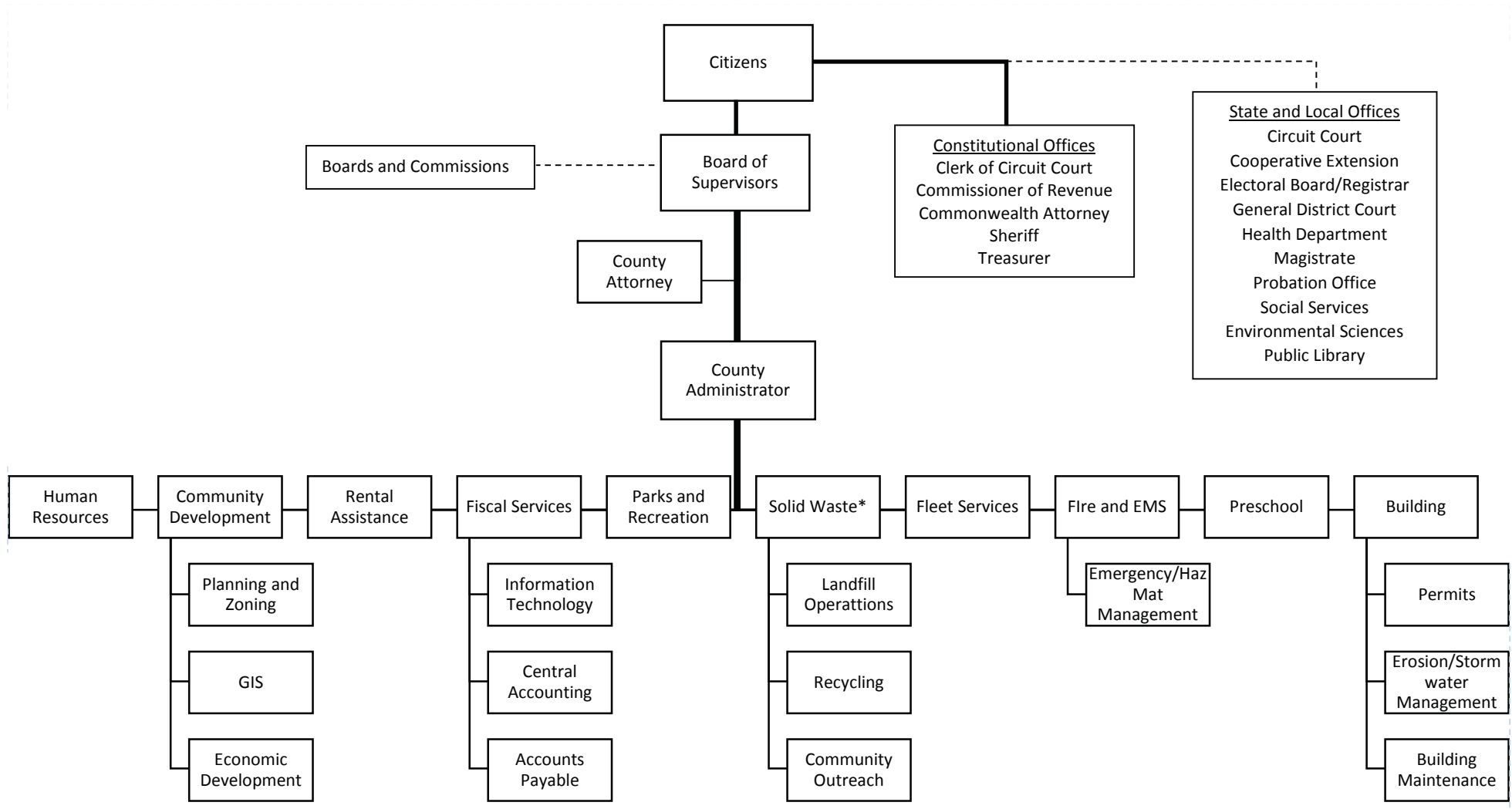
June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO



County of Rockbridge Organizational Chart



*The Rockbridge County Solid Waste Authority
is a blended component unit of the County

COUNTY OF ROCKBRIDGE, VA

BOARD OF SUPERVISORS

John M. Higgins, Chairman
David W. Hinty, Jr., Vice-Chairman
Ronnie R. Campbell
Russell L. Ford
Albert W. Lewis, Jr.

ROCKBRIDGE COUNTY APPOINTED OFFICIALS

County Administrator.....Spencer H. Suter
County Attorney.....Vickie L. Huffman

COUNTY SCHOOL BOARD

David B. McDaniel, Chairman
Albert “Jay” Lewis II, Vice-Chairman
Kevin Brooks
Laura C. Hoofnagle
Laurie Strong

SCHOOL DIVISION APPOINTED OFFICIALS

Superintendent of Schools.....Dr. Jack Donald
Clerk of the School Board.....Rhonda Humphries

LEGISLATIVE ELECTION

Judge of the Circuit Court.....Honorable Anita D. Filson
Judge of the General District Court.....Honorable Gordon F. Saunders
Judge of the Juvenile & Domestic District Court.....Honorable Laura L. Dascher

CONSTITUTIONAL OFFICERS

Clerk of the Circuit Court.....D. Bruce Patterson
Commonwealth’s Attorney.....Chris Billias
Commissioner of the Revenue.....David C. Whitesell
Sheriff.....Christopher J. Blalock
Treasurer.....Betty S. Trovato

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF ROCKBRIDGE, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Rockbridge, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Rockbridge, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement 79 Certain External Investment Pools and Pool Participants, and No. 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-14, 94, 95-101, respectively, be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Rockbridge, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2016, on our consideration of the County of Rockbridge, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Rockbridge, Virginia's internal control over financial reporting and compliance.

Robinson, Farnum, Cox Associates

Staunton, Virginia
December 18, 2016

Management's Discussion and Analysis

As management of the County of Rockbridge, Virginia, we offer the readers of the County's financial statements this narrative. The narrative provides an overview and analysis of our financial activities for the fiscal year ending June 30, 2016.

Financial Highlights

Government-wide Financial Statements

The combined total assets of the County of Rockbridge, Virginia exceeded its liabilities by \$41,749,479 (net position) at the close of the most recent fiscal year. Of the total net position, \$37,366,546 is associated with governmental activities and \$4,382,933 is associated with business-type activities. Of the net governmental activities net position, \$23,911,471 may be used to meet the government's ongoing obligations to creditors and citizens. There is \$232,779 presented under governmental activities which are restricted to ensure the availability of funds for specific functions, programs and anticipated liabilities (ex., capital projects and fire services). These restricted accounts are also displayed on the Balance Sheet of Government Funds. Of the business-type activities net position, \$366,856 is unrestricted and available to meet the business-type activity's obligations. For the year ending June 30, 2016, the governmental activities' assets include \$10,068,860 in taxes receivable while \$9,364,953 is reflected as deferred inflows of resources. This is shown as part of compliance with GASB requirements. The \$10,068,860 in taxes receivable are booked in the first half of calendar year 2016, but because of twice-a-year tax billing, second half real estate taxes of \$8,874,382 are not due until December 2016, and are shown as a deferred revenue. When compared to the net position at year's end June 30, 2015, the total combined net position increased by \$1,837,493 (up 4.6%).

Fund Financial Statements

As of the close of the fiscal year June 30, 2016, the County's governmental funds reported a combined ending fund balance of \$27,192,421. This is an increase of \$1,620,036 as compared with the previous fiscal year. The increase in fund balance is associated with collecting higher than estimated general property taxes, other local taxes, use of money and property revenue, and recovered costs. The total unassigned fund balance reported as \$20,713,488, or 76.17%, is available for spending at the government's discretion and for projected capital improvement projects.

At the fiscal year end, unassigned fund balance for the General Fund was \$20,713,488 or 51.41% of total General Fund expenditures. This is a 3.28 percentage point decrease in fund balance to expenditure ratio compared to year ending June 30, 2015, but well within the County's fund balance policy, which requires a 20% unassigned fund balance to expenditures ratio.

In FYE 2016, the Board of Supervisors authorized the re-designation of the Courthouse Construction Fund to the Construction Projects Fund. In an effort to proactively establish dedicated fund sources for existing and future projects, this capital fund, reflected under County Capital Projects Fund in exhibit 3, will account for new construction and major upgrades to County facilities that are approved or planned for in the Capital Improvement Program (CIP). During FYE 2016, the Board authorized the transfer of over \$3M from the General Fund to the Construction Project Fund to source the purchase and renovation of a vacant building for a new regional 911 Center. The County will also use the fund balance to pay for approved FYE 2017 CIP projects (new staffed collection centers - \$542.5K; County administration building HVAC upgrade - \$350K; & Fleet Services facility improvements - \$75K). Additionally, the Board approved the creation of a new Capital Purchases Fund to source and account for procurement of vehicles in FYE 2017 and beyond. The Board approved the transfer of nearly \$520K into this new fund in FYE 2016. The Capital Purchases Fund is also included under County Capital Projects Fund in exhibit 3.

The School Capital Projects Fund and Broadband Technology Fund are combined under Other Capital Projects Fund in exhibit 3. The combined fund balance is down \$235,434 compared to FYE 2015. Ninety-seven percent of the \$199,105 balance can be used to source improvements to Maury River Middle School.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Local government accounting and financial reporting originally focused on funds that were designed to enhance and demonstrate fiscal accountability. Now, and in accordance with GASB 34, fund statements are accompanied by government-wide financial statements, to ensure objectives of operational accountability will also be met. These objectives will provide financial statement users with confirmation from the government that public monies have been used to comply with public decisions, and to confirm that operating objectives were met efficiently and effectively and can be met in the future.

Government-wide Financial Statements

Government-wide financial statements provide users with a general overview of County finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net position and 2) the statement of activities.

The *statement of net position* presents all of the County's permanent account assets, liabilities and net position. The difference between assets and liabilities is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors such as changes in restricted accounts will also need to be considered to determine the overall financial position of the County.

The *statement of activities* presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions that are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end in themselves.

The *government-wide financial statements* separate *governmental activities* and *business-type activities* of the County. *Governmental activities* are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; community development; and transfers to other funds. *Business-type activities* recover all or a significant portion of their costs through user fees and charges. The County shows the Rockbridge County Solid Waste Authority as a business-type activity.

The *government-wide financial statements* include, in addition to the primary government, five component units: 1) the Rockbridge County School Board, 2) the Rockbridge Area Social Services Board, 3) the Rockbridge Regional Jail Commission, and 4) the Rockbridge County Public Service Authority. Although the component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. A primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures, and/or provide significant funding for operations of the component unit.

Fund Financial Statements

The *fund financial statements* present only major or significant funds. A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

Proprietary funds

There are two types of proprietary funds: *enterprise funds*, which are established to account for the delivery of goods and services to the public and *internal service funds* that account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The Rockbridge County Solid Waste Authority is a blended component unit/business-type activity of the County of Rockbridge. The Authority's financial statements are shown as a proprietary/enterprise fund in the County's fund financial statements. The Authority owns the only permitted landfill site within the County of Rockbridge. The Authority has a separate annual financial report that provides more financial details.

Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities.

Notes to the financial statements

These notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Net Position

As noted, net position may serve as a useful indicator of a government's financial position. For the County of Rockbridge, combined total assets exceeded liabilities by \$41,749,479 at the end of the fiscal year.

The County's net position is divided into three categories: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. A comparative analysis has been provided below.

COUNTY OF ROCKBRIDGE'S NET POSITION

June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015, as restated	2016	2015, as restated	2016	2015, as restated
Current and other assets	\$ 38,875,554	\$ 37,104,120	\$ 11,699,642	\$ 4,355,758	\$ 50,575,196	\$ 41,459,878
Capital Assets	72,070,826	75,444,596	4,276,356	3,340,357	76,347,182	78,784,953
Total Assets	\$ 110,946,380	\$ 112,548,716	\$ 15,975,998	\$ 7,696,115	\$ 126,922,378	\$ 120,244,831
Deferred Outflows of Resources	\$ 2,077,918	\$ 1,636,013	\$ 59,812	\$ 54,022	\$ 2,137,730	\$ 1,690,035
Long-term liabilities	\$ 64,066,423	\$ 65,548,154	\$ 10,502,943	\$ 3,442,104	\$ 74,569,366	\$ 68,990,258
Other liabilities	2,226,376	2,431,797	1,105,017	783,199	3,331,393	3,214,996
Total liabilities	\$ 66,292,799	\$ 67,979,951	\$ 11,607,960	\$ 4,225,303	\$ 77,900,759	\$ 72,205,254
Deferred Inflows of Resources	\$ 9,364,953	\$ 9,714,767	\$ 44,917	\$ 102,859	\$ 9,409,870	\$ 9,817,626
Net Position:						
Net investment in capital assets	\$ 13,222,296	\$ 14,218,888	\$ 2,592,481	\$ 2,166,784	\$ 15,814,777	\$ 16,385,672
Unrestricted (deficit)	23,911,471	21,080,229	366,856	44,453	24,278,327	21,124,682
Restricted	232,779	1,190,894	1,423,596	1,210,738	1,656,375	2,401,632
Total net position	\$ 37,366,546	\$ 36,490,011	\$ 4,382,933	\$ 3,421,975	\$ 41,749,479	\$ 39,911,986

Governmental Activities

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related outstanding debt used to acquire those assets is \$13,222,296 which represents 35.39% of total net position. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County'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. It is of note that a portion of the capital assets is used to encourage economic development and in turn may produce future revenue for operations in either fees or sale of property.

During the year ending June 30, 2016, total governmental liabilities decreased by \$1,687,152. While accounts payable increased by \$89,130, the remaining liability categories dropped when compared to FYE 2015. This results mainly from making scheduled debt-service payments.

The restricted net position represents resources that are subject to external or internal restrictions on how they may be used. The restricted net position for fiscal year 2016 included assets restricted by external constraints. For fiscal year 2016, the restricted assets meet the reserve requirements for debt service, and provide for capital improvements to the Maury River Middle School.

The unrestricted net position is \$23,911,471, which is 63.99% of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County's governmental activities realized decreases in two of the three categories of combined total net position. The changes in net position include a decrease in net investment in capital assets of \$996,592. Restricted assets decreased in the amount of \$958,115 while unrestricted assets were higher by \$2,831,242. For the year ending June 30, 2016, the combined total net position increased by \$876,535 from last fiscal year.

Business-type Activities

The business-type activities/enterprise fund (landfill and recycling) net position increased by \$960,958 resulting from increased tipping fees generating additional cash for future landfill expansion procurement, funds from a revenue bond executed in June 2016, and the value of heavy-duty equipment purchased in

FYE 2016. The Authority's total net position invested in capital assets at the end of the past three years has grown significantly with the procurement of heavy-duty equipment and the on-going stages of developing a new piggy-back lined landfill. The Authority uses capital assets to provide services to its customers, so these assets are not available for future spending.

Changes in Net Position

The following table presents the revenues and expenses of the governmental and business-type activities. Following the table is a brief highlight and discussion on key elements of Rockbridge County's change in net position.

COUNTY OF ROCKBRIDGE'S CHANGES IN NET POSITION

June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015, as restated	2016	2015, as restated	2016	2015, as restated
Revenues:						
Program revenues:						
Charges for services	\$ 2,165,018	\$ 2,404,454	\$ 2,098,447	1,578,750	\$ 4,263,465	\$ 3,983,204
Operating grants	2,381,742	2,424,462	23,300	23,046	2,405,042	2,447,508
Capital grants	41,945	273,913	-	-	41,945	273,913
General Revenues:						
Property taxes	24,775,816	24,210,212	-	-	24,775,816	24,210,212
Other taxes	9,009,065	8,619,694	-	-	9,009,065	8,619,694
Use of money and property	113,017	57,337	11,162	3,413	124,179	60,750
Other	833,978	943,636	25,869	8,927	859,847	952,563
Grants and contributions not restricted to specific programs	2,749,809	2,732,823	-	-	2,749,809	2,732,823
Total Revenues	\$ 42,070,390	\$ 41,666,531	\$ 2,158,778	\$ 1,614,136	\$ 44,229,168	\$ 43,280,667
Expenses:						
General						
General Govt. Admin	\$ 2,888,023	\$ 2,294,804	\$ -	\$ -	\$ 2,888,023	\$ 2,294,804
Judicial administration	1,363,768	1,283,097	-	-	1,363,768	1,283,097
Public safety	7,165,176	6,492,719	-	-	7,165,176	6,492,719
Public works	3,257,681	2,879,018	1,647,771	1,435,346	4,905,452	4,314,364
Health and welfare	1,641,027	1,330,106	-	-	1,641,027	1,330,106
Education	15,794,029	14,980,144	-	-	15,794,029	14,980,144
Parks, recreation, and culture	1,431,206	1,289,331	-	-	1,431,206	1,289,331
Community development	2,933,943	3,088,793	-	-	2,933,943	3,088,793
Non-departmental	1,780,693	1,757,409	-	-	1,780,693	1,757,409
Interest on long-term debt	2,488,358	2,449,604	-	-	2,488,358	2,449,604
Total expenses	\$ 40,743,904	\$ 37,845,025	\$ 1,647,771	\$ 1,435,346	\$ 42,391,675	\$ 39,280,371
Increase (decrease) in net position before transfers	\$ 1,326,486	\$ 3,821,506	\$ 511,007	\$ 178,790	\$ 1,837,493	\$ 4,000,296
Transfers	(449,951)	(220,708)	449,951	220,708	-	-
Increase (decrease) net position	\$ 876,535	\$ 3,600,798	\$ 960,958	\$ 399,498	\$ 1,837,493	\$ 4,000,296
Net position - beginning as restated	36,490,011	32,889,213	3,421,975	3,022,477	39,911,986	35,911,690
Net position - ending	\$ 37,366,546	\$ 36,490,011	\$ 4,382,933	\$ 3,421,975	\$ 41,749,479	\$ 39,911,986

Note: Net position as reported at June 30, 2015 is restated to record additional advances to/from participating entities. Specifically, the Rockbridge County General Fund transferred funding to the Rockbridge County Solid Waste Authority to source due diligence efforts associated with the lateral expansion of current operations.

Governmental Activities

Governmental activities increased the County's net position by \$876,535. Key elements relating to FYE 2016 activities compared to the prior fiscal year will be discussed below.

Revenues increased by \$403,859. The following table provides a breakdown on the various revenues sources as of June 30, 2016.

Type	Overall total %
1. Property taxes	58.89%
2. Other local taxes	21.41%
3. Non-restricted grants and contributions	6.54%
4. Operating and capital grants	5.76%
5. Charges for services	5.15%
6. Other general revenues	1.98%
7. Use of money and property	0.27%

Component changes from FYE 2015, as restated, to FYE 2016 include:

- The largest source of revenues is general property taxes at \$24,775,816. General property tax collections rose by \$565,604. The Board approved a two-cent increase to the real property tax rate in calendar year 2016 contributing to higher revenues in the June 2016 billing cycle. In addition, public service corporation, personal property, and machinery and tools taxes increased as a result of higher value growth and/or collection levels.
- Other local taxes increased by \$389,371. Sales, meals, occupancy, and bank franchise taxes continued a positive trend in receipts collected, a reflection of on-going tourism and economic development efforts in the County.
- Non-restricted grants or contributions increased by \$16,986 as state-shared revenues for mobile home titling and motor vehicle rentals came in higher than projected.
- Operating and capital grants dropped by \$274,688. This reflects the final stages of a grant reimbursement linked to the completion of the Greenhouse Village water and sewer infrastructure system for a low-to-moderate income housing development began in FYE 2014.
- Charges for services decreased by \$239,436 due to the one-time permit fees collected in FYE 2015 for the Washington and Lee University housing and natatorium projects which generated over \$300,000 in service revenues.
- Other revenues were lower by \$109,658 resulting from miscellaneous collections (sale of supplies, patron refunds/rebates, and loan proceeds) coming in lower than anticipated.
- Use of money and property rose by \$55,680. A combination of ongoing income from County property rentals and a new investment methodology by the Treasurer contributed to the revenue increase.

The following table reflects the distribution of FYE 2016 governmental expenditures. For the year, the Board of Supervisors' expenditure priorities were to maintain improvements in education, public safety, public works, health and welfare, and economic development. In addition, the Board approved a 2% cost-of-living adjustment and step increases to eligible employees, effective July 1, 2015, with a goal of retaining and attracting a quality workforce via competitive compensation. Overall expenses increased by \$2,898,879 over the same period in FYE 2015. As shown, education expenses account for 38.76% of total expenses. When combined with public safety, public works, health and welfare, and community development, expenditures for these five categories are 75.58% of the \$40,743,904 in total expenses.

Type	Overall total %
1. Education	38.76%
2. Public Safety	17.59%
3. Public Works	8.00%
4. Community Development	7.20%
5. General Government Administration	7.09%
6. Long-term debt interest	6.11%
7. Non-departmental	4.37%
8. Health and Welfare	4.03%
9. Parks, Recreation, and Cultural	3.51%
10. Judicial Administration	3.35%

Component changes from FYE 2015 to FYE 2016 include:

- Education expenses increased by \$813,885. The asset allocation from the General Fund to the School Fund was approximately \$1.6 million more in FYE 2016 compared to FYE2015. The primary driver to the upward change is that debt service on school board debt financed assets rose by over \$416K as a result of the financing of the Maury River Middle School renovation. Assets for the School Division are recorded by the County and then reclassified back to the School Division as the debt on the assets is paid. In FYE 2016, the net amount of assets/accumulated depreciation transferred back to the School Division was \$2,701,922. While the asset allocation increased expenses by \$1.6 million, the operating transfers to the School Board decreased by approximately \$746,000.
- Public Safety reflects an increase of \$672,457. The County's procurement of a vacant building (\$375K) for renovation into a regional communications (911) and emergency operations center (EOC) occurred under this category. In addition, seven volunteer fire departments were approved for a 15% increase in the operational contribution while the variable pay amount was also increased by 15% (up a combined total of ~\$82K). Furthermore, the Board funded \$54K for contracted services to cover annual inspections of all fire apparatus pumps, aerial ladders, ground ladders, self-contained breathing apparatus, and hoses. The Board also approved targeted increases for the contribution towards two volunteer rescue squads at 15% while two others received an additional 5% to account for additional consumables used at their respective facilities that are housing a contracted ambulance service. The overall squad contributions are up ~\$52K. Lastly, the County cost-share costs for the regional jail function rose by ~\$60K based on the number of Rockbridge County citizens housed in the facility each month and an increase in overall per capita incarceration costs.
- Public Works increased by \$378,663. This category pays the County's cost-share for the landfill operation. The cost per ton tipping fee increased by approximately \$14 per ton in FYE 2016 as part of two-year plan to build surplus cash to assist the Rockbridge County Solid Waste Authority with future capital procurement efforts and development of a budget stabilization fund. The combination of the higher tipping fee and actual tonnage generated this upward change.
- Community Development decreased by \$154,850. The County had previously secured a \$262,650 community development grant to provide water and sewer infrastructure for a primarily low- and moderate-income person's subdivision which was substantially completed in FYE 2015.
- General government administration increased by \$593,219. Approximately \$303,000 of the increase is due to the completion of the general reassessment which began in FYE 2016. In addition, the County developed and funded all costs associated with a new human resources position (\$78K). The Board also approved procuring hardware and software updates for the municipal financial management modules required for efficient operations and reporting. Lastly, professional engineering services linked to space-needs analysis, environmental assessment, and facility design for a new 911 center were accounted for in this category.
- Long-term debt interest payments are up \$38,754 based on current debt payment schedules.
- Non-departmental was up \$23,284 resulting from an increase in the Modified Voluntary Settlement of Annexation and Immunity payment from Rockbridge County to Lexington City.

- Health and Welfare reflects an increase of \$310,921 primarily because the County's cost-share funding for the Comprehensive Services Act program was higher than the prior fiscal year due to increased cases involving Rockbridge County residents.
- Parks, Recreation and Cultural increased by \$141,875 due in part to the funding of higher cost-share for the regional library and talking books program for the elderly and disabled; converting a part-time parks and recreation position into full-time status; and providing the regional recreation organization with additional capital funding originally planned for FYE 2017.
- Judicial Administration rose by \$80,671 reflecting the unscheduled replacement of the courthouse security system (over \$67K) and the full-year, County funding of a new position within the Clerk of the Circuit Court department.

Business-type Activities

The business-type activities/enterprise fund (landfill and recycling) net position increased by \$960,958. Tipping fee revenues for FYE 2016 increased by \$519,697 resulting from the final step in a 2-year plan to raise charges for services to generate additional surplus in FYEs 2015 and 2016. The additional surplus cash will offset future construction costs and equipment procurement related to cell 1 of the lateral expansion of the landfill. In addition, landfill staff continue to extract scrap metal from the working face of the active cell while recycling materials collected at staffed centers are compacted in preparation for transporting. Each commodity is sold on the recyclable materials market. The Authority realized nearly \$12,450 in additional revenue from selling these resources during the fiscal year. Lastly, an improved methodology of investing closure/post-closure funds resulted in a \$7,749 improvement in investment income compared to FYE 2015.

Expenditures realized a \$212,425 increase compared to FYE 2015. The four primary drivers are: 1) interest expense and bond issue cost (\$130,047), 2) depreciation (\$71,447), 3) contractual services (\$36,347), and 4) personnel costs (\$29,658). These individual categories grew due to the following respective factors: 1) new revenue bond and lease-purchase financing, 2) depreciating additional equipment purchased later in FYE 2015 and earlier in FYE 2016, 3) new hauling contract which incorporated transporting recycling stream to buyers beyond County limits, and 4) compensation increases for full and part-time employees.

Transfers from the Rockbridge County General Fund supported the county recycling program accounted for under the Authority. The County transfers funding to subsidize the recycling program. During FYE 2016, the transfer to the Recycling Fund totaled \$459,051. The RCSWA conveyed a 6.05 acre plat to the County for the purpose of building a law enforcement shooting range and training facility – resulting in a transfer out of \$9,100.

Financial Analysis of the Government's Funds

As previously mentioned, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's total governmental funds reported combined ending fund balances of \$27,192,421, an increase of \$1,620,036 over the prior fiscal year. The increase is associated with assets growing by \$1,792,330 when compared to FYE 2015. This total is impacted by positive changes in cash and cash equivalents (up \$1,841,651), taxes receivables (up \$276,920), and advances to other entities (up \$566,177). In addition, due to other government liabilities dropped \$63,337 compared to FYE 2015. Lastly, school carryover increased by \$167,393 as a result of unexpended funds and were restricted to source future School Board capital projects.

The General Fund is the chief operating fund of the County. As of June 30, 2016, unassigned fund balance of the General Fund was \$20,713,488. This is a decrease in unassigned fund balance of \$1,143,081 compared with the previous fiscal year. The total fund balance of the General Fund is \$22,903,794. This is a decrease over the previous year by \$2,234,052, a result of the aforementioned transfer of previously gained surplus to fund planned capital projects.

As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51.41% of total General Fund expenditures, which includes transfers to the School Board component unit of \$12,998,898 for operational support. The Board of Supervisors financial policy is to maintain a minimum of 20% unassigned fund balance to expenditures ratio. Total fund balance represents 56.84% of total General Fund expenditures.

Proprietary funds

The County's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Rockbridge County Solid Waste Authority (RCSWA) owns and the County operates a permitted landfill that was targeted for closure on December 31, 2014. A 2014 request for permit extension to June 30, 2017 received Virginia Department of Environmental Quality (VA DEQ) approval. Part of the fund balance will be used to meet landfill closure requirements of the VA DEQ. The net funds associated with financing these requirements are restricted. This restricted fund balance will support landfill operations and equipment purchases as needed. Other factors concerning the finances of this fund were discussed in the County's business-type activities section of this summary. Net position of the landfill fund at the end of the year was \$4,324,996 while the recycling fund net position is \$57,937. Additional detail is provided in the RCSWA financial report.

General Fund Budgetary Highlights

The difference between the original budgeted appropriations and the final, amended-budget appropriations was a \$399,263 increase. This is 0.96% of the total original budget. The actual expenditures were \$1,513,334 below the final appropriation total. This total is 3.62% below the final budget. The major components of these appropriation changes are:

- Carryover funding from FYE 2015 CIP projects that remained in progress at the start of FYE 2016.
- The Board of Supervisors authorized funding a space-needs analysis related to constructing a co-located, regional communications (911) and emergency operations center (EOC).
- The Board approved the first-year request to fund the Dabney S. Lancaster Community College "The Dabney Promise" scholarship program, which supports eligible, County residents in meeting their educational needs.
- The Board authorized funding an environmental assessment, and later design development, of a vacant building procured for a new 911 Center and EOC.
- A Virginia Community Development Block Grant approved to support the completion of an infrastructure project for a low-to-moderate income family housing project carried over into FYE 2016 for final completion.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2016 was \$72,070,826 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and machinery and equipment. This is a decrease of \$3,373,770 from the previous fiscal year, or 4.47%. The primary change in capital assets is the result of depreciation.

The County's investment in capital assets for its proprietary funds is \$4,276,356, an increase of \$935,999 from the previous year. This is a result of the completion of a new office building, procurement of additional heavy-duty equipment, and on-going, lateral expansion efforts at the landfill during the fiscal year.

COUNTY OF ROCKBRIDGE'S CAPITAL ASSETS

Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,342,101	\$ 2,393,836	\$ 531,037	\$ 540,137	\$ 2,873,138	\$ 2,933,973
Buildings and systems	68,945,110	72,354,978	1,515,727	1,396,494	70,460,837	73,751,472
Machinery & equipment	661,482	657,812	1,309,114	615,088	1,970,596	1,272,900
Construction in progress	122,133	37,970	920,478	788,638	1,042,611	826,608
Total	<u>\$ 72,070,826</u>	<u>\$ 75,444,596</u>	<u>\$ 4,276,356</u>	<u>\$ 3,340,357</u>	<u>\$ 76,347,182</u>	<u>\$ 78,784,953</u>

Additional information on the County's capital assets can be found in the Note 14 to the financial statements.

Long-term debt

At the end of fiscal year 2016, the County had the following outstanding debt:

COUNTY OF ROCKBRIDGE'S LONG-TERM OBLIGATIONS

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 42,453,194	\$ 43,604,236	\$ -	\$ -	\$ 42,453,194	\$ 43,604,236
Revenue Bonds	16,745,000	17,390,000	7,264,710	724,462	24,009,710	18,114,462
Literary Loans	1,075,000	1,255,000	-	-	1,075,000	1,255,000
Capital Leases	-	-	916,590	449,111	916,590	449,111
Compensated Absences	335,203	301,028	36,716	32,291	371,919	333,319
Net pension liability	3,292,026	2,849,890	301,416	260,935	3,593,442	3,110,825
OPEB Obligation	166,000	148,000	3,000	3,000	169,000	151,000
Landfill closure liability	-	-	1,980,511	1,972,305	1,980,511	1,972,305
Total long-term obligations	<u>\$ 64,066,423</u>	<u>\$ 65,548,154</u>	<u>\$ 10,502,943</u>	<u>\$ 3,442,104</u>	<u>\$ 74,569,366</u>	<u>\$ 68,990,258</u>

The County's total long-term debt includes the Rockbridge County School Board debt and the business-type activities debt. For the year, the total, combined long-term debt increased by \$5,579,108. The County completed an advance refunding of the former 2007 courthouse loan, which generated an estimated net present value savings of \$613,354, an 11.96% change. On May 25, 2016, the Solid Waste Authority executed a revenue bond of \$5,710,000, with \$856,329 premium, to finance the development of a new landfill cell. In addition, the Authority completed a \$681,832 lease-purchase of an articulated haul truck and excavator as part of planned CIP efforts. The governmental and business-type activities' compensated absences, net pension liability, and OPEB obligation and are included in the long-term debt to meet GASB requirements. These categories changed as follows: 1) compensated absences (rose \$38,600); 2) net pension liability (increased \$482,617); and 3) OPEB obligation (grew \$18,000).

Additional information on the County's long-term debt can be found in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The Rockbridge County population was 22,307 as of the April 1, 2010 U.S. Census. The Weldon Cooper Institute's July 1, 2015 population estimate reflects 22,163, a decrease of 144 (0.65%). Minimal change in population has occurred over the past decade and no substantial change is anticipated in the next fiscal year.
- For the fiscal year ending June 30, 2016, the unemployment rate for the Commonwealth and Rockbridge County were 4.0% and 4.5% respectively. During the progress of this management discussion and analysis report, the October 2016 unemployment rate rose to 4.1% for the state and 4.8% in the County. Overall, local efforts by the Board of Supervisors to fund a variety of economic development initiatives continue in an effort to generate new business inquiries and interest.
- The Board of Supervisors fiscal year 2017 budget priorities include limiting overall expenditures in all areas except education, "safety net" programs, public safety, solid waste management, emergency communications, and economic development. These activities may require increased funding compared to prior years. Additionally and primarily, the Board's goals include meeting all mandates, debt services, and legal obligations.
- In FYE 2016 the Board of Supervisors continued its annual support of educational programs. The County student population continues to remain consistent at approximately 2,600. The County's restricted funding which sourced the local supplement to offset increasing Virginia Retirement System increases over the past several years was depleted at FYE 2016. The Board committed to increase the local operational transfer in FY 2017 by \$232,000 (or one penny on the real estate tax rate).
- The County continues to tackle capital improvement projects through long-term planning and funding. Projects include the ongoing efforts to construct a new regional 911 center, development of additional staffed collection center sites, completion of major upgrades to the County's administration building, building a Sheriff Office shooting range classroom facility, and procuring new voting equipment. Additionally, debt service commitments will involve financing a "piggyback" lined landfill and the next phase of a regional radio system upgrade (subscriber units). Decisions on these and other funding decisions were guided by the Board's mission, vision and values statements, which drive strategic plans and funding priorities.
- The County's commitment to improve the regional Central Dispatch operations involves a cost-share (with our regional governmental partners) commitment to replace the 911 Center's computer aided dispatch system. This one-time capital improvement within the 911 Center budget, in addition to other approved expenditures, increased the County's contribution to this critical service by \$238,201.
- The Board of Supervisors chose to use \$427,250 in unassigned fund balance and \$147,450 in restricted accounts to fund one-time and carryover capital efforts to provide a limited level of budget stabilization. As result of increased debt service, expanded public safety services, and higher personnel costs, the real property tax rate was increased to \$0.735 per \$100.00 of assessed valuation i.e. a two cent increase). The personal property rate of \$4.25 remained unchanged from the prior year.

All of these factors were considered in preparing the County's budget for the 2017 fiscal year.

Requests for Information

This financial report is designed to provide readers with a general overview of the County of Rockbridge finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Rockbridge County Administrator, 150 S. Main Street, Lexington, Virginia 24450.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

County of Rockbridge, Virginia
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,084,279	\$ 1,614,827	\$ 22,699,106
Investments	-	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	10,068,860	-	10,068,860
Accounts receivable	725,451	67,360	792,811
Internal balances	(115,923)	115,923	-
Due from component units	2,016,342	-	2,016,342
Due from other governmental units	993,921	-	993,921
Inventories	104,915	-	104,915
Advances to other entities	3,819,848	-	3,819,848
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	177,861	9,901,532	10,079,393
Net pension asset	-	-	-
Capital assets (net of accumulated depreciation):			
Land	2,342,101	531,037	2,873,138
Buildings and improvements	68,945,110	1,515,727	70,460,837
Machinery and equipment	661,482	1,309,114	1,970,596
Utility plant and equipment	-	-	-
Construction in progress	122,133	920,478	1,042,611
Total assets	\$ 110,946,380	\$ 15,975,998	\$ 126,922,378
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 1,424,664	\$ -	\$ 1,424,664
Items related to measurement of net pension liability	38,832	3,556	42,388
Pension contributions subsequent to measurement date	614,422	56,256	670,678
Total deferred outflows of resources	\$ 2,077,918	\$ 59,812	\$ 2,137,730
LIABILITIES			
Accounts payable	\$ 365,590	\$ 33,828	\$ 399,418
Advances from participating entities	-	74,292	74,292
Capital advances from Rockbridge County	-	957,773	957,773
Accrued interest payable	810,327	39,124	849,451
Due to primary government	-	-	-
Performance deposits	149,187	-	149,187
Due to other governments	899,741	-	899,741
Unearned revenue	1,531	-	1,531
Deposits payable	-	-	-
Long-term liabilities:			
Due within one year	2,313,339	347,744	2,661,083
Due in more than one year	61,753,084	10,155,199	71,908,283
Total liabilities	\$ 66,292,799	\$ 11,607,960	\$ 77,900,759
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 8,874,382	\$ -	\$ 8,874,382
Items related to measurement of net pension liability	490,571	44,917	535,488
Total deferred inflows of resources	\$ 9,364,953	\$ 44,917	\$ 9,409,870
NET POSITION			
Net investment in capital assets	\$ 13,222,296	\$ 2,592,481	\$ 15,814,777
Restricted			
Fire funds	53,912	-	53,912
Rental assistance	1,006	-	1,006
Capital projects	168,890	-	168,890
Debt service	8,971	1,423,596	1,432,567
Unrestricted	23,911,471	366,856	24,278,327
Total net position	\$ 37,366,546	\$ 4,382,933	\$ 41,749,479

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

Exhibit 1

Component Unit School Board	Component Unit Rockbridge Area Social Services	Component Unit Rockbridge Regional Jail Commission	Component Unit Rockbridge Public Service Authority
\$ 140,179	\$ 398,186	\$ 200	\$ 4,045,992
-	-	-	1,017,863
-	-	-	-
51,474	7,928	15,392	429,659
-	-	-	-
-	-	-	-
814,451	517,406	332,289	-
36,137	-	-	59,380
-	-	-	-
590,751	3,385	-	-
-	-	-	59,920
-	3,237	-	40,528
117,555	-	-	389,259
18,089,990	-	3,154,991	67,698
1,875,090	14,342	33,408	173,830
-	-	-	23,720,661
-	-	-	129,349
\$ 21,715,627	\$ 944,484	\$ 3,536,280	\$ 30,134,139
\$ -	\$ -	\$ -	\$ -
20,617	-	13,166	-
2,327,179	94,393	208,323	30,013
\$ 2,347,796	\$ 94,393	\$ 221,489	\$ 30,013
\$ 141,954	\$ 228,650	\$ 43,410	\$ 348,718
-	-	-	-
-	-	-	-
-	-	-	-
1,310,941	633,801	71,600	-
-	-	-	-
-	64,454	-	-
-	-	-	-
-	-	-	59,920
42,458	16,781	42,223	918,550
28,477,540	50,344	1,306,847	11,251,529
\$ 29,972,893	\$ 994,030	\$ 1,464,080	\$ 12,578,717
\$ -	\$ -	\$ -	\$ -
2,742,379	218,796	166,330	56,937
\$ 2,742,379	\$ 218,796	\$ 166,330	\$ 56,937
\$ 20,082,635	\$ 14,342	\$ 3,188,399	\$ 12,370,263
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(28,734,484)	(188,291)	(1,061,040)	5,158,235
\$ (8,651,849)	\$ (173,949)	\$ 2,127,359	\$ 17,528,498

County of Rockbridge, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,888,023	\$ -	\$ 236,533	\$ -
Judicial administration	1,363,768	707,067	652,355	-
Public safety	7,165,176	23,841	1,284,236	-
Public works	3,257,681	1,052,048	-	-
Health and welfare	1,641,027	-	16,808	-
Education	15,794,029	-	-	-
Parks, recreation, and cultural	1,431,206	90,846	-	-
Community development	2,933,943	291,216	191,810	41,945
Nondepartmental	1,780,693	-	-	-
Interest on long-term debt	2,488,358	-	-	-
Total governmental activities	<u>\$ 40,743,904</u>	<u>\$ 2,165,018</u>	<u>\$ 2,381,742</u>	<u>\$ 41,945</u>
Business-type activities:				
Landfill Fund	\$ 1,183,842	\$ 2,098,447	\$ -	\$ -
Recycling Fund	463,929	-	23,300	-
Total business-type activities	<u>\$ 1,647,771</u>	<u>\$ 2,098,447</u>	<u>\$ 23,300</u>	<u>\$ -</u>
Total primary government	<u><u>\$ 42,391,675</u></u>	<u><u>\$ 4,263,465</u></u>	<u><u>\$ 2,405,042</u></u>	<u><u>\$ 41,945</u></u>
COMPONENT UNITS:				
Governmental activities:				
School Board	\$ 32,019,577	\$ 1,831,317	\$ 16,195,706	\$ -
Rockbridge Area Social Services Board	5,359,591	-	5,682,910	-
Rockbridge Regional Jail Commission	3,123,742	1,291,926	1,736,945	-
Business-type activities:				
Rockbridge Public Service Authority	3,093,283	2,756,538	-	326,500
Total component units	<u><u>\$ 43,596,193</u></u>	<u><u>\$ 5,879,781</u></u>	<u><u>\$ 23,615,561</u></u>	<u><u>\$ 326,500</u></u>
General revenues:				
General property taxes				
Local sales tax				
Consumers utility tax				
Business license tax				
Meals tax				
Motor vehicle licenses				
Lodging tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position						
Primary Government			Component Unit	Component Unit	Component Unit	Component Unit
Governmental Activities	Business-type Activities	Total	School Board	Rockbridge Area Social Services	Rockbridge Regional Jail Commission	Rockbridge Public Service Authority
\$ (2,651,490)	\$ -	\$ (2,651,490)	\$ -	\$ -	\$ -	\$ -
(4,346)	-	(4,346)	-	-	-	-
(5,857,099)	-	(5,857,099)	-	-	-	-
(2,205,633)	-	(2,205,633)	-	-	-	-
(1,624,219)	-	(1,624,219)	-	-	-	-
(15,794,029)	-	(15,794,029)	-	-	-	-
(1,340,360)	-	(1,340,360)	-	-	-	-
(2,408,972)	-	(2,408,972)	-	-	-	-
(1,780,693)	-	(1,780,693)	-	-	-	-
(2,488,358)	-	(2,488,358)	-	-	-	-
\$ (36,155,199)	\$ -	\$ (36,155,199)	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 914,605	\$ 914,605	\$ -	\$ -	\$ -	\$ -
-	(440,629)	(440,629)	-	-	-	-
\$ -	\$ 473,976	\$ 473,976	\$ -	\$ -	\$ -	\$ -
\$ (36,155,199)	\$ 473,976	\$ (35,681,223)	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (13,992,554)	\$ -	\$ -	\$ -
-	-	-	-	323,319	-	-
-	-	-	-	-	(94,871)	-
-	-	-	-	-	-	(10,245)
\$ -	\$ -	\$ -	\$ (13,992,554)	\$ 323,319	\$ (94,871)	\$ (10,245)
\$ 24,775,816	\$ -	\$ 24,775,816	\$ -	\$ -	\$ -	\$ -
2,720,814	-	2,720,814	-	-	-	-
1,488,723	-	1,488,723	-	-	-	-
849,796	-	849,796	-	-	-	-
1,439,665	-	1,439,665	-	-	-	-
540,217	-	540,217	-	-	-	-
1,636,776	-	1,636,776	-	-	-	-
333,074	-	333,074	-	-	-	-
113,017	11,162	124,179	97	-	19	39,671
833,978	25,869	859,847	82,127	-	14,028	34,298
2,749,809	-	2,749,809	15,710,645	-	-	185,342
(449,951)	449,951	-	-	-	-	-
\$ 37,031,734	\$ 486,982	\$ 37,518,716	\$ 15,792,869	\$ -	\$ 14,047	\$ 259,311
876,535	960,958	1,837,493	1,800,315	323,319	(80,824)	249,066
36,490,011	3,421,975	39,911,986	(10,452,164)	(497,268)	2,208,183	17,279,432
\$ 37,366,546	\$ 4,382,933	\$ 41,749,479	\$ (8,651,849)	\$ (173,949)	\$ 2,127,359	\$ 17,528,498

FUND FINANCIAL STATEMENTS

County of Rockbridge, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

Exhibit 3

	General Fund	County Capital Projects Fund	Other Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	\$ 16,908,595	\$ 4,143,632	\$ 32,052	\$ 21,084,279
Receivables (net of allowance for uncollectibles):				
Taxes receivable	10,068,860	-	-	10,068,860
Accounts receivable	725,451	-	-	725,451
Advances to other entities	3,819,848	-	-	3,819,848
Due from other funds	1,837	-	-	1,837
Due from component units	2,016,342	-	-	2,016,342
Due from other governmental units	993,921	-	-	993,921
Inventories	104,915	-	-	104,915
Restricted assets:				
Cash and cash equivalents	8,971	-	168,890	177,861
Total assets	<u>\$ 34,648,740</u>	<u>\$ 4,143,632</u>	<u>\$ 200,942</u>	<u>\$ 38,993,314</u>
LIABILITIES				
Accounts payable	\$ 311,480	\$ 54,110	\$ -	\$ 365,590
Due to other governments	899,741	-	-	899,741
Due to other funds	115,923	-	1,837	117,760
Performance deposits	149,187	-	-	149,187
Unearned revenue	1,531	-	-	1,531
Total liabilities	<u>\$ 1,477,862</u>	<u>\$ 54,110</u>	<u>\$ 1,837</u>	<u>\$ 1,533,809</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 10,267,084	\$ -	\$ -	\$ 10,267,084
FUND BALANCES				
Nonspendable:				
Inventories	\$ 104,915	\$ -	\$ -	\$ 104,915
Total nonspendable	<u>\$ 104,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,915</u>
Restricted:				
Debt service and bond covenants	\$ 8,971	\$ -	\$ -	\$ 8,971
Capital projects	-	-	168,890	168,890
Rental assistance	1,006	-	-	1,006
Fire program	53,912	-	-	53,912
Total restricted	<u>\$ 63,889</u>	<u>\$ -</u>	<u>\$ 168,890</u>	<u>\$ 232,779</u>
Assigned:				
Garage	\$ 165,469	\$ -	\$ -	\$ 165,469
Industrial property	603,193	-	-	603,193
School carryover	607,395	-	-	607,395
Convenience centers	12,075	-	-	12,075
Partnership	82,097	-	-	82,097
Recreation	10,000	-	-	10,000
Revenue recovery	541,273	-	-	541,273
Capital projects funds	-	4,089,522	30,215	4,119,737
Total assigned	<u>\$ 2,021,502</u>	<u>\$ 4,089,522</u>	<u>\$ 30,215</u>	<u>\$ 6,141,239</u>
Unassigned	\$ 20,713,488	\$ -	\$ -	\$ 20,713,488
Total unassigned	<u>\$ 20,713,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,713,488</u>
Total fund balances	<u>\$ 22,903,794</u>	<u>\$ 4,089,522</u>	<u>\$ 199,105</u>	<u>\$ 27,192,421</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,648,740</u>	<u>\$ 4,143,632</u>	<u>\$ 200,942</u>	<u>\$ 38,993,314</u>

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

County of Rockbridge, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2016

Exhibit 4

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 27,192,421
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	72,070,826
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	902,131
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	614,422
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(63,413,254)</u>
Net position of governmental activities	\$ <u><u>37,366,546</u></u>

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

County of Rockbridge, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

Exhibit 5

	General	County Capital Projects Fund	Other Capital Projects Fund	Total
REVENUES				
General property taxes	\$ 24,843,541	\$ -	\$ -	\$ 24,843,541
Other local taxes	9,009,065	-	-	9,009,065
Permits, privilege fees, and regulatory licenses	275,060	-	-	275,060
Fines and forfeitures	445,370	-	-	445,370
Revenue from the use of money and property	112,157	-	860	113,017
Charges for services	1,444,588	-	-	1,444,588
Miscellaneous	833,978	-	-	833,978
Recovered costs	469,735	-	-	469,735
Intergovernmental:				
Commonwealth	4,965,583	-	-	4,965,583
Federal	207,913	-	-	207,913
Total revenues	\$ 42,606,990	\$ -	\$ 860	\$ 42,607,850
EXPENDITURES				
Current:				
General government administration	\$ 2,117,583	\$ -	\$ -	\$ 2,117,583
Judicial administration	1,472,432	-	-	1,472,432
Public safety	7,403,041	-	-	7,403,041
Public works	3,312,600	-	-	3,312,600
Health and welfare	1,639,246	-	-	1,639,246
Education	13,082,282	-	-	13,082,282
Parks, recreation, and cultural	1,427,654	-	-	1,427,654
Community development	2,808,451	-	-	2,808,451
Nondepartmental	1,780,693	-	-	1,780,693
Capital projects	-	477,000	9,825	486,825
Debt service:				
Principal retirement	2,502,118	-	-	2,502,118
Interest and other fiscal charges	2,746,012	-	-	2,746,012
Total expenditures	\$ 40,292,112	\$ 477,000	\$ 9,825	\$ 40,778,937
Excess (deficiency) of revenues over (under) expenditures	\$ 2,314,878	\$ (477,000)	\$ (8,965)	\$ 1,828,913
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 9,100	\$ 4,566,522	\$ -	\$ 4,575,622
Transfers out	(4,799,104)	-	(226,469)	(5,025,573)
Issuance of refunding bonds	4,985,000	-	-	4,985,000
Premium on refunding bonds issued	835,950	-	-	835,950
Payment to refunded bond escrow agent	(5,579,876)	-	-	(5,579,876)
Total other financing sources (uses)	\$ (4,548,930)	\$ 4,566,522	\$ (226,469)	\$ (208,877)
Net change in fund balances	\$ (2,234,052)	\$ 4,089,522	\$ (235,434)	\$ 1,620,036
Fund balances - beginning, as restated	25,137,846	-	434,539	25,572,385
Fund balances - ending	\$ 22,903,794	\$ 4,089,522	\$ 199,105	\$ 27,192,421

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

County of Rockbridge, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

Exhibit 6

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,620,036
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(3,177,114)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.	(196,656)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	565,113
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,377,178
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(312,022)</u>
Change in net position of governmental activities	\$ <u><u>876,535</u></u>

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

County of Rockbridge, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

Exhibit 7

	Enterprise Fund Landfill Fund	Enterprise Fund Recycling Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,614,827	\$ -	\$ 1,614,827
Accounts receivable	67,360	-	67,360
Due from other funds	115,923	-	115,923
Total current assets	<u>\$ 1,798,110</u>	<u>\$ -</u>	<u>\$ 1,798,110</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 9,901,532	\$ -	\$ 9,901,532
Total restricted assets	<u>\$ 9,901,532</u>	<u>\$ -</u>	<u>\$ 9,901,532</u>
Capital assets, net of accumulated depreciation:			
Land	\$ 531,037	\$ -	\$ 531,037
Buildings and improvements	1,391,744	123,983	1,515,727
Machinery and equipment	1,255,612	53,502	1,309,114
Construction in progress	920,478	-	920,478
Total capital assets	<u>\$ 4,098,871</u>	<u>\$ 177,485</u>	<u>\$ 4,276,356</u>
Total noncurrent assets	<u>\$ 14,000,403</u>	<u>\$ 177,485</u>	<u>\$ 14,177,888</u>
Total assets	<u>\$ 15,798,513</u>	<u>\$ 177,485</u>	<u>\$ 15,975,998</u>
DEFERRED OUTFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 2,278	\$ 1,278	\$ 3,556
Pension contributions subsequent to measurement date	36,039	20,217	56,256
Total deferred outflows of resources	<u>\$ 38,317</u>	<u>\$ 21,495</u>	<u>\$ 59,812</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 28,340	\$ 5,488	\$ 33,828
Initial advances from participating entities	74,292	-	74,292
Capital advances from Rockbridge County	957,773	-	957,773
Accrued interest payable	39,124	-	39,124
Bonds payable - current portion	65,334	-	65,334
Capital lease payable - current portion	273,231	-	273,231
Compensated absences-current portion	6,406	2,773	9,179
Total current liabilities	<u>\$ 1,444,500</u>	<u>\$ 8,261</u>	<u>\$ 1,452,761</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 19,220	\$ 8,317	\$ 27,537
Net OPEB obligation	3,000	-	3,000
Net pension liability	193,094	108,322	301,416
Closure and post-closure liability	1,980,511	-	1,980,511
Bonds payable - net of current portion	7,199,376	-	7,199,376
Capital lease payable - net of current portion	643,359	-	643,359
Total noncurrent liabilities	<u>\$ 10,038,560</u>	<u>\$ 116,639</u>	<u>\$ 10,155,199</u>
Total liabilities	<u>\$ 11,483,060</u>	<u>\$ 124,900</u>	<u>\$ 11,607,960</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 28,774	\$ 16,143	\$ 44,917
Total deferred inflows of resources	<u>\$ 28,774</u>	<u>\$ 16,143</u>	<u>\$ 44,917</u>
NET POSITION			
Net investment in capital assets	\$ 2,414,996	\$ 177,485	\$ 2,592,481
Restricted for debt service	1,423,596	-	1,423,596
Unrestricted	486,404	(119,548)	366,856
Total net position	<u>\$ 4,324,996</u>	<u>\$ 57,937</u>	<u>\$ 4,382,933</u>

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

County of Rockbridge, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit 8

	Enterprise Fund Landfill Fund	Enterprise Fund Recycling Fund	Total
OPERATING REVENUES			
Charges for services:			
Landfill Rockbridge County	\$ 1,427,065	\$ -	\$ 1,427,065
Landfill City of Lexington	442,747	-	442,747
Landfill City of Buena Vista	228,635	-	228,635
Sale of recycles	-	7,697	7,697
Miscellaneous	14,994	3,178	18,172
Total operating revenues	\$ 2,113,441	\$ 10,875	\$ 2,124,316
OPERATING EXPENSES			
Personal services	\$ 309,588	\$ 250,954	\$ 560,542
Fringe benefits	107,051	60,008	167,059
Contractual services	163,633	87,913	251,546
Other charges	187,689	32,910	220,599
Rent	9,969	-	9,969
Depreciation	227,486	32,144	259,630
Total operating expenses	\$ 1,005,416	\$ 463,929	\$ 1,469,345
Operating income (loss)	\$ 1,108,025	\$ (453,054)	\$ 654,971
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 11,162	\$ -	\$ 11,162
Commonwealth of Virginia-litter control grant	-	23,300	23,300
Bond issuance cost	(124,141)	-	(124,141)
Interest expense	(46,079)	-	(46,079)
Landfill closure costs and post-closure liability	(8,206)	-	(8,206)
Total nonoperating revenues (expenses)	\$ (167,264)	\$ 23,300	\$ (143,964)
Income before transfers	\$ 940,761	\$ (429,754)	\$ 511,007
Transfers in	\$ -	\$ 459,051	\$ 459,051
Transfers out	(9,100)	-	(9,100)
Change in net position	\$ 931,661	\$ 29,297	\$ 960,958
Total net position - beginning, as restated	3,393,335	28,640	3,421,975
Total net position - ending	\$ 4,324,996	\$ 57,937	\$ 4,382,933

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

County of Rockbridge, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit 9

	Enterprise Fund Landfill Fund	Enterprise Fund Recycling Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,108,494	\$ 10,875	\$ 2,119,369
Payments to suppliers	(347,106)	(116,161)	(463,267)
Payments to employees	(426,005)	(320,422)	(746,427)
Net cash provided by (used for) operating activities	\$ 1,335,383	\$ (425,708)	\$ 909,675
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Commonwealth of Virginia-litter control grant	\$ -	\$ 23,300	\$ 23,300
Operating transfer from general fund	-	459,051	459,051
Net cash provided by (used for) noncapital financing activities	\$ -	\$ 482,351	\$ 482,351
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (1,148,086)	\$ (56,643)	\$ (1,204,729)
Proceeds from capital leases issue	681,832	-	681,832
Proceeds from revenue bonds issue	6,566,329	-	6,566,329
Principal paid on capital debt	(234,353)	-	(234,353)
Bond issuance cost	(124,141)	-	(124,141)
Interest expense	(18,064)	-	(18,064)
Capital advances Rockbridge County	268,875	-	268,875
Net cash provided by (used for) capital and related financing activities	\$ 5,992,392	\$ (56,643)	\$ 5,935,749
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 11,162	\$ -	\$ 11,162
Net increase (decrease) in cash and cash equivalents	\$ 7,338,937	\$ -	\$ 7,338,937
Cash and cash equivalents - beginning - including restricted	4,177,422	-	4,177,422
Cash and cash equivalents - ending - including restricted	\$ 11,516,359	\$ -	\$ 11,516,359
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 1,108,025	\$ (453,054)	\$ 654,971
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	227,486	32,144	259,630
(Increase) decrease in accounts receivable	15,949	-	15,949
(Increase) decrease in due from other funds	(20,896)	-	(20,896)
(Increase) decrease in deferred outflows of resources	(3,960)	(1,830)	(5,790)
Increase (decrease) in accounts payable	14,185	4,662	18,847
Increase (decrease) in compensated absences	5,781	(1,356)	4,425
Increase (decrease) in net pension liability	25,933	14,548	40,481
Increase (decrease) in deferred inflows of resources	(37,120)	(20,822)	(57,942)
Net cash provided by (used for) operating activities	\$ 1,335,383	\$ (425,708)	\$ 909,675
Schedule of non-cash capital and related financing activities:			
Landfill closure and post-closure costs	\$ 8,206	\$ -	\$ 8,206
Capital assets transferred to the governmental activities	(9,100)	-	(9,100)
Total non-cash capital and related financing activities	\$ (894)	\$ -	\$ (894)

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

County of Rockbridge, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

Exhibit 10

	Primary Government Agency Funds
ASSETS	
Cash and cash equivalents	\$ 3,653,057
Total assets	\$ <u>3,653,057</u>
LIABILITIES	
Accounts payable	\$ (65,416)
Amounts held for payroll deductions	69,896
Amounts held for veterans memorial	9,781
Amounts held for drug enforcement	102,289
Amounts held for employee benefits	2,164
Amounts held for commonwealth attorney forfeitures	10,656
Amounts held for regional public safety communications center	<u>3,523,687</u>
Total liabilities	\$ <u>3,653,057</u>

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements
June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial Reporting Entity

The County of Rockbridge, Virginia (government) is a municipal corporation governed by an elected five-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - The Rockbridge Solid Waste Authority has been determined to be a component unit of Rockbridge County in accordance with Governmental Accounting Standards Board Statement 14. The Authority is a legally separate organization whose Board members are composed of the Rockbridge County Board of Supervisors. The primary government has a financial benefit and burden relationship with the Authority and is able to impose its will on the Authority. The Authority is a component unit of Rockbridge County. Complete financial statements for the Authority may be obtained at the Authority's administrative office at 150 South Main Street, Lexington, Virginia 24450.

Discretely Presented Component Units:

Rockbridge County School Board:

The School Board members are elected and are responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary local sources of funding are from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2016.

Rockbridge County Regional Jail Commission:

The Rockbridge County Regional Jail Commission is a regional board organized to manage and confine prisoners from the localities of Lexington City, Buena Vista City and Rockbridge County. The Rockbridge County Board of Supervisors appoints two (2) members to the Commission, while the City of Lexington and the City of Buena Vista each appoint one member respectively. The County of Rockbridge serves as the fiscal agent for the Jail Commission. The Jail Commission is included in these financial statements because of the County's ability to designate the management and exercise significant control over the operations of the entity. The financial statements of the Commission are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2016. Complete financial statements of the Rockbridge County Regional Jail Commission are available at the Rockbridge County Jail, 258 Greenhouse Road, Lexington, Virginia 24450.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

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

A. Financial Reporting Entity (continued)

Discretely Presented Component Units: (Continued)

Rockbridge County Public Service Authority:

The Rockbridge County Public Service Authority is organized to provide water and sewer services to customers located in the County. 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. The financial statements of the Authority are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2016. Complete financial statements of the Rockbridge County Public Service Authority are available at the Authority's office: 150 South Main Street, Lexington, Virginia 24450.

Rockbridge Area Social Services Board:

The Rockbridge Area Social Services Board is a regional board organized to provide social services to Rockbridge County, and the Cities of Lexington and Buena Vista. All three participating entities appoint members of the Board. The Rockbridge County Treasurer serves as the fiscal agent for the Comprehensive Services Act programs administered by under the Rockbridge Area Social Services operation. The Board is a legally separate organization, however the Board is included in the reporting entity because of the nature and significance of its relationship with the County of Rockbridge, Virginia. The financial statements of the Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2016. Complete financial statements of the Rockbridge Area Social Services Board are available at the Rockbridge Area Social Services office: 20 East Preston Street, Lexington, Virginia 24450.

B. Other Organizations

Included in the County's Financial Report: None

Excluded from the County's Financial Report:

Rockbridge County Industrial Development Authority:

The County created the Industrial Development Authority to attract industry to the County and to provide financing for such industries. The Authority is comprised of seven members appointed by the Board of Supervisors. The Authority was created by resolution pursuant to state statute, and it is legally separate from the County. The County cannot impose its will on the Authority since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Authority. The Authority is fiscally independent, and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

Rockbridge County Economic Development Authority:

The County created the Economic Development Authority to assist with economic endeavors. The Authority is comprised of seven members appointed by the Board of Supervisors. The Authority was created by resolution pursuant to state statute, and it is legally separate from the County. The County cannot impose its will on the Authority since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Authority. The Authority is fiscally independent, and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

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

B. Other Organizations (continued)

Rockbridge Area Community Services Board:

The Rockbridge Area Community Services Board is considered an intergovernmental (joint) venture and therefore its operations are not included in the County's financial statements. The Cities of Lexington and Buena Vista and the County of Rockbridge provide the financial support for the Board and appoint its governing Board in which is vested the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Summary financial information is included in Note 4 of these financial statements. Complete financial statements can be obtained from the Rockbridge Area Community Services Board offices: 241 Greenhouse Road, Lexington, Virginia 24450.

Maury Service Authority:

The Maury Service Authority is responsible for acquiring, financing, constructing, and maintaining facilities for the improvement, treatment, storage and transmission of potable water. The Maury Service Authority is considered an intergovernmental (joint) venture and therefore its operations are not included in the County's financial statements. The County of Rockbridge and the Cities of Lexington and Buena Vista appoint the Authority's Board of Directors. The City of Lexington and the Rockbridge Public Service Authority provide substantially all of the Authority's revenues. Summary financial information is included in Note 4 of these financial statements. Complete financial statements of the Maury Service Authority are available at the Authority's office at 130 Osage Lane, Lexington, Virginia 24450.

Rockbridge Regional Public Safety Communications Center:

The Rockbridge Regional Public Safety Communications Center is organized for the purpose of establishing a mutually beneficial basis for the use and operation of a consolidated public safety dispatch center for the County of Rockbridge and Cities of Lexington and Buena Vista, Virginia. The Cities of Buena Vista and Lexington and the County of Rockbridge appoint the Board of Directors and each provides substantially all of the Center's revenues. The City of Lexington serves as fiscal agent for the Center. The Center is not included in these financial statements because the County does not have ability to designate the management and exercise significant control over the operations of the entity. Summary financial information is included in Note 4 of these financial statements. Complete financial statements of the Rockbridge Regional Public Safety Communications Center are available at the Center's office at 300 E. Washington St., Lexington, Virginia 24450

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expenses – the cost of “using up” capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets, 2) restricted; and 3) unrestricted.

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

C. Government-wide and fund financial statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

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

D. Measurement focus, basis of accounting, and financial statement presentation (continued)

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund. The general fund includes the activities of the central stores and the South River flood mitigation funds.

Special revenue funds account for and report the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The County does not have any special revenue funds to report for fiscal year 2016.

The *capital projects funds* account for and report financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital project funds consist of the County Capital Projects fund and the Other Capital Projects fund.

The government reports the following major proprietary funds:

The *landfill and recycling funds* account for and report the activities of the Rockbridge County Solid Waste Authority, a blended component unit of the government. The County operates the landfill and recycling operations of the Authority.

Additionally, the government reports the following fund types:

Fiduciary (Trust and Agency) funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Payroll Deduction, Drug, Veterans Memorial, Employee Benefit, Commonwealth Attorney Forfeitures Funds and the Rockbridge Regional Public Safety Communications Center.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's landfill and recycling funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

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

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance

1. *Cash and cash equivalents*

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

2. *Receivables and payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "Advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Inventories and prepaid items*

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Quantities on hand at year-end are considered immaterial and have not been recorded, except in the School Cafeteria Fund and Discretely Presented Component Unit-Rockbridge Public Service Authority where it can be easily measured.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Property taxes*

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$384,062 at June 30, 2016 and is comprised solely of property taxes.

5. *Restricted assets*

The governmental funds maintain restricted cash for debt service, garage, fire funds, industrial property, and the discretely presented component unit-school board. The Landfill fund maintains restricted assets invested in the Local Government Investment Pool. These funds are restricted for the payment of future closure and post-closure costs associated with the County's landfill. Additionally, the Landfill fund has restricted unspent bond proceeds of \$6,497,425. The Discretely Presented Component Unit Rockbridge Public Service Authority maintains restricted assets that are limited by applicable bond covenants.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

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

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (continued)

6. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$31,838 in interest was capitalized in the Landfill fund. No interest was capitalized during the previous year.

Property, plant, and equipment and infrastructure of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Machinery and equipment	5-10
Utility, plant and equipment	5-30

7. *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discount, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

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

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (continued)

9. Fund equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (the Board of Supervisors); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The County establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

10. Net position

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

11. Net position flow assumption

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

12. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

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

F. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

G. Use of Estimates

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The Primary Government has two items that qualify for reporting in this category. The Primary Government shows a deferred charge on refunding reported in to government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Additionally, the Primary Government shows deferred outflows which are comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, and contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Primary Government has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net differences between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

I. Pensions

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

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

J. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 12.

K. Restatement of Beginning Fund Balance/Net Position

Beginning fund balance has been restated in the financial statements as detailed below:

	Fund Financial Statements	
	General Fund	Landfill Fund
Fund balances as reported at June 30, 2015	\$ 24,366,332	\$ 4,082,233
To record additional advances to/from participating entities as of June 30, 2015	771,514	(688,898)
Fund Balances as restated at June 30, 2015	<u>\$ 25,137,846</u>	<u>\$ 3,393,335</u>

Beginning net position has been restated in the financial statements as detailed below:

	Government-wide Financial Statements		
	Governmental Activities	Business-type Activities	Total Primary Government
Net Position as reported at June 30, 2015	\$ 35,718,497	\$ 4,110,873	\$ 39,829,370
To record additional advances to/from participating entities as of June 30, 2015	771,514	(688,898)	82,616
Net Position as restated at June 30, 2015	<u>\$ 36,490,011</u>	<u>\$ 3,421,975</u>	<u>\$ 39,911,986</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$63,413,254) and (\$28,499,381) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds and loans payable	\$ (56,815,726)	\$ -
Unamortized premium on debt	(3,457,468)	-
Accrued interest payable	(810,327)	-
Deferred charge on refunding	1,424,664	-
Net OPEB obligation	(166,000)	(1,593,000)
Items related to measurement of net pension liability	38,832	20,617
Net pension liability	(3,292,026)	(26,757,165)
Compensated absences	(335,203)	(169,833)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ (63,413,254)	\$ (28,499,381)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of these \$(3,177,114) and \$1,199,278 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlay	\$ 873,126	\$ 827,597
Depreciation expense	(1,348,318)	(2,330,241)
Allocation of debt financed school assets based on current year repayments	(2,701,922)	2,701,922
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (3,177,114)	\$ 1,199,278

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$2,377,178 difference in the primary government are as follows:

Debt issued or incurred:	
Revenue bonds	\$ (4,985,000)
Premium on bonds	(835,950)
Deferred charge on refunding	449,876
Principal repayments:	
General obligation bonds	2,002,118
Revenue bonds	5,630,000
Amortization of deferred charge on refunding	(48,740)
Amortization of premium on general obligation bonds	164,874
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>2,377,178</u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of these (\$312,022) and (\$1,530,549) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Compensated absences	\$ (34,175)	\$ (67,609)
Net OPEB obligation	(18,000)	(208,000)
Net pension liability	(442,136)	(1,206,852)
Deferred outflows related to pension payments subsequent to the measurement date	1,937	(68,705)
Deferred outflows related to measurement of net pension liability	38,832	20,617
Accrued interest payable	141,520	-
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>(312,022)</u>	\$ <u>(1,530,549)</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The Board of Supervisors has authorized the County Administrator to revise appropriations for each department or category as needed to meet actual operational expenditures. The County Administrator is also authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

B. Excess of expenditures over appropriations:

For the year ended June 30, 2016, the following funds that had expenditures exceeding appropriations.

<u>Fund</u>	<u>Excess of Expenditures over Appropriations</u>
County Capital Projects Fund	\$ <u>53,978</u>

C. Deficit fund equity

At June 30, 2016, there were no funds that showed deficit equity.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 4—JOINT VENTURES:

As described in Note 1-B, the following boards are construed as operating as joint ventures between the Cities of Lexington and Buena Vista, and the County of Rockbridge. Summary financial information for the Boards at June 30, 2016 is provided below:

	Maury Service Authority	Rockbridge Area Community Services Board	Rockbridge Regional Public Safety Communications Center
Total assets and deferred outflows of resources	\$ 40,045,761	\$ 8,387,808	\$ 5,948,150
Total liabilities and deferred inflows of resources	15,702,707	5,262,836	5,783,228
Total net position	<u>\$ 24,343,054</u>	<u>\$ 3,124,972</u>	<u>\$ 164,922</u>
For the year ended June 30, 2016			
Operating revenue	\$ 2,816,879	\$ 4,290,086	\$ 236,493
Operating expenses	(3,265,818)	(7,349,343)	(1,330,177)
Nonoperating income (expense)	1,225,263	3,312,570	1,095,760
Change in net position	\$ 776,324	\$ 253,313	\$ 2,076
Net position at beginning of year	23,566,730	2,871,659	162,846
Net position at end of year	<u>\$ 24,343,054</u>	<u>\$ 3,124,972</u>	<u>\$ 164,922</u>

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other governments consists of payments due from federal, state, and local governmental units at June 30, 2016 as follows:

	Governmental Activities	Component Unit School Board	Component Unit Jail Commission	Component Unit Rockbridge Area Social Services Board
Commonwealth of Virginia:				
State sales taxes	\$ -	\$ 544,754	\$ -	\$ -
Local sales taxes	492,422	-	-	-
Public assistance grants	-	-	-	63,043
Comprehensive services act	-	-	-	345,464
Communications tax	147,400	-	-	-
Shared expenses	165,987	-	118,106	-
Fire program funds	64,592	-	-	-
Other	98,360	207,182	96,044	-
Federal Government:				
Violence against women	13,350	-	-	-
DHCD	6,635	-	-	-
Other	5,175	62,515	-	108,899
Other Governmental Units:				
City of Lexington	-	-	14,892	-
City of Buena Vista	-	-	41,782	-
County of Rockbridge	-	-	61,465	-
Totals	<u>\$ 993,921</u>	<u>\$ 814,451</u>	<u>\$ 332,289</u>	<u>\$ 517,406</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 6—INTERFUND OBLIGATIONS:

The purpose of interfund obligations due to/from component unit is to report the balance of local appropriations unspent at year-end due back to the respective funds. The purpose of interfund obligations due to/from other funds is to repay the general fund for expenditures related to the landfill and school capital projects.

Fund	Due From Other Funds	Due To Other Funds	Due From Component Unit/Primary Government	Due To Component Unit/Primary Government
General	\$ 1,837	\$ 115,923	\$ 2,016,342	\$ -
Landfill Fund	115,923	-	-	-
Other Capital Projects Fund	-	1,837	-	-
Component Unit Rockbridge Regional Jail Commission	-	-	-	71,600
Component Unit Rockbridge Area Social Services	-	-	-	633,801
Component Unit School Board	-	-	-	1,310,941
Total	\$ 117,760	\$ 117,760	\$ 2,016,342	\$ 2,016,342

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government – Governmental Activities Indebtedness:

Changes in Long-Term Obligations:

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2016:

	Balance July 1, 2015	Additions/ Issuances	Decreases/ Retirements	Balance June 30, 2016
Governmental Activities:				
General obligation bonds	\$ 40,817,844	\$ -	\$ 1,822,118	\$ 38,995,726
Revenue bonds	17,390,000	4,985,000	5,630,000	16,745,000
Bond premium	2,786,392	835,950	164,874	3,457,468
Literary loan funds	1,255,000	-	180,000	1,075,000
Compensated absences	301,028	310,056	275,881	335,203
Net pension liability	2,849,890	2,088,698	1,646,562	3,292,026
Net OPEB obligation	148,000	31,000	13,000	166,000
Total Governmental Activities	\$ 65,548,154	\$ 8,250,704	\$ 9,732,435	\$ 64,066,423
Business-type Activities:				
Revenue bonds	\$ 615,000	\$ 5,710,000	\$ 20,000	\$ 6,305,000
Bond premium	109,462	856,329	6,081	959,710
Capital leases	449,111	681,832	214,353	916,590
Compensated absences	32,291	32,841	28,416	36,716
Net OPEB obligation	3,000	1,000	1,000	3,000
Net pension liability	260,935	191,239	150,758	301,416
Landfill closure and post-closure care	1,972,305	8,206	-	1,980,511
Total Business-type Activities	\$ 3,442,104	\$ 7,481,447	\$ 420,608	\$ 10,502,943
Total Long-Term Obligations	\$ 68,990,258	\$ 15,732,151	\$ 10,153,043	\$ 74,569,366

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 7—LONG-TERM OBLIGATIONS: (Continued)**Primary Government – Governmental Activities Indebtedness: (continued)**

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

Year Ending June 30,	Revenue Bonds		General Obligation Bonds		Literary Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ -	\$ 713,423	\$ 1,884,665	\$ 1,602,878	\$ 180,000	\$ 45,293
2018	305,000	720,089	1,952,709	1,523,642	180,000	38,003
2019	435,000	703,677	2,015,553	1,444,548	175,000	30,814
2020	585,000	680,724	2,082,446	1,368,716	180,000	22,725
2021	650,000	651,071	2,154,438	1,286,916	180,000	13,635
2022	675,000	623,967	2,227,270	1,195,869	180,000	4,545
2023	705,000	595,518	2,195,254	1,106,851	-	-
2024	735,000	560,443	2,183,391	1,025,326	-	-
2025	775,000	525,255	1,950,000	957,604	-	-
2026	805,000	490,242	2,005,000	899,189	-	-
2027	840,000	453,821	1,780,000	844,779	-	-
2028	880,000	415,486	1,835,000	787,088	-	-
2029	925,000	375,627	1,895,000	723,456	-	-
2030	960,000	334,355	1,160,000	681,125	-	-
2031	1,010,000	290,696	1,185,000	498,036	-	-
2032	1,055,000	244,402	815,000	314,185	-	-
2033	1,095,000	197,011	840,000	288,946	-	-
2034	1,145,000	149,919	865,000	262,945	-	-
2035	1,190,000	102,176	890,000	236,181	-	-
2036	1,240,000	52,436	920,000	208,579	-	-
2037	360,000	20,425	950,000	180,061	-	-
2038	375,000	6,900	980,000	150,629	-	-
2039	-	-	1,010,000	119,650	-	-
2040	-	-	1,040,000	87,106	-	-
2041	-	-	1,075,000	53,531	-	-
2042	-	-	1,105,000	18,233	-	-
Total	\$ 16,745,000	\$ 8,907,663	\$ 38,995,726	\$ 17,866,069	\$ 1,075,000	\$ 155,015

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**Primary Government – Governmental Activities Obligations: (continued)**Details of Long-Term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue bonds:		
\$11,760,000, issued June 5, 2013 at a premium of \$1,771,014, payable in semi-annual installments of principal and interest on October 1, and April 1, variable interest at 4.261%-4.823% through April 1, 2036	\$ 11,760,000	\$ -
\$4,985,000, issued May 25, 2016 at a premium of \$835,950, payable in semi-annual installments of principal and interest on October 1, and April 1, variable interest at 3.796%-5.125%, through April 1, 2038	4,985,000	-
Total revenue bonds	\$ 16,745,000	\$ -
General obligation bonds:		
\$1,500,000 issue dated May 17, 2001, payable in various annual principal installments, interest payable semi-annually at 4.79% on January 15, and July 15, through January 2022	\$ 615,000	\$ 90,000
\$1,000,000 issue dated October 1, 2002 due in various annual principal installments, interest payable semi-annually at rates varying from 2.6% to 4.95% through January 15, 2023	445,000	55,000
\$10,625,000 issued October 6, 2003 at a premium of \$378,615, due in various annual principal installments, interest payable semi-annually at interest rates varying from 3.1% to 5.35% through July 15, 2028	7,460,000	415,000
\$5,514,484 issued October 6, 2003 at a premium of \$360,006 due in various annual principal installments, interest payable semi-annually at interest rates varying from 3.1% to 5.35% through January 15, 2024	2,310,726	279,665

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**Primary Government – Governmental Activities Obligations: (continued)**Details of Long-Term Details of Obligations: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General obligation bonds: (continued)		
\$3,590,000 issued May 12, 2005 at a premium of \$213,677 due in various annual principal installments, interest payable semi-annually at interest rates varying from 3.1% to 5.1% through July 15, 2025	\$ 2,230,000	\$ 175,000
\$7,500,000 School tax credit bonds issued December 15, 2011 due in various annual principal installments, interest payable semi-annually at an interest rate of 4.25% through June 30, 2031	5,925,000	395,000
\$20,460,000 VPSA bonds issued November 15, 2012 at a premium of \$540,453, due in various annual principal installments, interest payable semi-annually at variable interest rates through November 15, 2042	<u>20,010,000</u>	<u>475,000</u>
Total general obligation bonds	\$ <u>38,995,726</u>	\$ <u>1,884,665</u>
Literary loans:		
\$1,435,000 issue dated May 9, 2013, payable in various annual principal and interest installments, interest rates varying from 3.05%-4% through January 15, 2021	\$ <u>1,075,000</u>	\$ <u>180,000</u>
Unamortized bond premium	\$ <u>3,457,468</u>	\$ <u>164,873</u>
Net pension liability (payable from the General Fund)	\$ <u>3,292,026</u>	\$ <u>-</u>
Net OPEB obligation (payable from the General Fund)	\$ <u>166,000</u>	\$ <u>-</u>
Compensated absences (payable from the General Fund)	\$ <u>335,203</u>	\$ <u>83,801</u>
Total long-term obligations	\$ <u><u>64,066,423</u></u>	\$ <u><u>2,313,339</u></u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**Primary Government – Business-type Activities Obligations:**

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

Year Ending June 30,	Landfill Fund			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2017	\$ 25,000	\$ 272,475	\$ 273,231	\$ 21,994
2018	515,000	277,803	269,027	14,098
2019	535,000	254,172	172,279	7,648
2020	560,000	228,638	141,831	3,668
2021	590,000	200,019	60,222	402
2022	625,000	168,959	-	-
2023	655,000	136,259	-	-
2024	120,000	116,425	-	-
2025	130,000	110,019	-	-
2026	135,000	103,378	-	-
2027	140,000	96,731	-	-
2028	150,000	90,000	-	-
2029	155,000	83,359	-	-
2030	160,000	76,338	-	-
2031	170,000	68,756	-	-
2032	180,000	60,537	-	-
2033	185,000	52,484	-	-
2034	140,000	45,957	-	-
2035	145,000	40,503	-	-
2036	150,000	34,868	-	-
2037	155,000	29,053	-	-
2038	160,000	23,056	-	-
2039	170,000	16,775	-	-
2040	175,000	10,209	-	-
2041	180,000	3,439	-	-
Total	\$ <u>6,305,000</u>	\$ <u>2,600,212</u>	\$ <u>916,590</u>	\$ <u>47,810</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**Primary Government – Business-type Activities Obligations: (Continued)**

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue bonds:		
VRA 2012A Revenue Bond totaling \$655,000. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.625% to 5.125% beginning October 1, 2012 through April 1, 2033.	\$ 595,000	\$ 25,000
VRA 2016A Revenue Bond totaling \$5,710,000, issued at a premium of \$856,329. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.792% to 5.125% beginning October 1, 2017 through April 1, 2041.	<u>5,710,000</u>	<u>-</u>
Total revenue bonds	\$ <u>6,305,000</u>	\$ <u>25,000</u>
Capital leases:		
\$309,436 Issued April 13, 2013 for a track loader, due in monthly payments of \$5,588 through April 15, 2018, interest at 4.550%	\$ 118,314	\$ 64,172
\$381,677 Issued August 15, 2013 for a compactor, due in monthly payments of \$6,899 November 15, 2018, interest at 2.89%	192,734	78,133
\$681,832 issued December 15, 2015 for a vehicle and an excavator, due in monthly payments of \$12,125 through November 25, 2020, interest at 2.67%.	<u>605,542</u>	<u>130,926</u>
Total capital leases	\$ <u>916,590</u>	\$ <u>273,231</u>
Unamortized bond premium	\$ <u>959,710</u>	\$ <u>40,334</u>
Landfill closure and post-closure liability	\$ <u>1,980,511</u>	\$ <u>-</u>
Net pension liability	\$ <u>301,416</u>	\$ <u>-</u>
Net OPEB obligation	\$ <u>3,000</u>	\$ <u>-</u>
Compensated absences	\$ <u>36,716</u>	\$ <u>9,179</u>
Total long-term obligations	<u>\$ 10,502,943</u>	<u>\$ 347,744</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**Component Unit – Rockbridge County Public Service Authority:****Changes in long-term Obligations:**

	Balance July 1, 2015	Additions/ Issuances	Decreases/ Retirements	Balance June 30, 2016
Water Fund:				
Revenue bonds	\$ 694,070	\$ -	\$ 228,398	\$ 465,672
Rural development bond	1,893,238	-	39,414	1,853,824
Net OPEB obligation	9,120	420	530	9,010
Compensated Absences	22,435	114	-	22,549
Total water fund	<u>\$ 2,618,863</u>	<u>\$ 534</u>	<u>\$ 268,342</u>	<u>\$ 2,351,055</u>
Sewer Fund:				
Revenue bonds	\$ 7,936,343	\$ -	\$ 690,116	\$ 7,246,227
Advances	2,247,509	297,302	-	2,544,811
Net OPEB obligation	6,880	1,580	470	7,990
Compensated absences	19,895	101	-	19,996
Total sewer fund	<u>\$ 10,210,627</u>	<u>\$ 298,983</u>	<u>\$ 690,586</u>	<u>\$ 9,819,024</u>
Totals	<u>\$ 12,829,490</u>	<u>\$ 299,517</u>	<u>\$ 958,928</u>	<u>\$ 12,170,079</u>

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2017	\$ 876,005	\$ 57,968
2018	791,145	52,062
2019	791,973	48,324
2020	797,818	44,419
2021	798,680	40,242
2022-2026	3,751,948	156,806
2027-2031	600,733	128,925
2032-2036	282,541	102,059
2037-2041	312,230	72,010
2042-2046	345,039	39,561
2047-2049	217,611	6,570
Total	<u>\$ 9,565,723</u>	<u>\$ 748,946</u>

Operating contributions from Rockbridge County consisted of the following:

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**Component Unit – Rockbridge County Public Service Authority: (continued)**Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Water Fund:		
Revenue Bonds:		
\$1,266,223 Water Revenue Refunding Bond dated March 1, 2001, payable in semi-annual installments through October 1, 2016. Interest rate of 4.74%. Payments on this bond are anticipated to be made by Rockbridge County.	\$ 57,762	\$ 57,762
\$767,900 Water Revenue Obligation issued through the Buena Vista Industrial Development Authority (Authority portion of \$1,400,000 issue), dated August 1, 1996, payable semi-annually through July 14, 2016, average interest rate of approximately 6.3%. Payments on this bond are anticipated to be made by Rockbridge County.	32,910	32,910
\$940,000 Infrastructure Revenue Bonds (Series 2002A) issued through the Virginia Resources Authority, dated June 6, 2002, payable annually through April 1, 2022, interest payable semi-annually at rates ranging from 3.1% to 5.35%.	375,000	55,000
\$2,081,000 Water System Revenue Bonds (Series 2012) issued through the United States Department of Agriculture, dated June 28, 2012, payable annually through June 28, 2052, stated interest rate of 2.0%.	1,853,824	40,216
Total Bonds	\$ 2,319,496	\$ 185,888
Compensated absences	\$ 22,549	\$ 22,549
Net OPEB obligation	9,010	-
Total Water Fund	\$ 2,351,055	\$ 208,437
Sewer Fund:		
Revenue Bonds:		
\$14,700,000 Sewer System Revenue Bonds, Series 2005 issued through the Virginia Revolving Loan Fund payable through December 31, 2027 in equal installments with no interest. Amount advanced and outstanding at year-end.	\$ 7,246,227	\$ 690,117
Advances:		
Loan from Rockbridge County, dated September 1, 2010. No agreed upon repayment terms.	2,544,811	-
Compensated absences	19,996	19,996
Net OPEB obligation	7,990	-
Total Sewer Fund	\$ 9,819,024	\$ 710,113
Total long-term obligations	\$ 12,170,079	\$ 918,550

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**Component Unit – Rockbridge County Regional Jail Commission:**Changes in long-term Obligations:

	<u>Balance July 1, 2015</u>	<u>Additions/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>
Net OPEB Obligation (payable from Rockbridge County Regional Jail Commission)	\$ 55,000	\$ 11,000	\$ 2,000	\$ 64,000
Net pension liability (payable from Rockbridge County Regional Jail Commission)	966,272	708,185	558,277	1,116,180
Compensated Absences (payable from Rockbridge County Regional Jail Commission)	<u>167,652</u>	<u>43,151</u>	<u>41,913</u>	<u>168,890</u>
Total Long-Term Obligations	\$ <u>1,188,924</u>	\$ <u>762,336</u>	\$ <u>602,190</u>	\$ <u>1,349,070</u>

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Net pension liability	\$ 1,116,180	\$ -
Net OPEB obligation	\$ 64,000	\$ -
Compensated absences	\$ 168,890	\$ 42,223
Total obligations	\$ <u>1,349,070</u>	\$ <u>42,223</u>

Component Unit – Rockbridge Area Social Services Board:Changes in long-term Obligations:

	<u>Balance July 1, 2015</u>	<u>Additions/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>
Compensated Absences (payable from Rockbridge Area Social Services Board)	\$ 102,488	\$ 76,866	\$ 112,229	\$ 67,125
Total Long-Term Obligations	\$ <u>102,488</u>	\$ <u>76,866</u>	\$ <u>112,229</u>	\$ <u>67,125</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**Component Unit – Rockbridge Area Social Services Board: (continued)**

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Compensated absences	\$ 67,125	\$ 16,781
Total obligations	\$ 67,125	\$ 16,781

Component Unit-School Board:

The following is a summary of long-term obligation transactions of the School Board Component Unit for the year ended June 30, 2016:

	Balance July 1, 2015	Additions/ Issuances	Deductions/ Retirements	Balance June 30, 2016
Net pension liability	\$ 25,550,313	\$ 6,936,903	\$ 5,730,051	\$ 26,757,165
Net OPEB obligation	1,385,000	373,000	165,000	1,593,000
Compensated absences	102,224	128,944	61,335	169,833
Total	\$ 27,037,537	\$ 7,438,847	\$ 5,956,386	\$ 28,519,998

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Net pension liability (payable from the School Fund)	\$ 26,757,165	\$ -
Net OPEB obligation	1,593,000	-
Compensated absences (payable from the School Fund)	169,833	42,458
Total long-term obligations	\$ 28,519,998	\$ 42,458

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by 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.

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government (1)	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	83	99
Inactive members:		
Vested inactive members	18	15
Non-vested inactive members	22	37
Inactive members active elsewhere in VRS	44	20
Total inactive members	84	72
Active members	145	90
Total covered employees	312	261

(1) Includes Component Unit Rockbridge Regional Jail Commission

Contributions

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

The Primary Government's contractually required contribution rate for the year ended June 30, 2016 was 14.03% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$670,679 and \$646,121 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit Rockbridge Regional Jail Commission's contractually required contribution rate for the year ended June 30, 2016 was 14.03% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Contributions (continued)

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 Component Unit Rockbridge Regional Jail Commission were \$208,323 and \$200,696 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 8.51% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$123,093 and \$131,850 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Primary Government's, Component Unit Rockbridge Regional Jail Commission's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Primary Government's, Component Unit Rockbridge Regional Jail Commission's, and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions – General Employees (continued)

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Primary Government's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions – Public Safety Employees (continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

Long-Term Expected Rate of Return

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Long-Term Expected Rate of Return (continued)

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

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 23,253,394	\$ 20,142,569	\$ 3,110,825
Changes for the year:			
Service cost	\$ 621,092	\$ -	\$ 621,092
Interest	1,589,147	-	1,589,147
Differences between expected and actual experience	56,853	-	56,853
Contributions - employer	-	646,121	(646,121)
Contributions - employee	-	229,869	(229,869)
Net investment income	-	921,330	(921,330)
Benefit payments, including refunds of employee contributions	(1,102,599)	(1,102,599)	-
Administrative expenses	-	(12,651)	12,651
Other changes	-	(194)	194
Net changes	\$ 1,164,493	\$ 681,876	\$ 482,617
Balances at June 30, 2015	\$ 24,417,887	\$ 20,824,445	\$ 3,593,442

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Changes in Net Pension Liability (Continued)

	Component Unit Rockbridge Regional Jail Commission		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 7,222,876	\$ 6,256,604	\$ 966,272
Changes for the year:			
Service cost	\$ 192,921	\$ -	\$ 192,921
Interest	493,614	-	493,614
Differences between expected and actual experience	17,662	-	17,662
Contributions - employer	-	200,696	(200,696)
Contributions - employee	-	71,401	(71,401)
Net investment income	-	286,180	(286,180)
Benefit payments, including refunds of employee contributions	(342,487)	(342,487)	-
Administrative expenses	-	(3,929)	3,929
Other changes	-	(59)	59
Net changes	\$ 361,710	\$ 211,802	\$ 149,908
Balances at June 30, 2015	\$ 7,584,586	\$ 6,468,406	\$ 1,116,180

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 7,357,164	\$ 7,116,851	\$ 240,313
Changes for the year:			
Service cost	\$ 152,653	\$ -	\$ 152,653
Interest	497,766	-	497,766
Differences between expected and actual experience	8,852	-	8,852
Contributions - employer	-	131,850	(131,850)
Contributions - employee	-	76,599	(76,599)
Net investment income	-	317,602	(317,602)
Benefit payments, including refunds of employee contributions	(492,430)	(492,430)	-
Administrative expenses	-	(4,567)	4,567
Other changes	-	(65)	65
Net changes	\$ 166,841	\$ 28,989	\$ 137,852
Balances at June 30, 2015	\$ 7,524,005	\$ 7,145,840	\$ 378,165

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

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

The following presents the net pension liability of the Primary Government, Component Unit Rockbridge Regional Jail Commission and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the Primary Government's and Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 6,686,491	\$ 3,593,442	\$ 1,004,685
Component Unit Rockbridge Regional Jail Commission			
Net Pension Liability (Asset)	\$ 2,076,930	\$ 1,116,180	\$ 312,071
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,168,495	\$ 378,165	\$ (290,518)

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

For the year ended June 30, 2016, the Primary Government, Component Unit Rockbridge Regional Jail Commission and Component Unit School Board (nonprofessional) recognized pension expense of \$395,570, \$122,871 and \$18,783, respectively. At June 30, 2016, the Primary Government, Component Unit Rockbridge Regional Jail Commission and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit Rockbridge Regional Jail Commission		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,388	\$ -	\$ 13,166	\$ -	\$ 4,617	\$ -
Net difference between projected and actual earnings on pension plan investments	-	535,488	-	166,330	-	193,379
Employer contributions subsequent to the measurement date	670,678	-	208,323	-	123,093	-
Total	\$ 713,066	\$ 535,488	\$ 221,489	\$ 166,330	\$ 127,710	\$ 193,379

\$670,678, \$208,323 and \$123,093 reported as deferred outflows of resources related to pensions resulting from the Primary Government's, Component Unit Regional Jail Commission's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Primary Government	Component Unit Rockbridge Regional Jail Commission	Component Unit School Board (nonprofessional)
2017	\$ (196,045)	\$ (60,895)	\$ (71,590)
2018	(196,045)	(60,895)	(75,443)
2019	(197,061)	(61,210)	(75,826)
2020	96,051	29,835	34,097
Thereafter	-	-	-

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$2,204,086 and \$2,259,447 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Component Unit School Board (professional) (continued)

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

At June 30, 2016, the school division reported a liability of \$26,379,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .20958% as compared to .20944% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$1,769,000. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 363,000
Net difference between projected and actual earnings on pension plan investments	-	1,616,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,000	570,000
Employer contributions subsequent to the measurement date	<u>2,204,086</u>	<u>-</u>
Total	\$ <u><u>2,220,086</u></u>	\$ <u><u>2,549,000</u></u>

\$2,204,086 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2017	(878,000)
2018	(878,000)
2019	(878,000)
2020	140,000
Thereafter	(39,000)

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

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

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)**Component Unit School Board (professional) (continued)****Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 8—PENSION PLAN: (Continued)

Component Unit School Board (professional) (continued)

Discount Rate

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 38,602,000	\$ 26,379,000	\$ 16,316,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS:

County and Other Participating Entities:

Beginning in fiscal year 2009, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits. Historically, the plan subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the County accrue the cost of other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future costs of postemployment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

A. Plan Description

The County offers its employees the option to participate in the group health insurance program offered to other employees upon retirement, through a single-employer defined benefit plan. Employees must meet the age and service criteria for reduced VRS retirement and be a current employee at least 50 years of age and have been employed by the County in a benefits-eligible position for 10 of the last 13 years prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. Spouses and dependents listed for coverage by the employee prior to retirement may remain in the group program. Once the employee has retired, only the deletion or termination of coverage will be permitted. Full cost of dependent coverage will be the responsibility of the retired employee. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the County for retirees regardless of age if he/she has been employed by the County for at least 10 years immediately prior to the disability. The County reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees.

The Rockbridge Landfill and Component Units Rockbridge Regional Jail Commission and Rockbridge Public Service Authority (herein are referred to as Other Participating Entities) are included in this plan.

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**County and Other Participating Entities: (continued)****C. Annual OPEB Cost and Net OPEB Obligation (continued)**

The following table shows the components of the County and Other Participating entities' annual OPEB cost for the year, the estimated contribution to the Plan, and changes in the County and Other Participating Entities' net OPEB obligation to the Plan:

	County	Rockbridge Regional Jail	Rockbridge Landfill	Rockbridge Public Service Authority
Annual Required Contribution (ARC)	\$ 31,000	\$ 11,000	\$ 1,000	\$ 2,000
Interest on OPEB Obligation	6,000	2,000	-	1,000
Adjustment to ARC	(6,000)	(2,000)	-	(1,000)
Annual OPEB Cost	\$ 31,000	\$ 11,000	\$ 1,000	\$ 2,000
Contributions Made	(13,000)	(2,000)	(1,000)	(1,000)
Increase in Net OPEB Obligation	\$ 18,000	\$ 9,000	\$ -	\$ 1,000
Net OPEB Obligation -beginning of year	148,000	55,000	3,000	16,000
Net OPEB Obligation - end of year	<u>\$ 166,000</u>	<u>\$ 64,000</u>	<u>\$ 3,000</u>	<u>\$ 17,000</u>

For fiscal year 2016, the County's expected cash payment of \$13,000 was \$18,000 short of the OPEB cost.

For fiscal year 2016, the Rockbridge Regional Jail Commission's expected cash payment of \$2,000 was \$9,000 short of the OPEB cost.

For fiscal year 2016, the Rockbridge Landfill's expected cash payment of \$1,000 was equal to the OPEB cost.

For fiscal year 2016, the Rockbridge Public Service Authority's expected cash payment of \$1,000 was \$1,000 short of the OPEB cost.

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COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**County and Other Participating Entities: (continued)****C. Annual OPEB Cost and Net OPEB Obligation (continued)**

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

Annual OPEB Cost:		Percentage of Annual OPEB Cost Contributed			Net OPEB Obligation	
	Fiscal Year Ended	Annual OPEB Cost				
County	June 30, 2016	\$ 31,000	41.94%	\$	166,000	
	June 30, 2015	28,000	39.29%		148,000	
	June 30, 2014	38,000	71.05%		131,000	
Rockbridge Regional Jail	June 30, 2016	11,000	18.18%		64,000	
	June 30, 2015	11,000	9.09%		55,000	
	June 30, 2014	12,000	16.67%		45,000	
Rockbridge Landfill	June 30, 2016	1,000	0.00%		3,000	
	June 30, 2015	1,000	0.00%		3,000	
	June 30, 2014	2,000	0.00%		2,000	
Rockbridge Public Service Authority	June 30, 2016	1,000	0.00%		17,000	
	June 30, 2015	3,000	0.00%		16,000	
	June 30, 2014	2,000	50.00%		13,000	

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	459,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability	\$	459,000
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	7,544,000
UAAL as a percentage of covered payroll		6.08%

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

County and Other Participating Entities: (continued)

D. Funded Status and Funding Progress (continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive Participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual Participant amounts. An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Data is net of any retiree contributions. The UAAL is being amortized on an open basis. The remaining amortization at July 1, 2014 was 30 years.

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

School Board Health Insurance Plan

A. Plan Description

The Rockbridge County School Board offers its employees the option to participate in the group health insurance program offered to other employees upon retirement, through a single-employer defined benefit plan. Employees must meet the age and service criteria for reduced VRS retirement and be a current employee at least 50 years of age and have been employed by the School Board in a benefits-eligible position for 10 of the last 13 years prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. Spouses and dependents listed for coverage by the employee prior to retirement may remain in the group program. Once the employee has retired, only the deletion or termination of coverage will be permitted.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board Health Insurance Plan (continued)

A. Plan Description (continued)

Full cost of dependent coverage will be the responsibility of the retired employee. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the School Board for retirees regardless of age if he/she has been employed by the School Board for at least 10 years immediately prior to the disability. The School Board reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees.

B. Funding Policy

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

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$373,000 for fiscal year 2016. The School Board has elected not to pre-fund OPEB liabilities. The School Board is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

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

	School Board
Annual Required Contribution (ARC)	\$ 376,000
Interest on OPEB Obligation	55,000
Adjustment to ARC	(58,000)
Annual OPEB Cost	\$ 373,000
Contributions Made	(165,000)
Increase in Net OPEB Obligation	\$ 208,000
Net OPEB Obligation - beginning of year	1,385,000
Net OPEB Obligation - end of year	\$ 1,593,000

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board Health Insurance Plan (continued)

B. Funding Policy (continued)

Annual OPEB Cost. for 2016, the School Board's expected cash payment of \$165,000 is \$208,000 less than the OPEB cost (expense) of \$373,000. The Government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 373,000	44%	\$ 1,593,000
June 30, 2015	361,000	38%	1,385,000
June 30, 2014	342,000	42%	1,161,000

C. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 4,679,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 4,679,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 16,088,000
UAAL as a percentage of covered payroll	29.08%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

D. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board Health Insurance Plan (continued)

D. Actuarial Methods and Assumptions (continued)

Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive Participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual Participant amounts. An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Data is net of any retiree contributions. The UAAL is being amortized on an open basis. The remaining amortization at July 1, 2014 was 30 years.

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

VRS Health Insurance Credit Program

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly established the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 8.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

VRS Health Insurance Credit Program (continued)

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$154,844, \$164,604, and \$170,037, respectively and equaled the required contributions for each year.

NOTE 10—DEFERRED/UNAVAILABLE REVENUE PROPERTY TAXES & INFLOWS/OUTFLOWS OF RESOURCES:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred and unavailable revenue in the government-wide and fund financial statements totaling \$8,874,382 and \$10,267,084 respectively, is comprised of the following:

- A. Prepaid Property Taxes: Property taxes due subsequent to June 30, 2016 but paid in advance by taxpayers totaled \$463,579 at June 30, 2016.
- B. Unbilled Property Taxes: Property taxes for the second half of 2016 that had not been billed as of June 30, 2016 amounted to \$8,410,803.
- C. Unavailable Property Taxes: Uncollected tax billings not available for funding of current expenditures totaled \$1,392,702 at June 30, 2016.

Unearned revenue of the Primary Government is comprised of prepaid Department of Motor Vehicle fees in the amount of \$1,531.

NOTE 11—CONTINGENT LIABILITIES:

Federal programs in which the County participates were audited in accordance with the Uniform Guidance. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 12—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.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 12—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

Statutes authorize the County and its discretely component units to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, prime quality commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County investment policy for credit risk is consistent with the investments allowed by statutes as detailed above.

The County and its discretely presented component units rated debt investments as of June 30, 2016 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

County's Rated Debt Investments' Values		
<u>Rated Debt Investments</u>		<u>Fair Quality Ratings</u>
		<u>AAAm</u>
Local Government Investment Pool	\$	19,508,218
SNAP External Investment Pool		168,890
Total	\$	<u>19,677,108</u>

External Investment Pool

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

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

Interest Rate Risk

All County investments must be in securities maturing within five years. Maturities of the County's investments are as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Maturity</u>
		<u>Less than 1 year</u>
Local Government Investment Pool	\$ 19,508,218	\$ 19,508,218
SNAP External Investment Pool	168,890	168,890
Total	\$ <u>19,677,108</u>	\$ <u>19,677,108</u>

NOTE 13—RISK MANAGEMENT:

The County 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 County carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 14—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,393,836	\$ 102,850	\$ (154,585)	\$ 2,342,101
Construction in progress	37,970	84,163	-	122,133
Total capital assets not being depreciated	\$ 2,431,806	\$ 187,013	\$ (154,585)	\$ 2,464,234
Capital assets being depreciated:				
Buildings and improvements	\$ 82,397,934	\$ 310,310	\$ (2,047,263)	\$ 80,660,981
Machinery and equipment	3,568,321	375,803	(1,181,678)	2,762,446
Total capital assets being depreciated	\$ 85,966,255	\$ 686,113	\$ (3,228,941)	\$ 83,423,427
Accumulated depreciation:				
Buildings and improvements	\$ (10,042,956)	\$ (1,018,256)	\$ (654,659)	\$ (11,715,871)
Machinery and equipment	(2,910,509)	(330,062)	1,139,607	(2,100,964)
Total accumulated depreciation	\$ (12,953,465)	\$ (1,348,318)	\$ 484,948	\$ (13,816,835)
Total capital assets being depreciated, net	\$ 73,012,790	\$ (662,205)	\$ (2,743,993)	\$ 69,606,592
Governmental activities capital assets, net	\$ 75,444,596	\$ (475,192)	\$ (2,898,578)	\$ 72,070,826
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 540,137	\$ -	\$ (9,100)	\$ 531,037
Construction in progress	788,638	349,152	(217,312)	920,478
Total capital assets not being depreciated	\$ 1,328,775	\$ 349,152	\$ (226,412)	\$ 1,451,515
Capital assets being depreciated:				
Buildings and improvements	\$ 2,563,280	\$ 217,312	\$ -	\$ 2,780,592
Machinery and equipment	1,369,924	855,577	(420,532)	1,804,969
Total capital assets being depreciated	\$ 3,933,204	\$ 1,072,889	\$ (420,532)	\$ 4,585,561
Accumulated depreciation:				
Buildings and improvements	\$ (1,166,786)	\$ (98,079)	\$ -	\$ (1,264,865)
Machinery and equipment	(754,836)	(161,551)	420,532	(495,855)
Total accumulated depreciation	\$ (1,921,622)	\$ (259,630)	\$ 420,532	\$ (1,760,720)
Total capital assets being depreciated, net	\$ 2,011,582	\$ 813,259	\$ -	\$ 2,824,841
Business-type activities capital assets, net	\$ 3,340,357	\$ 1,162,411	\$ (226,412)	\$ 4,276,356

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 14—CAPITAL ASSETS: (CONTINUED)**Primary Government: (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government administration	\$	1,063,760
Judicial administration		12,288
Public safety		245,851
Public works		14,057
Parks, recreation, and cultural		10,620
Community Development		1,742
Total depreciation expense-governmental activities	\$	<u>1,348,318</u>

Business-type activities:

Solid Waste Authority	\$	<u>259,630</u>
Total depreciation expense-business-type activities	\$	<u>259,630</u>

Discretely Presented Component Unit-School Board:

Capital asset activity for the School Board for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 117,555	\$ -	\$ -	\$ 117,555
Total capital assets not being depreciated	\$ 117,555	\$ -	\$ -	\$ 117,555
Capital assets being depreciated:				
Buildings and improvements	\$ 34,573,404	\$ 2,140,835	\$ -	\$ 36,714,239
Machinery and equipment	5,402,691	734,025	(411,189)	5,725,527
Total capital assets being depreciated	\$ 39,976,095	\$ 2,874,860	\$ (411,189)	\$ 42,439,766
Accumulated depreciation:				
Buildings and improvements	\$ (17,466,783)	\$ (1,812,125)	\$ 654,659	\$ (18,624,249)
Machinery and equipment	(3,730,710)	(518,116)	398,389	(3,850,437)
Total accumulated depreciation	\$ (21,197,493)	\$ (2,330,241)	\$ 1,053,048	\$ (22,474,686)
Total capital assets being depreciated, net	\$ 18,778,602	\$ 544,619	\$ 641,859	\$ 19,965,080
School Board capital assets, net	\$ <u>18,896,157</u>	\$ <u>544,619</u>	\$ <u>641,859</u>	\$ <u>20,082,635</u>

Depreciation expense for the year ended June 30, 2016 was \$2,330,241.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 14—CAPITAL ASSETS: (CONTINUED)

Discretely Presented Component Unit-School Board: (continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local government on-behalf of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a tenancy in common with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Rockbridge, Virginia for the year ended June 30, 2016, is that school financed assets in the amount of \$40,302,565 are reported in the Primary Government for financial reporting purposes.

Discretely Presented Component Unit—Rockbridge Area Social Services Board:

Capital asset activity for the Social Services Board for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Ending Balance
Capital assets being depreciated:			
Equipment	\$ 99,596	\$ -	\$ 99,596
Vehicle	73,036	-	73,036
Furniture and fixtures	8,857	-	8,857
Total capital assets being depreciated	\$ 181,489	\$ -	\$ 181,489
Accumulated depreciation:			
Equipment	\$ (74,493)	\$ (1,200)	\$ (75,693)
Vehicle	(77,816)	(4,781)	(82,597)
Furniture and fixtures	(8,857)	-	(8,857)
Total accumulated depreciation	\$ (161,166)	\$ (5,981)	\$ (167,147)
Net capital assets	\$ 20,323	\$ (5,981)	\$ 14,342

Depreciation expense for the year ended June 30, 2016 was \$5,981.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 14—CAPITAL ASSETS: (CONTINUED)

Component Unit—Rockbridge Regional Jail Commission:

A summary of capital assets is summarized below:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	\$ 6,000,624	\$ -	\$ -	\$ 6,000,624
Machinery and equipment	<u>517,065</u>	<u>-</u>	<u>-</u>	<u>517,065</u>
Total capital assets being depreciated	<u>\$ 6,517,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,517,689</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,695,617)	\$ (150,016)	\$ -	\$ (2,845,633)
Machinery and equipment	<u>(471,707)</u>	<u>(11,950)</u>	<u>-</u>	<u>(483,657)</u>
Total accumulated depreciation	<u>\$ (3,167,324)</u>	<u>\$ (161,966)</u>	<u>\$ -</u>	<u>\$ (3,329,290)</u>
Total capital assets being depreciated, net	<u>\$ 3,350,365</u>	<u>\$ (161,966)</u>	<u>\$ -</u>	<u>\$ 3,188,399</u>
Jail Commission capital assets, net	<u>\$ 3,350,365</u>	<u>\$ (161,966)</u>	<u>\$ -</u>	<u>\$ 3,188,399</u>

Depreciation expense for the year ended June 30, 2016 totaled \$161,966.

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COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 14—CAPITAL ASSETS: (CONTINUED)**Component Unit—Rockbridge County Public Service Authority:**

A summary of changes in capital assets for the year ended June 30, 2016 follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 381,259	\$ 8,000	\$ -	\$ 389,259
Construction in progress	126,966	4,437	(2,054)	129,349
Total capital assets not being depreciated	\$ 508,225	\$ 12,437	\$ (2,054)	\$ 518,608
Capital assets being depreciated:				
Buildings and improvements	\$ 176,866	\$ -	\$ -	\$ 176,866
Machinery and equipment	700,325	50,001	(35,858)	714,468
Utility plant and equipment	36,680,677	201,486	-	36,882,163
Capital assets being depreciated	\$ 37,557,868	\$ 251,487	\$ (35,858)	\$ 37,773,497
Accumulated depreciation				
Buildings and improvements	\$ (104,746)	\$ (4,422)	\$ -	\$ (109,168)
Machinery and equipment	(496,603)	(79,893)	35,858	(540,638)
Utility plant and equipment	(12,293,308)	(868,194)	-	(13,161,502)
Total accumulated depreciation	\$ (12,894,657)	\$ (952,509)	\$ 35,858	\$ (13,811,308)
Capital assets being depreciated, net	\$ 24,663,211	\$ (701,022)	\$ -	\$ 23,962,189
Capital assets, net Public Service Authority	\$ 25,171,436	\$ (688,585)	\$ (2,054)	\$ 24,480,797

Depreciation expense for the fiscal year totaled \$952,509.

NOTE 15—ADVANCES TO/FROM PARTICIPATING ENTITIES:

The general fund has established an asset for advances to other entities in the amount of \$3,819,848. This is comprised of advances to the component unit Rockbridge Public Service Authority, Rockbridge Area Net Authority and the Solid Waste Authority in the amounts of \$2,544,811, \$253,785 and \$1,021,252, respectively.

The Solid Waste Authority has established a liability for advances from participating localities as follows:

	Balance July 1, 2015, As restated	Increase (Decrease)	Balance June 30, 2016
City of Lexington	\$ 5,303	\$ -	\$ 5,303
City of Buena Vista	5,510	-	5,510
Rockbridge County	752,377	268,875	1,021,252
Total	\$ 763,190	\$ 268,875	\$ 1,032,065

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 16—LANDFILL CLOSURE AND POST-CLOSURE CARE COST:

The Solid Waste Authority owns the only permitted landfill site within the County of Rockbridge. The Cities of Lexington and Buena Vista also use the landfill site. Landfill costs are prorated to each jurisdiction based on tonnage of solid waste accepted each month. The County of Rockbridge is responsible for the management and operation of the landfill. Rockbridge County's share of tonnage has historically been approximately 70%, the City of Lexington's share has been approximately 20%, and Buena Vista's approximately 10%.

State and federal laws and regulations require the Solid Waste Authority to place a final cover on the landfill site when it is filled to capacity or stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Solid Waste Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity at each balance sheet date.

The landfill began operation during 1972 and currently has an estimated capacity to last until the year 2017. The \$1,980,511 reported as accrued closure and post-closure liability at June 30, 2016 represents the cumulative amount reported based on the estimated number of years remaining (one). The Authority expects to close the landfill in the year 2017. The estimated total current cost of the landfill closure and post-closure care of \$1,980,511 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Solid Waste Authority intends to fund these costs from tipping revenues and from any funds derived and accumulated for this purpose in the upcoming years.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Assurance Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

NOTE 17—DUE TO OTHER GOVERNMENTS:

During fiscal year 2013 the County entered into an agreement with the City of Buena Vista, Virginia and the City of Lexington, Virginia in order to fund certain renovation improvements to the Rockbridge County Regional Jail. The agreement stipulates that each locality shall be responsible for a portion of the debt issued to finance the project. The City of Lexington serves as fiscal agent for the project and as such, will pay the annual debt service through April 2028. The participating localities will reimburse the City of Lexington for the debt service. As of June 30, 2016 the portion of the debt allocable to the County of Rockbridge, Virginia amounted to \$899,741.

The Component Unit Rockbridge Area Social Services Board reported a balance due to the Cities of Buena Vista and Lexington of \$64,454 as of June 30, 2016, which represents the net balance owed to the two Cities. The balance due to the Cities consists of administrative costs due from the Cities of \$20,246 and CSA pool reimbursements due to the Cities of \$84,700.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 18—SURETY BONDS:

The County had the following surety bonds on hand at June 30, 2016:

	Amount
Department of Treasury - Division of Risk Management	
D. Bruce Patterson, Clerk of the Circuit Court	\$ 230,000
Betty S. Trovato, Treasurer	400,000
David C. Whitesell, Commissioner of the Revenue	3,000
Christopher J. Blalock, Sheriff	30,000
Above constitutional officers' employees-blanket bond	50,000
VACORP	
Rhonda Humphries, Clerk of the School Board	10,000
Blanket position - all employees	250,000

NOTE 19—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 9,100	\$ 4,799,104
Other Capital Projects Fund	-	226,469
County Capital Projects Fund	4,566,522	
Landfill Fund	-	9,100
Recycling Fund	459,051	-
Total	<u>\$ 5,034,673</u>	<u>\$ 5,034,673</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. The County Capital Projects Fund was established during fiscal year 2016 and \$4,566,522 in funds assigned for capital projects were transferred from the General and the Other Capital Projects Funds to the newly established fund. Transfers from the general fund to the recycling fund were necessary to subsidize operations in the recycling fund. The Landfill contributed real property with a cost of \$9,100 to the General Fund for the creation of a shooting range.

NOTE 20—SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES:

	Landfill Fund	Recycling Fund	Total Enterprise Funds
Operating revenue	\$ 2,113,441	\$ 10,875	\$ 2,124,316
Depreciation and amortization	227,486	32,144	259,630
Operating income (loss)	1,108,025	(453,054)	654,971
Property, plant and equipment additions, net of retirements	(726,454)	(48,643)	(775,097)
Net working capital	353,610	(8,261)	345,349
Total assets	15,798,513	177,485	15,975,998
Long-term liabilities	10,038,560	116,639	10,155,199
Net position	4,324,996	57,937	4,382,933

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 21—CAPITAL LEASES:

The government has financed the acquisition of landfill equipment and emergency communications equipment by means of capital leases. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at their present values of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

		Business-type Activities
Assets:		
Machinery and equipment	\$	1,376,251
Accumulated depreciation		(288,031)
Total	\$	<u>1,088,220</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2016, are as follows:

Year Ended June 30,		Business-type Activities
2017	\$	295,224
2018		283,125
2019		179,927
2020		145,499
2021		60,625
Amount representing interest		(47,810)
Present value of minimum lease payments	\$	<u>916,590</u>

NOTE 22—COMMITMENTS AND CONTINGENCIES:

The County and the City of Lexington entered into a modified voluntary settlement of Annexation and Immunity Agreement on May 6, 1986. This agreement is based on real estate assessed values and on non-property local taxes. The amount due the City of Lexington is payable on January 1 of each year. Included in these financial statements is the payment for the year ended June 30, 2015 in the amount of \$1,769,854. The amount to be paid on January 1, 2017, and which is not included in the financial statements, totals \$1,797,985 for the fiscal year ended June 30, 2016.

The County has guaranteed debt issued by the Maury Service Authority (MSA) for the construction and upgrades of its current wastewater treatment plant. The MSA's debt totaled \$6,654,633 as of June 30, 2016 and is scheduled to be completely retired by June 2031. The County paid \$704,330 to the MSA in fiscal year 2016 for half of the debt service, the City of Lexington pays an equal assessment. An annual assessment of \$704,330 per year is scheduled through fiscal year 2018. The annual assessment will be reduced to \$161,504 for fiscal years 2019 to 2031.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 22—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

The County along with the Cities of Lexington and Buena Vista, have entered into an agreement with the Rockbridge Regional Public Safety Communications Center, for the purpose of providing contributions for the payment of debt associated with its radio upgrade project through June 30, 2030. Each locality will contribute a percentage of the total cost of the upgrade based upon its annual assessed value of real estate.

The

County of Rockbridge is serving as fiscal agent for the radio upgrade project. The amount owed by the Rockbridge Regional Public Safety Communications Center on the capital lease obligation at June 30, 2016 was \$4,945,909 and an annual payment of \$435,427 will be paid by the Center through June 2030.

Lexington City has committed to partnering with Rockbridge County on the landfill's lateral expansion project. The County and Lexington City continue with negotiations to create a new solid waste management agreement that is linked to the landfill expansion. The final agreement will include provisions to amend and restate solid waste disposal that involves a successor regional solid waste authority. The existing Rockbridge County Solid Waste Authority shall be re-constituted as the Blue Ridge Resource Authority with Rockbridge County and the City of Lexington as members. The successor regional Authority Board shall consist of seven members, with five members appointed from the County Board of Supervisors, and two members appointed by the Lexington City Council, from among the Mayor and the City Council members. Although Buena Vista City opted to contract with a third party to begin managing their solid waste in FY 2018, the future landfill cells have the capacity to handle their refuse should they request to participate as a customer in the Authority's solid waste system.

The County Recycling Program is currently accounted for in the RCSWA Recycling Fund. County and Authority leadership, as recommended by staff, will transition this function to the County of Rockbridge General Fund beginning on July 1, 2017 (FY 2018).

NOTE 23—UPCOMING PRONOUNCEMENTS:

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2016

NOTE 23—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

NOTE 24—LITIGATION:

At June 30, 2016, there were no matters of litigation involving the County for which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

NOTE 25—ADVANCE REFUNDING:

The government issued \$4,985,000 in revenue bonds at interest rates ranging from 3.796% to 5.125%. The proceeds were used to advance refund \$5,130,000 of outstanding 2007 Series E bonds which had an interest rate of 4.58%. The net proceeds of \$5,659,557 (including a \$835,950 premium, and after payment of \$161,393 in underwriting fees, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt services payment on the refunding bonds. As a result, the 2007 Series E revenue bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$449,876. This amount is being amortized over the remaining life of the refunding debt. The government advance refunded the 2007 Series E revenue bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$613,354.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 23,944,570	\$ 23,937,870	\$ 24,843,541	\$ 905,671
Other local taxes	8,378,000	8,377,300	9,009,065	631,765
Permits, privilege fees, and regulatory licenses	209,020	209,020	275,060	66,040
Fines and forfeitures	400,550	400,550	445,370	44,820
Revenue from the use of money and property	53,046	53,046	112,157	59,111
Charges for services	1,526,350	1,526,350	1,444,588	(81,762)
Miscellaneous	788,386	788,386	833,978	45,592
Recovered costs	371,059	371,059	469,735	98,676
Intergovernmental:				
Commonwealth	5,017,818	5,017,818	4,965,583	(52,235)
Federal	103,900	103,900	207,913	104,013
Total revenues	<u>\$ 40,792,699</u>	<u>\$ 40,785,299</u>	<u>\$ 42,606,990</u>	<u>\$ 1,821,691</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,071,314	\$ 2,238,791	\$ 2,117,583	\$ 121,208
Judicial administration	1,460,939	1,513,057	1,472,432	40,625
Public safety	7,679,051	7,772,670	7,403,041	369,629
Public works	3,700,768	3,633,931	3,312,600	321,331
Health and welfare	1,273,932	1,281,558	1,639,246	(357,688)
Education	13,723,191	13,738,191	13,082,282	655,909
Parks, recreation, and cultural	1,420,050	1,444,289	1,427,654	16,635
Community development	3,223,016	3,344,108	2,808,451	535,657
Nondepartmental	1,834,525	1,819,484	1,780,693	38,791
Debt service:				
Principal retirement	2,502,117	2,502,118	2,502,118	-
Interest and other fiscal charges	2,517,280	2,517,249	2,746,012	(228,763)
Total expenditures	<u>\$ 41,406,183</u>	<u>\$ 41,805,446</u>	<u>\$ 40,292,112</u>	<u>\$ 1,513,334</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (613,484)</u>	<u>\$ (1,020,147)</u>	<u>\$ 2,314,878</u>	<u>\$ 3,335,025</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 9,100	\$ 9,100
Transfers out	(474,409)	(5,083,339)	(4,799,104)	284,235
Refunding bonds issued	-	-	4,985,000	4,985,000
Premium on refunding bonds issued	-	-	835,950	835,950
Payment to refunded bond escrow agent	-	-	(5,579,876)	(5,579,876)
Total other financing sources (uses)	<u>\$ (474,409)</u>	<u>\$ (5,083,339)</u>	<u>\$ (4,548,930)</u>	<u>\$ 534,409</u>
Net change in fund balances	\$ (1,087,893)	\$ (6,103,486)	\$ (2,234,052)	\$ 3,869,434
Fund balances - beginning, as restated	1,087,893	6,103,486	25,137,846	19,034,360
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,903,794</u>	<u>\$ 22,903,794</u>

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Primary Government
Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 621,092	\$ 574,316
Interest	1,589,147	1,511,082
Differences between expected and actual experience	56,853	-
Benefit payments, including refunds of employee contributions	(1,102,599)	(837,782)
Net change in total pension liability	\$ 1,164,493	\$ 1,247,616
Total pension liability - beginning	23,253,394	22,005,778
Total pension liability - ending (a)	\$ 24,417,887	\$ 23,253,394
Plan fiduciary net position		
Contributions - employer	\$ 646,121	\$ 615,640
Contributions - employee	229,869	230,640
Net investment income	921,330	2,750,491
Benefit payments, including refunds of employee contributions	(1,102,599)	(837,782)
Administrative expense	(12,651)	(14,663)
Other	(194)	145
Net change in plan fiduciary net position	\$ 681,876	\$ 2,744,471
Plan fiduciary net position - beginning	20,142,569	17,398,098
Plan fiduciary net position - ending (b)	\$ 20,824,445	\$ 20,142,569
County's net pension liability - ending (a) - (b)	\$ 3,593,442	\$ 3,110,825
Plan fiduciary net position as a percentage of the total pension liability	85.28%	86.62%
Covered payroll	\$ 4,611,013	\$ 4,612,066
County's net pension liability as a percentage of covered payroll	77.93%	67.45%

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

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit Rockbridge Regional Jail Commission
 Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 192,921	\$ 178,392
Interest	493,614	469,366
Differences between expected and actual experience	17,662	-
Benefit payments, including refunds of employee contributions	(342,487)	(260,228)
Net change in total pension liability	\$ 361,710	\$ 387,530
Total pension liability - beginning	7,222,876	6,835,346
Total pension liability - ending (a)	\$ 7,584,586	\$ 7,222,876
Plan fiduciary net position		
Contributions - employer	\$ 200,696	\$ 191,228
Contributions - employee	71,401	71,641
Net investment income	286,180	854,346
Benefit payments, including refunds of employee contributions	(342,487)	(260,228)
Administrative expense	(3,929)	(4,555)
Other	(59)	45
Net change in plan fiduciary net position	\$ 211,802	\$ 852,477
Plan fiduciary net position - beginning	6,256,604	5,404,127
Plan fiduciary net position - ending (b)	\$ 6,468,406	\$ 6,256,604
County's net pension liability - ending (a) - (b)	\$ 1,116,180	\$ 966,272
Plan fiduciary net position as a percentage of the total pension liability	85.28%	86.62%
Covered payroll	\$ 1,430,478	\$ 1,435,202
County's net pension liability as a percentage of covered payroll	78.03%	67.33%

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

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 152,653	\$ 164,187
Interest	497,766	486,051
Differences between expected and actual experience	8,852	-
Benefit payments, including refunds of employee contributions	(492,430)	(473,306)
Net change in total pension liability	\$ 166,841	\$ 176,932
Total pension liability - beginning	7,357,164	7,180,232
Total pension liability - ending (a)	<u>\$ 7,524,005</u>	<u>\$ 7,357,164</u>
Plan fiduciary net position		
Contributions - employer	\$ 131,850	\$ 129,936
Contributions - employee	76,599	77,165
Net investment income	317,602	988,120
Benefit payments, including refunds of employee contributions	(492,430)	(473,306)
Administrative expense	(4,567)	(5,498)
Other	(65)	52
Net change in plan fiduciary net position	\$ 28,989	\$ 716,469
Plan fiduciary net position - beginning	7,116,851	6,400,382
Plan fiduciary net position - ending (b)	<u>\$ 7,145,840</u>	<u>\$ 7,116,851</u>
School Division's net pension liability - ending (a) - (b)	\$ 378,165	\$ 240,313
Plan fiduciary net position as a percentage of the total pension liability	94.97%	96.73%
Covered payroll	\$ 1,574,193	\$ 1,544,639
School Division's net pension liability as a percentage of covered payroll	24.02%	15.56%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability	0.20958%	0.20944%
Employer's Proportionate Share of the Net Pension Liability	\$ 26,379,000	\$ 25,310,000
Employer's Covered Payroll	\$ 15,582,993	\$ 15,316,106
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	169%	165%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.88%

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

Schedule of Employer Contributions
Year Ended June 30, 2016

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)
Primary Government					
2016	\$ 670,679	\$ 670,679	\$ -	\$ 4,780,323	14.03%
2015	646,121	646,121	-	4,611,013	14.01%
2014	615,249	615,249	-	4,612,066	13.34%
2013	579,970	579,970	-	4,347,599	13.34%
2012	380,317	380,317	-	3,485,953	10.91%
2011	375,377	375,377	-	3,440,667	10.91%
2010	354,062	354,062	-	3,590,890	9.86%
2009	359,999	359,999	-	3,651,104	9.86%
2008	441,833	441,833	-	4,314,994	10.24%
2007	411,601	411,601	-	4,019,542	10.24%
Component Unit Rockbridge Regional Jail Commission					
2016	\$ 208,323	\$ 208,323	\$ -	\$ 1,484,840	14.03%
2015	200,696	200,696	-	1,430,478	14.03%
2014	191,456	191,456	-	1,435,202	13.34%
2013	182,280	182,280	-	1,366,417	13.34%
2012	200,659	200,659	-	1,839,221	10.91%
2011	213,292	213,292	-	1,955,014	10.91%
2010	201,864	201,864	-	2,047,302	9.86%
2009	201,402	201,402	-	2,042,617	9.86%
2008	125,177	125,177	-	1,222,432	10.24%
2007	132,672	132,672	-	1,295,625	10.24%
Component Unit School Board (nonprofessional)					
2016	\$ 123,093	\$ 123,093	\$ -	\$ 1,446,451	8.51%
2015	131,850	131,850	-	1,574,193	8.38%
2014	123,262	123,262	-	1,544,639	7.98%
2013	128,535	128,535	-	1,610,712	7.98%
2012	67,071	67,071	-	1,510,607	4.44%
2011	65,100	65,100	-	1,466,226	4.44%
2010	66,774	66,774	-	1,474,046	4.53%
2009	71,210	71,210	-	1,571,963	4.53%
2008	43,810	43,810	-	1,593,095	2.75%
2007	43,635	43,635	-	1,586,730	2.75%
Component Unit School Board (professional)					
2016	\$ 2,204,086	\$ 2,204,086	\$ -	\$ 15,676,290	14.06%
2015	2,259,447	2,259,447	-	15,582,993	14.50%
2014	1,785,858	1,785,858	-	15,316,106	11.66%
2013	1,807,378	1,807,378	-	15,500,669	11.66%
2012	943,498	943,498	-	14,905,182	6.33%
2011	577,090	577,090	-	14,684,224	3.93%
2010	976,426	976,426	-	14,777,541	6.61%
2009	1,364,997	1,364,997	-	15,493,723	8.81%
2008	1,544,653	1,544,653	-	14,996,631	10.30%
2007	928,910	928,910	-	14,031,873	6.62%

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

Notes to Required Supplementary Information
Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Schedule of OPEB Funding Progress
June 30, 2016

PRIMARY GOVERNMENT:

**County Other Postemployment Benefit Program (includes Rockbridge Regional Jail
Commission, Landfill, and Rockbridge County Public Service Authority)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/14	\$ -	\$ 459,000	\$ 459,000	0.00%	\$ 7,544,000	6.08%
06/30/12	-	448,000	448,000	0.00%	6,655,000	6.73%
06/30/10	-	547,000	547,000	0.00%	6,387,000	8.56%

DISCRETELY PRESENTED COMPONENT UNIT:**School Board Other Postemployment Benefit Program**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/14	\$ -	\$ 4,679,000	\$ 4,679,000	0.00%	\$ 16,088,000	29.08%
06/30/12	-	4,290,000	4,290,000	0.00%	16,081,000	26.68%
06/30/10	-	4,406,000	4,406,000	0.00%	16,143,000	27.29%

OTHER SUPPLEMENTARY INFORMATION

County of Rockbridge, Virginia
County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

Exhibit 19

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital projects	\$ -	\$ 423,022	\$ 477,000	\$ (53,978)
Total expenditures	\$ -	\$ 423,022	\$ 477,000	\$ (53,978)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (423,022)	\$ (477,000)	\$ (53,978)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 4,566,522	\$ 4,566,522
Total other financing sources (uses)	\$ -	\$ -	\$ 4,566,522	\$ 4,566,522
Net change in fund balances	\$ -	\$ (423,022)	\$ 4,089,522	\$ 4,512,544
Fund balances - beginning	-	423,022	-	(423,022)
Fund balances - ending	\$ -	\$ -	\$ 4,089,522	\$ 4,089,522

Other Capital Projects Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 860	\$ 860
Total revenues	\$ -	\$ -	\$ 860	\$ 860
EXPENDITURES				
Capital projects	\$ -	\$ 64,975	\$ 9,825	\$ 55,150
Total expenditures	\$ -	\$ 64,975	\$ 9,825	\$ 55,150
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (64,975)	\$ (8,965)	\$ 56,010
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (226,469)	\$ (226,469)
Total other financing sources (uses)	\$ -	\$ -	\$ (226,469)	\$ (226,469)
Net change in fund balances	\$ -	\$ (64,975)	\$ (235,434)	\$ (170,459)
Fund balances - beginning	-	64,975	434,539	369,564
Fund balances - ending	\$ -	\$ -	\$ 199,105	\$ 199,105

	Agency Funds						Total
	Payroll Deduction Fund	Drug Fund	Veterans Memorial Fund	Employee Benefit Fund	Commonwealth Attorney Forfeitures Fund	Rockbridge Regional Public Safety Communications Center	
ASSETS							
Cash and cash equivalents	\$ -	\$ 103,769	\$ 9,781	\$ 2,164	\$ 13,656	\$ 3,523,687	\$ 3,653,057
Total assets	<u>\$ -</u>	<u>\$ 103,769</u>	<u>\$ 9,781</u>	<u>\$ 2,164</u>	<u>\$ 13,656</u>	<u>\$ 3,523,687</u>	<u>\$ 3,653,057</u>
LIABILITIES							
Accounts payable	\$ (69,896)	\$ 1,480	\$ -	\$ -	\$ 3,000	\$ -	\$ (65,416)
Amounts held for payroll deduction	69,896	-	-	-	-	-	69,896
Amounts held for veterans memorial	-	-	9,781	-	-	-	9,781
Amounts held for drug enforcement	-	102,289	-	-	-	-	102,289
Amounts held for employee benefits	-	-	-	2,164	-	-	2,164
Amounts held for commonwealth attorney forfeitures	-	-	-	-	10,656	-	10,656
Amounts held for regional public safety communications center	-	-	-	-	-	3,523,687	3,523,687
Total liabilities	<u>\$ -</u>	<u>\$ 103,769</u>	<u>\$ 9,781</u>	<u>\$ 2,164</u>	<u>\$ 13,656</u>	<u>\$ 3,523,687</u>	<u>\$ 3,653,057</u>

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Payroll Deduction Fund:				
LIABILITIES				
Accounts payable	\$ (69,278)	\$ 267,885	\$ 268,503	\$ (69,896)
Amounts held for payroll deduction	69,278	(267,885)	(268,503)	69,896
Total liabilities	\$ -	\$ -	\$ -	\$ -
Drug Fund:				
ASSETS				
Cash and cash equivalents	\$ 142,229	\$ 4,910	\$ 43,370	\$ 103,769
Total assets	\$ 142,229	\$ 4,910	\$ 43,370	\$ 103,769
LIABILITIES				
Accounts payable	\$ 1,961	\$ -	\$ (11,628)	\$ 13,589
Amounts held for drug enforcement	140,268	4,910	54,998	90,180
Total liabilities	\$ 142,229	\$ 4,910	\$ 43,370	\$ 103,769
Veterans Memorial Fund:				
ASSETS				
Cash and cash equivalents	\$ 10,018	\$ -	\$ 237	\$ 9,781
Total assets	\$ 10,018	\$ -	\$ 237	\$ 9,781
LIABILITIES				
Amounts held for veterans memorial	\$ 10,018	\$ -	\$ 237	\$ 9,781
Total liabilities	\$ 10,018	\$ -	\$ 237	\$ 9,781
Employee Benefit Fund:				
ASSETS				
Cash and cash equivalents	\$ 2,164	\$ -	\$ -	\$ 2,164
Total assets	\$ 2,164	\$ -	\$ -	\$ 2,164
LIABILITIES				
Amounts held for employee benefits	\$ 2,164	\$ -	\$ -	\$ 2,164
Total liabilities	\$ 2,164	\$ -	\$ -	\$ 2,164
Commonwealth Attorney Forfeitures Fund:				
ASSETS				
Cash and cash equivalents	\$ 21,031	\$ 309	\$ 7,684	\$ 13,656
Total assets	\$ 21,031	\$ 309	\$ 7,684	\$ 13,656
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ (3,000)	\$ 3,000
Amounts held for commonwelath's attorney forfeitures	21,031	309	10,684	10,656
Total liabilities	\$ 21,031	\$ 309	\$ 7,684	\$ 13,656
Rockbridge Regional Public Safety Communications Center:				
ASSETS				
Cash and cash equivalents	\$ 4,439,935	\$ 2,076	\$ 918,324	\$ 3,523,687
Total assets	\$ 4,439,935	\$ 2,076	\$ 918,324	\$ 3,523,687
LIABILITIES				
Amounts held for regional public safety communications center	\$ 4,439,935	\$ 2,076	\$ 918,324	\$ 3,523,687
Total liabilities	\$ 4,439,935	\$ 2,076	\$ 918,324	\$ 3,523,687
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 4,615,377	\$ 7,295	\$ 969,615	\$ 3,653,057
Total assets	\$ 4,615,377	\$ 7,295	\$ 969,615	\$ 3,653,057
LIABILITIES				
Accounts payable	\$ (67,317)	\$ 267,885	\$ 253,875	\$ (53,307)
Amounts held for payroll deduction	69,278	(267,885)	(268,503)	69,896
Amounts held for drug enforcement	140,268	4,910	54,998	90,180
Amounts held for veterans memorial	10,018	-	237	9,781
Amounts held for employee benefits	2,164	-	-	2,164
Amounts held for commonwelath's attorney forfeitures	21,031	309	10,684	10,656
Amounts held for regional public safety communications center	4,439,935	2,076	918,324	3,523,687
Total liabilities	\$ 4,615,377	\$ 7,295	\$ 969,615	\$ 3,653,057

**DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD**

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Permanent Scholarship Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 200	\$ 103,041	\$ 36,938	\$ 140,179
Receivables (net of allowance for uncollectibles):				
Accounts receivable	51,474	-	-	51,474
Due from other governmental units	814,451	-	-	814,451
Inventories	-	36,137	-	36,137
Prepaid items	586,137	4,614	-	590,751
Total assets	<u>\$ 1,452,262</u>	<u>\$ 143,792</u>	<u>\$ 36,938</u>	<u>\$ 1,632,992</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 141,321	\$ 633	\$ -	\$ 141,954
Due to primary government	1,310,941	-	-	1,310,941
Total liabilities	<u>\$ 1,452,262</u>	<u>\$ 633</u>	<u>\$ -</u>	<u>\$ 1,452,895</u>
Fund balances:				
Nonspendable:				
Inventory	\$ -	\$ 36,137	\$ -	\$ 36,137
Prepaid items	586,137	4,614	-	590,751
Endowments	-	-	36,938	36,938
Committed:				
Special revenue funds	-	102,408	-	102,408
Unassigned	(586,137)	-	-	(586,137)
Total fund balances	<u>\$ -</u>	<u>\$ 143,159</u>	<u>\$ 36,938</u>	<u>\$ 180,097</u>
Total liabilities and fund balances	<u>\$ 1,452,262</u>	<u>\$ 143,792</u>	<u>\$ 36,938</u>	<u>\$ 1,632,992</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 180,097
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,082,635
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(2,742,379)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	2,327,179
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(28,499,381)</u>
Net position of governmental activities	<u>\$ (8,651,849)</u>

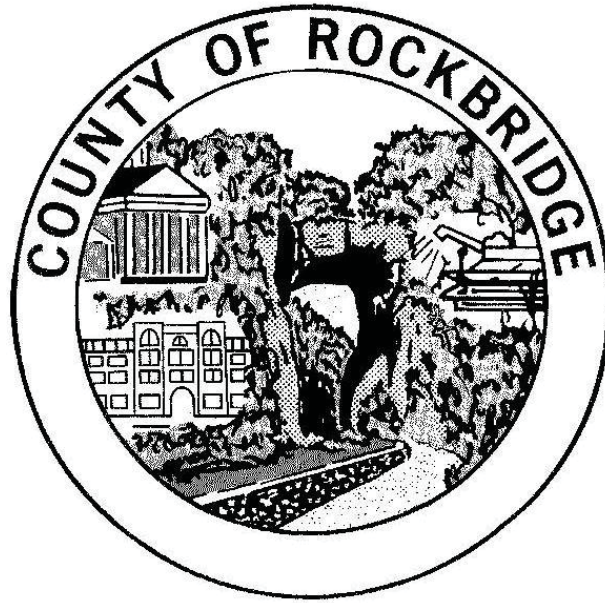
County of Rockbridge, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

Exhibit 24

	School Operating Fund	School Cafeteria Fund	Permanent Scholarship Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ -	\$ 82	\$ 15	\$ 97
Charges for services	1,434,427	396,890	-	1,831,317
Miscellaneous	82,127	-	-	82,127
Intergovernmental:				
Local government	12,998,898	-	-	12,998,898
Commonwealth	13,499,601	15,489	-	13,515,090
Federal	1,562,501	714,115	-	2,276,616
Total revenues	<u>\$ 29,577,554</u>	<u>\$ 1,126,576</u>	<u>\$ 15</u>	<u>\$ 30,704,145</u>
EXPENDITURES				
Current:				
Education	\$ 29,575,761	\$ 1,166,507	\$ 1,000	\$ 30,743,268
Debt service:				
Interest and other fiscal charges	1,793	-	-	1,793
Total expenditures	<u>\$ 29,577,554</u>	<u>\$ 1,166,507</u>	<u>\$ 1,000</u>	<u>\$ 30,745,061</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (39,931)	\$ (985)	\$ (40,916)
Net change in fund balances	\$ -	\$ (39,931)	\$ (985)	\$ (40,916)
Fund balances - beginning	-	183,090	37,923	221,013
Fund balances - ending	<u>\$ -</u>	<u>\$ 143,159</u>	<u>\$ 36,938</u>	<u>\$ 180,097</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above	\$ (40,916)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	1,199,278
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.	(12,800)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,185,302
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(1,530,549)</u>
Change in net position of governmental activities	<u>\$ 1,800,315</u>



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County of Rockbridge, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	1,400,000	1,400,000	1,434,427	34,427
Miscellaneous	4,625	4,625	82,127	77,502
Intergovernmental:				
Local government	13,659,384	14,788,854	12,998,898	(1,789,956)
Commonwealth	13,314,796	13,314,796	13,499,601	184,805
Federal	-	1,500,000	1,562,501	62,501
Total revenues	\$ 28,378,805	\$ 31,008,275	\$ 29,577,554	\$ (1,430,721)
EXPENDITURES				
Current:				
Education	\$ 28,374,255	\$ 31,003,725	\$ 29,575,761	\$ 1,427,964
Debt service:				
Interest and other fiscal charges	4,550	4,550	1,793	2,757
Total expenditures	\$ 28,378,805	\$ 31,008,275	\$ 29,577,554	\$ 1,430,721
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Exhibit 25

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 100	\$ 100	\$ 82	\$ (18)
613,917	613,917	396,890	(217,027)
-	-	-	-
-	-	-	-
19,258	19,258	15,489	(3,769)
575,538	575,538	714,115	138,577
<u>\$ 1,208,813</u>	<u>\$ 1,208,813</u>	<u>\$ 1,126,576</u>	<u>\$ (82,237)</u>
\$ 1,208,813	\$ 1,208,813	\$ 1,166,507	\$ 42,306
-	-	-	-
<u>\$ 1,208,813</u>	<u>\$ 1,208,813</u>	<u>\$ 1,166,507</u>	<u>\$ 42,306</u>
\$ -	\$ -	\$ (39,931)	\$ (39,931)
\$ -	\$ -	\$ (39,931)	\$ (39,931)
-	-	183,090	183,090
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,159</u>	<u>\$ 143,159</u>

County of Rockbridge, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2016

	Scholarship Private-Purpose Trust
	<hr/>
ASSETS	
Cash and cash equivalents	\$ <u>13,791</u>
NET POSITION	
Held in trust for scholarships	\$ <u>13,791</u>

County of Rockbridge, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
For the Year Ended June 30, 2016

Exhibit 27

	Scholarship Private-Purpose Trust
ADDITIONS	
Investment earnings:	
Interest	\$ 3
Total additions	<u>\$ 3</u>
Change in net position	\$ 3
Net position - beginning	<u>13,788</u>
Net position - ending	<u><u>\$ 13,791</u></u>

SUPPORTING SCHEDULES

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 17,686,170	\$ 17,686,170	\$ 17,681,917	\$ (4,253)
Real and personal public service corporation taxes	975,000	975,000	1,237,365	262,365
Personal property taxes	4,460,000	4,453,300	5,038,076	584,776
Mobile home taxes	34,400	34,400	43,079	8,679
Machinery and tools taxes	362,000	362,000	388,704	26,704
Penalties	267,000	267,000	293,139	26,139
Interest	160,000	160,000	161,261	1,261
Total general property taxes	<u>\$ 23,944,570</u>	<u>\$ 23,937,870</u>	<u>\$ 24,843,541</u>	<u>\$ 905,671</u>
Other local taxes:				
Local sales and use taxes	\$ 2,450,000	\$ 2,450,000	\$ 2,720,814	\$ 270,814
Consumers' utility taxes	1,527,500	1,527,500	1,488,723	(38,777)
Business license taxes	870,000	870,000	849,796	(20,204)
Motor vehicle licenses	538,000	537,300	540,217	2,917
Bank stock taxes	95,000	95,000	151,095	56,095
Taxes on recordation and wills	200,000	200,000	181,979	(18,021)
Lodging tax	1,417,500	1,417,500	1,636,776	219,276
Meals tax	1,280,000	1,280,000	1,439,665	159,665
Total other local taxes	<u>\$ 8,378,000</u>	<u>\$ 8,377,300</u>	<u>\$ 9,009,065</u>	<u>\$ 631,765</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,500	\$ 10,500	\$ 11,589	\$ 1,089
Land use application fees	1,800	1,800	1,580	(220)
Transfer fees	720	720	765	45
Permits and other licenses	196,000	196,000	261,126	65,126
Total permits, privilege fees, and regulatory licenses	<u>\$ 209,020</u>	<u>\$ 209,020</u>	<u>\$ 275,060</u>	<u>\$ 66,040</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 400,550	\$ 400,550	\$ 445,370	\$ 44,820
Revenue from use of money and property:				
Revenue from use of money	\$ 24,000	\$ 24,000	\$ 74,733	\$ 50,733
Revenue from use of property	29,046	29,046	37,424	8,378
Total revenue from use of money and property	<u>\$ 53,046</u>	<u>\$ 53,046</u>	<u>\$ 112,157</u>	<u>\$ 59,111</u>
Charges for services:				
Sheriff's fees	\$ 10,000	\$ 10,000	\$ 11,806	\$ 1,806
Charges for courthouse maintenance	57,000	57,000	55,654	(1,346)
Courthouse security fees	205,000	205,000	200,075	(4,925)
Charges for Commonwealth's Attorney	4,000	4,000	5,968	1,968
Charges for garage services	615,000	615,000	431,026	(183,974)
Charges for sanitation and waste removal	516,500	516,500	621,022	104,522
Charges for parks and recreation	88,650	88,650	90,846	2,196
Erosion Sediment Control Fee	30,000	30,000	27,745	(2,255)
DNA Fee	200	200	446	246
Total charges for services	<u>\$ 1,526,350</u>	<u>\$ 1,526,350</u>	<u>\$ 1,444,588</u>	<u>\$ (81,762)</u>

County of Rockbridge, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Schedule 1
Page 2 of 5

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 788,386	\$ 788,386	\$ 833,978	\$ 45,592
Total miscellaneous	\$ 788,386	\$ 788,386	\$ 833,978	\$ 45,592
Recovered costs:				
Lexington contribution-court building	\$ 8,400	\$ 8,400	\$ 10,107	\$ 1,707
Joint services City of Lexington	190,000	190,000	210,513	20,513
Charges for hazard materials cleanup	5,000	5,000	15,911	10,911
Fiscal agent fees	48,888	48,888	50,888	2,000
Other recovered costs	118,771	118,771	182,316	63,545
Total recovered costs	\$ 371,059	\$ 371,059	\$ 469,735	\$ 98,676
Total revenue from local sources	\$ 35,670,981	\$ 35,663,581	\$ 37,433,494	\$ 1,769,913
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 74,000	\$ 74,000	\$ 65,937	\$ (8,063)
Mobile home titling tax	15,000	15,000	19,179	4,179
Timber sales	2,000	2,000	1,800	(200)
Motor vehicle rental tax	46,000	46,000	54,194	8,194
State recordation tax	60,000	60,000	51,390	(8,610)
Personal property tax relief funds	2,449,624	2,449,624	2,449,624	-
Total noncategorical aid	\$ 2,646,624	\$ 2,646,624	\$ 2,642,124	\$ (4,500)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 353,633	\$ 353,633	\$ 350,733	\$ (2,900)
Sheriff	1,157,633	1,157,633	1,126,343	(31,290)
Commissioner of revenue	105,528	105,528	104,201	(1,327)
Treasurer	87,212	87,212	86,279	(933)
Registrar/electoral board	34,680	34,680	46,053	11,373
Clerk of the Circuit Court	263,630	263,630	269,857	6,227
Total shared expenses	\$ 2,002,316	\$ 2,002,316	\$ 1,983,466	\$ (18,850)
Other categorical aid:				
Emergency medical services	\$ 7,500	\$ 7,500	\$ 7,481	\$ (19)
Victim-witness grant	30,840	30,840	31,765	925
Fire program	55,000	55,000	64,592	9,592
NBSWCD support	135,051	135,051	140,609	5,558
Four for life	23,400	23,400	24,379	979
Rental assistance	43,000	43,000	50,759	7,759
Other	74,087	74,087	20,408	(53,679)
Total other categorical aid	\$ 368,878	\$ 368,878	\$ 339,993	\$ (28,885)
Total categorical aid	\$ 2,371,194	\$ 2,371,194	\$ 2,323,459	\$ (47,735)
Total revenue from the Commonwealth	\$ 5,017,818	\$ 5,017,818	\$ 4,965,583	\$ (52,235)

County of Rockbridge, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Schedule 1
Page 3 of 5

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 102,000	\$ 102,000	\$ 107,685	\$ 5,685
Categorical aid:				
Ground transportation grant	\$ -	\$ -	\$ 20,015	\$ 20,015
Domestic violence	-	-	37,826	37,826
Other	1,900	1,900	42,387	40,487
Total categorical aid	\$ 1,900	\$ 1,900	\$ 100,228	\$ 98,328
Total revenue from the federal government	\$ 103,900	\$ 103,900	\$ 207,913	\$ 104,013
Total General Fund	\$ 40,792,699	\$ 40,785,299	\$ 42,606,990	\$ 1,821,691
Capital Projects Funds:				
Other Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 860	\$ 860
Total School Capital Projects Fund	\$ -	\$ -	\$ 860	\$ 860
Total Primary Government	\$ 40,792,699	\$ 40,785,299	\$ 42,607,850	\$ 1,822,551

County of Rockbridge, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Schedule 1
Page 4 of 5

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition -private day school	\$ -	\$ -	\$ 8,300	\$ 8,300
Tuition-City of Lexington, Buena Vista	1,400,000	1,400,000	1,426,127	26,127
Total charges for services	\$ 1,400,000	\$ 1,400,000	\$ 1,434,427	\$ 34,427
Miscellaneous:				
Other miscellaneous	\$ 4,625	\$ 4,625	\$ 82,127	\$ 77,502
Total revenue from local sources	\$ 1,404,625	\$ 1,404,625	\$ 1,516,554	\$ 111,929
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Rockbridge, Virginia	\$ 13,659,384	\$ 14,788,854	\$ 12,998,898	\$ (1,789,956)
Total revenues from local governments	\$ 13,659,384	\$ 14,788,854	\$ 12,998,898	\$ (1,789,956)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,033,178	\$ 3,033,178	\$ 3,049,350	\$ 16,172
Basic school aid	6,771,665	6,771,665	6,808,614	36,949
Remedial summer education	-	-	6,606	6,606
Regular foster care	-	-	5,322	5,322
Gifted and talented	62,670	62,670	63,072	402
Remedial education	194,678	194,678	195,927	1,249
Special education	801,379	801,379	806,520	5,141
Textbook payment	128,301	128,301	129,124	823
Vocational standards of quality payments	176,010	176,010	177,139	1,129
Social security fringe benefits	380,022	380,022	382,459	2,437
Retirement fringe benefits	752,043	752,043	756,867	4,824
Early reading intervention	41,695	41,695	40,027	(1,668)
Dropout prevention	-	-	20,727	20,727
Homebound education	12,823	12,823	11,911	(912)
Vocational education other	42,931	42,931	48,616	5,685
At risk payments	168,808	168,808	169,958	1,150
Standards of learning algebra readiness	22,268	22,268	22,184	(84)
Reduced class size	248,911	248,911	242,068	(6,843)
Group life insurance	24,001	24,001	24,155	154
Technology grant	206,000	206,000	206,000	-
At risk four-year olds	94,680	94,680	94,680	-
Compensation supplement	111,850	111,850	112,527	677
English as a second language	17,307	17,307	16,654	(653)
Adult Ed GED	23,576	23,576	28,461	4,885
Youth development academy	-	-	67,817	67,817
Other state funds	-	-	12,816	12,816
Total categorical aid	\$ 13,314,796	\$ 13,314,796	\$ 13,499,601	\$ 184,805
Total revenue from the Commonwealth	\$ 13,314,796	\$ 13,314,796	\$ 13,499,601	\$ 184,805

County of Rockbridge, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Schedule 1
Page 5 of 5

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ -	\$ 68,377	\$ 71,226	\$ 2,849
Adult literacy	-	123,093	128,222	5,129
Title I	-	473,989	493,739	19,750
Title VI-B, special education flow-through	-	574,821	598,772	23,951
Vocational education	-	45,022	46,898	1,876
Title VI-B, special education pre-school	-	13,574	14,140	566
Title II, Part A	-	63,442	66,085	2,643
Twenty-first century community learning centers	-	101,788	106,029	4,241
Total action against poverty	-	35,186	36,652	1,466
AP Test fee	-	708	738	30
Total categorical aid	\$ -	\$ 1,500,000	\$ 1,562,501	\$ 62,501
Total revenue from the federal government	\$ -	\$ 1,500,000	\$ 1,562,501	\$ 62,501
Total School Operating Fund	\$ 28,378,805	\$ 31,008,275	\$ 29,577,554	\$ (1,430,721)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 82	\$ (18)
Charges for services:				
Cafeteria sales	\$ 613,917	\$ 613,917	\$ 396,890	\$ (217,027)
Total revenue from local sources	\$ 614,017	\$ 614,017	\$ 396,972	\$ (217,045)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 19,258	\$ 19,258	\$ 15,489	\$ (3,769)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 575,538	\$ 575,538	\$ 631,676	\$ 56,138
Commodities	-	-	78,148	78,148
School food equipment grant	-	-	4,291	4,291
Total categorical aid	\$ 575,538	\$ 575,538	\$ 714,115	\$ 138,577
Total revenue from the federal government	\$ 575,538	\$ 575,538	\$ 714,115	\$ 138,577
Total School Cafeteria Fund	\$ 1,208,813	\$ 1,208,813	\$ 1,126,576	\$ (82,237)
Total Discretely Presented Component Unit - School Board	\$ 29,587,618	\$ 32,217,088	\$ 30,704,130	\$ (1,512,958)

County of Rockbridge, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 1 of 4

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 103,498	\$ 146,741	\$ 123,612	\$ 23,129
General and financial administration:				
County administrator	\$ 211,244	\$ 209,799	\$ 199,759	\$ 10,040
Legal services	169,128	169,128	162,362	6,766
Commissioner of the revenue	274,983	274,983	261,973	13,010
Reassessment	232,500	269,895	303,308	(33,413)
Land use	1,200	1,200	15	1,185
Treasurer	340,343	340,343	311,773	28,570
Central accounting	92,915	92,915	90,320	2,595
Human resources	71,020	79,969	78,194	1,775
Data processing	152,685	155,585	144,323	11,262
Director of fiscal services	264,537	343,872	254,314	89,558
Central stores	-	-	40,567	(40,567)
Total general and financial administration	\$ 1,810,555	\$ 1,937,689	\$ 1,846,908	\$ 90,781
Board of elections:				
Electoral board and officials	\$ 157,261	\$ 154,361	\$ 147,063	\$ 7,298
Total board of elections	\$ 157,261	\$ 154,361	\$ 147,063	\$ 7,298
Total general government administration	\$ 2,071,314	\$ 2,238,791	\$ 2,117,583	\$ 121,208
Judicial administration:				
Courts:				
Circuit court	\$ 66,607	\$ 66,607	\$ 62,546	\$ 4,061
County court	21,325	22,572	21,104	1,468
Victim witness coordinator	59,227	59,227	58,515	712
Clerk of the circuit court	426,146	432,165	414,189	17,976
Courthouse security	411,018	455,870	442,733	13,137
Total courts	\$ 984,323	\$ 1,036,441	\$ 999,087	\$ 37,354
Commonwealth's attorney:				
Commonwealth's attorney	\$ 476,616	\$ 476,616	\$ 473,345	\$ 3,271
Total Commonwealth's attorney	\$ 476,616	\$ 476,616	\$ 473,345	\$ 3,271
Total judicial administration	\$ 1,460,939	\$ 1,513,057	\$ 1,472,432	\$ 40,625
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,710,003	\$ 2,802,978	\$ 2,743,394	\$ 59,584
Fire and rescue services:				
Fire prevention	\$ 1,137,824	\$ 1,129,001	\$ 977,375	\$ 151,626
Emergency management	61,762	69,276	65,234	4,042
Rescue services	1,287,251	1,292,652	1,152,421	140,231
Consolidated dispatch	1,169,788	1,088,839	1,159,034	(70,195)
Total fire and rescue services	\$ 3,656,625	\$ 3,579,768	\$ 3,354,064	\$ 225,704
Correction and detention:				
Contribution to Component Unit Jail Commission	\$ 854,012	\$ 930,962	\$ 866,748	\$ 64,214
Probation office	5,950	5,950	5,903	47
Juvenile probation and detention	25,177	25,177	25,176	1
Total correction and detention	\$ 885,139	\$ 962,089	\$ 897,827	\$ 64,262

County of Rockbridge, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Schedule 2
Page 2 of 4

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 233,717	\$ 234,268	\$ 214,904	\$ 19,364
Other protection:				
Animal control	\$ 20,402	\$ 20,402	\$ 19,810	\$ 592
Other protective services	173,165	173,165	173,042	123
Total other protection	\$ 193,567	\$ 193,567	\$ 192,852	\$ 715
Total public safety	\$ 7,679,051	\$ 7,772,670	\$ 7,403,041	\$ 369,629
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Road maintenance	\$ 8,900	\$ 10,001	\$ 10,083	\$ (82)
Total maintenance of highways, streets, bridges & sidewalks	\$ 8,900	\$ 10,001	\$ 10,083	\$ (82)
Sanitation and waste removal:				
County pickup	\$ 1,875,900	\$ 1,882,475	\$ 1,915,944	\$ (33,469)
Special enforcement-litter control	117,175	114,927	102,810	12,117
Total sanitation and waste removal	\$ 1,993,075	\$ 1,997,402	\$ 2,018,754	\$ (21,352)
Maintenance of general buildings and grounds:				
General properties	\$ 649,888	\$ 689,808	\$ 548,944	\$ 140,864
Central garage	1,048,905	936,720	734,819	201,901
Total maintenance of general buildings and grounds	\$ 1,698,793	\$ 1,626,528	\$ 1,283,763	\$ 342,765
Total public works	\$ 3,700,768	\$ 3,633,931	\$ 3,312,600	\$ 321,331
Health and welfare:				
Health:				
Supplement of local health department	\$ 195,323	\$ 193,247	\$ 168,638	\$ 24,609
Other contributions	81,177	82,773	82,773	-
Total health	\$ 276,500	\$ 276,020	\$ 251,411	\$ 24,609
Mental health and mental retardation:				
Community services board	\$ 168,201	\$ 168,201	\$ 168,201	\$ -
Welfare:				
Contribution to Rockbridge Area Social Services Board	\$ 783,875	\$ 785,969	\$ 960,367	\$ (174,398)
Other public assistance and welfare administration	45,356	51,368	51,217	151
Tax relief for the elderly	-	-	208,050	(208,050)
Total welfare	\$ 829,231	\$ 837,337	\$ 1,219,634	\$ (382,297)
Total health and welfare	\$ 1,273,932	\$ 1,281,558	\$ 1,639,246	\$ (357,688)
Education:				
Other instructional costs:				
Community colleges/other programs	\$ 68,384	\$ 83,384	\$ 83,384	\$ -
Contribution to County School Board	13,654,807	13,654,807	12,998,898	655,909
Total education	\$ 13,723,191	\$ 13,738,191	\$ 13,082,282	\$ 655,909

County of Rockbridge, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Schedule 2
Page 3 of 4

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 695,377	\$ 715,859	\$ 699,838	\$ 16,021
Preschool	114,874	118,631	118,017	614
Total parks and recreation	<u>\$ 810,251</u>	<u>\$ 834,490</u>	<u>\$ 817,855</u>	<u>\$ 16,635</u>
Library:				
Contribution to county libraries	\$ 609,799	\$ 609,799	\$ 609,799	-
Total parks, recreation, and cultural	<u>\$ 1,420,050</u>	<u>\$ 1,444,289</u>	<u>\$ 1,427,654</u>	<u>\$ 16,635</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 307,472	\$ 307,425	\$ 290,742	\$ 16,683
Geographic information system	171,375	171,270	163,353	7,917
Rental assistance	81,117	82,068	80,338	1,730
Economic development	1,140,273	1,255,280	1,084,732	170,548
Other community development	773,065	773,067	773,065	2
Contribution to Public Service Authority	426,236	422,340	117,108	305,232
Total planning and community development	<u>\$ 2,899,538</u>	<u>\$ 3,011,450</u>	<u>\$ 2,509,338</u>	<u>\$ 502,112</u>
Environmental management:				
NBSWCD support	\$ 149,972	\$ 156,617	\$ 156,438	\$ 179
Other environmental management	87,179	89,714	77,813	11,901
Total environmental management	<u>\$ 237,151</u>	<u>\$ 246,331</u>	<u>\$ 234,251</u>	<u>\$ 12,080</u>
Cooperative extension program:				
Extension office	\$ 86,327	\$ 86,327	\$ 64,862	\$ 21,465
Total community development	<u>\$ 3,223,016</u>	<u>\$ 3,344,108</u>	<u>\$ 2,808,451</u>	<u>\$ 535,657</u>
Nondepartmental:				
Miscellaneous	\$ 64,525	\$ 49,484	\$ 10,839	\$ 38,645
Annexation payment	1,770,000	1,770,000	1,769,854	146
Total nondepartmental	<u>\$ 1,834,525</u>	<u>\$ 1,819,484</u>	<u>\$ 1,780,693</u>	<u>\$ 38,791</u>
Debt service:				
Principal retirement	\$ 2,502,117	\$ 2,502,118	\$ 2,502,118	-
Interest and other fiscal charges	2,517,280	2,517,249	2,746,012	(228,763)
Total debt service	<u>\$ 5,019,397</u>	<u>\$ 5,019,367</u>	<u>\$ 5,248,130</u>	<u>\$ (228,763)</u>
Total General Fund	<u><u>\$ 41,406,183</u></u>	<u><u>\$ 41,805,446</u></u>	<u><u>\$ 40,292,112</u></u>	<u><u>\$ 1,513,334</u></u>
Capital Projects Funds:				
Other Capital Projects Fund:				
Capital projects expenditures:				
Capital projects	\$ -	\$ 64,975	\$ 9,825	\$ 55,150
Total capital projects	<u>\$ -</u>	<u>\$ 64,975</u>	<u>\$ 9,825</u>	<u>\$ 55,150</u>
Total School Capital Projects Fund	<u><u>\$ -</u></u>	<u><u>\$ 64,975</u></u>	<u><u>\$ 9,825</u></u>	<u><u>\$ 55,150</u></u>
County Capital Projects Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ 423,022	\$ 477,000	\$ (53,978)
Total capital projects	<u>\$ -</u>	<u>\$ 423,022</u>	<u>\$ 477,000</u>	<u>\$ (53,978)</u>
Total Construction Project Fund	<u><u>\$ -</u></u>	<u><u>\$ 423,022</u></u>	<u><u>\$ 477,000</u></u>	<u><u>\$ (53,978)</u></u>
Total Primary Government	<u><u>\$ 41,406,183</u></u>	<u><u>\$ 42,293,443</u></u>	<u><u>\$ 40,778,937</u></u>	<u><u>\$ 1,514,506</u></u>

County of Rockbridge, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Schedule 2
Page 4 of 4

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Instruction	\$ 20,581,527	\$ 23,145,516	\$ 22,132,474	\$ 1,013,042
Administration, attendance and health	1,326,508	1,360,508	1,304,329	56,179
Pupil transportation	2,277,932	2,277,932	2,214,277	63,655
Operation and maintenance	3,094,061	3,094,061	3,006,810	87,251
Facilities	1,094,227	1,125,708	917,871	207,837
Total education	\$ 28,374,255	\$ 31,003,725	\$ 29,575,761	\$ 1,427,964
Debt service:				
Interest and other fiscal charges	\$ 4,550	\$ 4,550	\$ 1,793	\$ 2,757
Total debt service	\$ 4,550	\$ 4,550	\$ 1,793	\$ 2,757
Total School Operating Fund	\$ 28,378,805	\$ 31,008,275	\$ 29,577,554	\$ 1,430,721
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 1,208,813	\$ 1,208,813	\$ 1,166,507	\$ 42,306
Total School Cafeteria Fund	\$ 1,208,813	\$ 1,208,813	\$ 1,166,507	\$ 42,306
Total Discretely Presented Component Unit - School Board	\$ 29,587,618	\$ 32,217,088	\$ 30,744,061	\$ 1,473,027

STATISTICAL SECTION

STATISTICAL SECTION

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

1-5

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

6-10

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

11-13

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

14-15

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

16-19

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF ROCKBRIDGE, VIRGINIA

Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 4,760,174	\$ 9,678,247	\$ 12,942,462	\$ 12,355,645
Restricted	1,990,486	1,441,943	935,021	935,021
Unrestricted	<u>12,595,832</u>	<u>13,004,039</u>	<u>17,260,280</u>	<u>16,443,020</u>
Total governmental activities net position	<u>\$ 19,346,492</u>	<u>\$ 24,124,229</u>	<u>\$ 31,137,763</u>	<u>\$ 29,733,686</u>
Business-type activities				
Net investment in capital assets	\$ 1,458,874	\$ 1,373,896	\$ 1,421,280	\$ 1,427,172
Restricted	-	-	-	-
Unrestricted	<u>400,752</u>	<u>575,480</u>	<u>875,031</u>	<u>1,201,435</u>
Total business-type activities net position	<u>\$ 1,859,626</u>	<u>\$ 1,949,376</u>	<u>\$ 2,296,311</u>	<u>\$ 2,628,607</u>
Primary government				
Net investment in capital assets	\$ 6,219,048	\$ 11,052,143	\$ 14,363,742	\$ 13,782,817
Restricted	1,990,486	1,441,943	935,021	935,021
Unrestricted	<u>12,996,584</u>	<u>13,579,519</u>	<u>18,135,311</u>	<u>17,644,455</u>
Total primary government net position	<u>\$ 21,206,118</u>	<u>\$ 26,073,605</u>	<u>\$ 33,434,074</u>	<u>\$ 32,362,293</u>

Table 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 11,866,668	\$ 12,943,272	\$ 10,937,946	\$ 14,100,533	\$ 14,218,888	\$ 13,222,296
960,040	1,002,603	5,459,836	1,332,295	1,190,894	232,779
17,653,362	17,197,916	21,297,930	21,113,574	20,308,715	23,911,471
<u>\$ 30,480,070</u>	<u>\$ 31,143,791</u>	<u>\$ 37,695,712</u>	<u>\$ 36,546,402</u>	<u>\$ 35,718,497</u>	<u>\$ 37,366,546</u>
\$ 1,338,861	\$ 1,086,965	\$ 1,397,575	\$ 1,712,920	\$ 2,166,784	\$ 2,592,481
-	1,176,854	1,002,249	1,002,249	1,210,738	1,423,596
1,570,098	881,152	924,040	642,159	733,351	366,856
<u>\$ 2,908,959</u>	<u>\$ 3,144,971</u>	<u>\$ 3,323,864</u>	<u>\$ 3,357,328</u>	<u>\$ 4,110,873</u>	<u>\$ 4,382,933</u>
\$ 13,205,529	\$ 14,030,237	\$ 12,335,521	\$ 15,813,453	\$ 16,385,672	\$ 15,814,777
960,040	2,179,457	6,462,085	2,334,544	2,401,632	1,656,375
19,223,460	18,079,068	22,221,970	21,755,733	21,042,066	24,278,327
<u>\$ 33,389,029</u>	<u>\$ 34,288,762</u>	<u>\$ 41,019,576</u>	<u>\$ 39,903,730</u>	<u>\$ 39,829,370</u>	<u>\$ 41,749,479</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government administration	\$ 1,516,336	\$ 1,398,329	\$ 2,170,904	\$ 2,332,278
Judicial administration	573,554	4,699,190	2,725,181	1,211,172
Public safety	4,518,686	4,658,008	4,926,453	5,364,665
Public works	2,547,356	3,001,287	2,856,775	3,040,215
Health and welfare	1,429,744	1,471,189	1,527,149	1,459,423
Education	12,426,048	14,126,792	14,178,044	14,437,698
Parks, recreation and cultural	1,131,484	1,236,686	1,358,529	1,361,665
Community development	2,250,998	1,699,223	1,831,694	2,109,085
Interest on long-term debt	1,469,578	2,087,610	1,733,021	1,932,209
Nondepartmental	2,035,190	1,698,751	2,060,962	1,944,765
Total governmental activities expenses	\$ 29,898,974	\$ 36,077,065	\$ 35,368,712	\$ 35,193,175
Business-type activities:				
Landfill	\$ 1,336,355	\$ 1,215,648	\$ 1,058,560	\$ 969,972
Recycling	871,600	1,059,036	1,001,618	954,393
Total business-type activities expenses	\$ 2,207,955	\$ 2,274,684	\$ 2,060,178	\$ 1,924,365
Total primary government expenses	\$ 32,106,929	\$ 38,351,749	\$ 37,428,890	\$ 37,117,540
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	\$ 17,550	\$ 23,400	\$ 35,100	\$ 11,700
Judicial administration	264,441	443,137	388,462	346,456
Public safety	13,424	17,878	16,838	15,584
Public works	793,320	1,153,570	1,028,928	1,154,832
Parks, recreation and cultural	84,576	113,061	84,892	90,891
Community development	390,853	350,169	190,262	204,569
Operating grants and contributions	2,550,447	2,416,922	2,398,519	2,165,017
Capital grants and contributions	53,776	46,189	4,260,000	-
Total governmental activities program revenues	\$ 4,168,387	\$ 4,564,326	\$ 8,403,001	\$ 3,989,049

Table 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 2,333,275	\$ 2,335,818	\$ 2,011,030	\$ 2,497,472	\$ 2,294,804	\$ 2,888,023
1,186,366	1,021,390	1,267,789	1,282,388	1,283,097	1,363,768
5,160,253	5,406,165	5,700,091	7,551,214	6,492,719	7,165,176
2,824,461	2,949,751	3,052,847	2,522,400	2,879,018	3,257,681
1,498,930	1,505,526	1,414,009	1,411,742	1,330,106	1,641,027
13,085,583	16,631,591	16,126,417	14,081,158	14,980,144	15,794,029
1,267,868	1,299,526	1,442,669	1,246,800	1,289,331	1,431,206
2,585,270	2,369,189	2,246,495	2,635,939	3,171,409	2,933,943
1,862,608	1,730,059	1,718,759	1,749,577	1,757,409	1,780,693
1,747,190	1,969,401	2,833,978	2,513,613	2,449,604	2,488,358
\$ 33,551,804	\$ 37,218,416	\$ 37,814,084	\$ 37,492,303	\$ 37,927,641	\$ 40,743,904
\$ 862,292	\$ 825,011	\$ 960,797	\$ 1,207,978	\$ 962,151	\$ 1,183,842
983,111	1,159,742	1,156,498	461,888	473,195	463,929
\$ 1,845,403	\$ 1,984,753	\$ 2,117,295	\$ 1,669,866	\$ 1,435,346	\$ 1,647,771
\$ 35,397,207	\$ 39,203,169	\$ 39,931,379	\$ 39,162,169	\$ 39,362,987	\$ 42,391,675
\$ 23,400	\$ 23,400	\$ 23,400	\$ -	\$ -	\$ -
437,863	510,896	457,916	709,282	765,411	707,067
5,840	6,317	22,078	10,282	21,465	23,841
958,805	1,236,913	1,122,809	1,180,837	1,043,742	1,052,048
96,748	95,487	85,038	84,607	80,237	90,846
181,875	192,207	178,734	236,124	493,599	291,216
2,426,783	2,257,672	2,412,618	2,438,107	2,424,462	2,381,742
303,653	1,993,245	5,816,685	598,412	273,913	41,945
\$ 4,434,967	\$ 6,316,137	\$ 10,119,278	\$ 5,257,651	\$ 5,102,829	\$ 4,588,705

COUNTY OF ROCKBRIDGE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

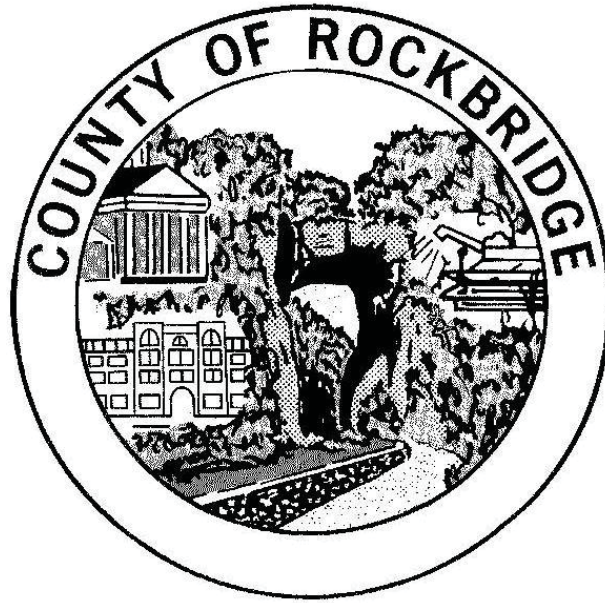
	Fiscal Year			
	2007	2008	2009	2010
Business-type activities:				
Charges for services:				
Landfill	\$ 1,261,870	\$ 1,184,892	\$ 1,266,573	\$ 1,213,411
Recycling	85,533	189,307	101,959	104,549
Operating grants and contributions	19,626	23,798	23,013	18,913
Total business-type activities program revenues	\$ 1,367,029	\$ 1,397,997	\$ 1,391,545	\$ 1,336,873
Total primary government program revenues	\$ 5,535,416	\$ 5,962,323	\$ 9,794,546	\$ 5,325,922
Net (expense) / revenue				
Governmental activities	\$ (25,730,587)	\$ (31,512,739)	\$ (26,965,711)	\$ (31,204,126)
Business-type activities	(840,926)	(876,687)	(668,633)	(587,492)
Total primary government net expense	\$ (26,571,513)	\$ (32,389,426)	\$ (27,634,344)	\$ (31,791,618)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 17,743,425	\$ 19,225,297	\$ 20,100,078	\$ 19,737,346
Local sales and use taxes	2,486,192	2,484,176	2,337,807	2,238,747
Motor vehicle licenses taxes	567,994	565,841	556,865	547,407
Consumer utility taxes	1,326,139	1,616,873	1,529,343	1,538,143
Business licenses taxes	740,306	831,582	855,953	723,687
Other local taxes	3,057,021	2,777,979	2,579,150	2,662,945
Unrestricted grants and contributions	2,822,212	2,669,612	2,895,242	2,766,489
Unrestricted revenues from use of money and property	1,467,557	1,461,742	462,662	240,641
Miscellaneous	1,962,010	8,211,798	3,643,804	272,957
Transfers	(767,116)	(890,124)	(981,659)	(948,313)
Total governmental activities	\$ 31,405,740	\$ 38,954,776	\$ 33,979,245	\$ 29,780,049
Business-type activities:				
Unrestricted revenues from use of money and property	\$ 143,976	\$ 76,310	\$ 32,743	\$ 6,505
Miscellaneous	-	3	1,166	117
Transfers	767,116	890,124	981,659	948,313
Total business-type activities	\$ 911,092	\$ 966,437	\$ 1,015,568	\$ 954,935
Total primary government	\$ 32,316,832	\$ 39,921,213	\$ 34,994,813	\$ 30,734,984
Change in Net Position				
Governmental activities	\$ 5,675,153	\$ 7,442,037	\$ 7,013,534	\$ (1,424,077)
Business-type activities	70,166	89,750	346,935	367,443
Total primary government	\$ 5,745,319	\$ 7,531,787	\$ 7,360,469	\$ (1,056,634)

Table 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 1,116,260	\$ 1,063,507	\$ 1,034,968	\$ 936,243	\$ 1,578,750	\$ 2,098,447
77,872	23,714	-	-	-	-
21,503	18,461	26,161	23,076	23,046	23,300
\$ 1,215,635	\$ 1,105,682	\$ 1,061,129	\$ 959,319	\$ 1,601,796	\$ 2,121,747
\$ 5,650,602	\$ 7,421,819	\$ 11,180,407	\$ 6,216,970	\$ 6,704,625	\$ 6,710,452
\$ (29,116,837)	\$ (30,902,279)	\$ (27,694,806)	\$ (32,234,652)	\$ (32,824,812)	\$ (36,155,199)
(629,768)	(879,071)	(1,056,166)	(710,547)	166,450	473,976
\$ (29,746,605)	\$ (31,781,350)	\$ (28,750,972)	\$ (32,945,199)	\$ (32,658,362)	\$ (35,681,223)
\$ 19,903,929	\$ 20,241,098	\$ 22,519,602	\$ 23,009,779	\$ 24,210,212	\$ 24,775,816
2,226,190	2,292,809	2,392,591	2,439,476	2,561,164	2,720,814
542,034	537,280	537,855	535,776	531,093	540,217
1,541,967	1,520,806	1,522,050	1,514,494	1,509,304	1,488,723
775,021	851,571	913,827	882,478	873,386	849,796
2,642,418	2,687,544	2,791,478	2,922,491	3,144,747	3,409,515
2,706,042	2,761,428	2,741,009	2,760,419	2,732,823	2,749,809
145,518	74,448	78,229	58,003	57,337	113,017
239,873	1,710,031	743,278	1,213,388	943,636	833,978
(859,771)	(1,111,015)	(1,234,972)	(735,930)	(909,606)	(449,951)
\$ 29,863,221	\$ 31,566,000	\$ 33,004,947	\$ 34,600,374	\$ 35,654,096	\$ 37,031,734
\$ 4,938	\$ 4,000	\$ 4,676	\$ 3,018	\$ 3,413	\$ 11,162
10,264	68	3,815	5,063	8,927	25,869
859,771	1,111,015	1,234,972	735,930	909,606	449,951
\$ 874,973	\$ 1,115,083	\$ 1,243,463	\$ 744,011	\$ 921,946	\$ 486,982
\$ 30,738,194	\$ 32,681,083	\$ 34,248,410	\$ 35,344,385	\$ 36,576,042	\$ 37,518,716
\$ 746,384	\$ 663,721	\$ 5,310,141	\$ 2,365,722	\$ 2,829,284	\$ 876,535
245,205	236,012	187,297	33,464	1,088,396	960,958
\$ 991,589	\$ 899,733	\$ 5,497,438	\$ 2,399,186	\$ 3,917,680	\$ 1,837,493

Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Business License Tax	Total
2016 \$	24,775,816 \$	2,720,814 \$	1,488,723 \$	540,217 \$	181,979 \$	849,796 \$	30,557,345
2015	24,210,212	2,561,164	1,509,304	531,093	184,098	873,386	29,869,257
2014	23,009,779	2,439,476	1,514,494	535,776	208,339	882,478	28,590,342
2013	22,519,602	2,392,591	1,522,050	537,855	191,861	913,827	28,077,786
2012	20,241,098	2,292,809	1,520,806	537,280	199,362	851,571	25,642,926
2011	19,903,929	2,226,190	1,541,967	542,034	182,274	775,021	25,171,415
2010	19,737,346	2,238,747	1,538,143	547,407	192,183	723,687	24,977,513
2009	20,100,078	2,337,807	1,529,343	556,865	208,782	855,953	25,588,828
2008	19,225,297	2,484,176	1,616,873	565,841	298,742	831,582	25,022,511
2007	17,743,425	2,486,192	1,326,139	567,994	335,290	740,306	23,199,346



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COUNTY OF ROCKBRIDGE, VIRGINIA

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011 (1)
General fund					
Reserved	\$ 1,549,574	\$ 1,404,760	\$ 1,863,469	\$ 2,531,217	\$ -
Unreserved	13,409,914	14,292,634	15,037,799	13,602,863	-
Nonspendable	-	-	-	-	102,799
Restricted	-	-	-	-	1,018,434
Committed	-	-	-	-	856,172
Assigned	-	-	-	-	1,259,523
Unassigned	-	-	-	-	14,124,282
Total general fund	<u>\$ 14,959,488</u>	<u>\$ 15,697,394</u>	<u>\$ 16,901,268</u>	<u>\$ 16,134,080</u>	<u>\$ 17,361,210</u>
All other governmental funds					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned, reported in:					
Capital projects funds	-	-	-	-	278,115
Unassigned, reported in:					
Special revenue funds	-	-	-	-	(90,345)
Capital projects funds	<u>10,582,108</u>	<u>6,620,625</u>	<u>535,995</u>	<u>314,661</u>	<u>-</u>
Total all other governmental funds	<u>\$ 10,582,108</u>	<u>\$ 6,620,625</u>	<u>\$ 535,995</u>	<u>\$ 314,661</u>	<u>\$ 187,770</u>

(1) The County implemented GASB 54 in fiscal year 2011, the fund balances for previous years have not been restated per GASB 54 classifications.

Table 4

Fiscal Year				
2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
121,348	116,671	112,861	111,886	104,915
1,002,603	1,075,361	1,000,439	988,933	63,889
646,172	707,419	385,973	175,973	-
2,061,918	1,934,997	2,194,043	2,004,485	2,021,502
<u>15,284,213</u>	<u>17,219,353</u>	<u>18,317,586</u>	<u>21,085,055</u>	<u>20,713,488</u>
\$ <u>19,116,254</u>	\$ <u>21,053,801</u>	\$ <u>22,010,902</u>	\$ <u>24,366,332</u>	\$ <u>22,903,794</u>
\$ -	\$ 4,384,475	\$ 331,856	\$ 201,961	\$ 168,890
5,434,345	254,255	260,564	232,578	4,119,737
(947,976)	(229,603)	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>4,486,369</u>	\$ <u>4,409,127</u>	\$ <u>592,420</u>	\$ <u>434,539</u>	\$ <u>4,288,627</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

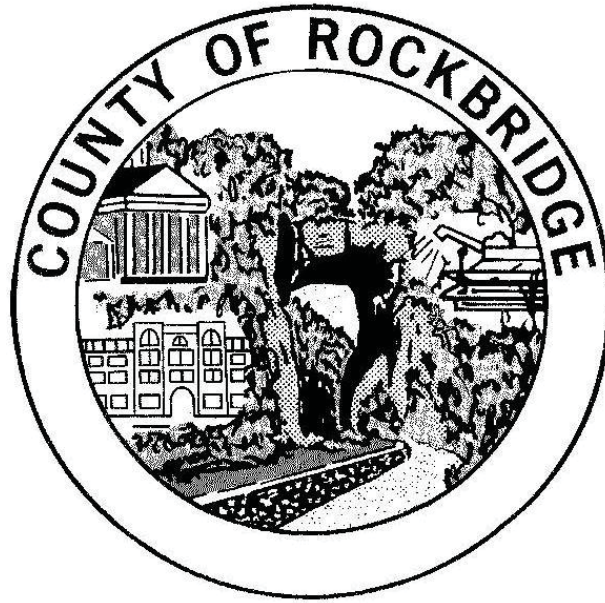
	Fiscal Year				
	2007	2008	2009	2010	2011
Revenues					
General property taxes	\$ 17,167,695	\$ 19,267,635	\$ 19,905,850	\$ 19,568,375	\$ 19,778,269
Other local taxes	8,177,652	8,276,451	7,859,118	7,710,929	7,727,630
Permits, privilege fees and regulatory licenses	377,199	335,529	188,491	202,087	181,875
Fines and forfeitures	80,978	196,529	177,259	153,837	223,673
Revenue from use of money and property	1,467,557	1,461,742	462,662	240,641	145,518
Charges for services	1,105,987	1,569,157	1,378,732	1,468,108	1,298,983
Miscellaneous	537,870	657,112	363,416	257,616	239,873
Recovered costs	1,748,308	8,187,010	3,798,055	359,866	343,712
Intergovernmental:					
Commonwealth	5,038,154	4,904,117	4,686,608	4,652,229	4,935,567
Federal	388,281	228,606	607,153	299,277	500,911
Total revenues	\$ 36,089,681	\$ 45,083,888	\$ 39,427,344	\$ 34,912,965	\$ 35,376,011
Expenditures					
General government administration	\$ 1,609,206	\$ 1,592,669	\$ 1,592,002	\$ 1,774,607	\$ 1,642,181
Judicial administration	1,156,273	1,149,258	1,292,358	1,199,478	1,183,984
Public safety	4,863,985	5,081,176	5,144,522	5,334,327	5,198,378
Public works	2,413,698	2,853,198	2,709,261	2,911,708	2,944,557
Health and welfare	1,429,744	1,471,189	1,527,091	1,459,363	1,498,725
Education	10,596,063	12,166,930	12,259,269	12,565,769	11,514,555
Parks, recreation and cultural	1,124,798	1,230,352	1,248,904	1,257,674	1,170,665
Community development	2,258,256	2,093,877	1,838,680	2,101,876	2,998,230
Non-Departmental	1,469,578	1,698,751	1,733,021	1,932,209	1,747,190
Capital projects	5,056,909	17,915,845	9,482,489	62,263	36,677
Debt service:					
Principal	2,795,373	3,923,340	2,326,302	2,320,388	1,758,226
Interest and other fiscal charges	2,153,457	2,040,141	2,172,542	2,033,512	1,939,473
Bond issue costs	-	-	-	-	-
Total expenditures	\$ 36,927,340	\$ 53,216,726	\$ 43,326,441	\$ 34,953,174	\$ 33,632,841
Excess of revenues over (under) expenditures	\$ (837,659)	\$ (8,132,838)	\$ (3,899,097)	\$ (40,209)	\$ 1,743,170
Other financing sources (uses)					
Transfers in	\$ 750,000	\$ 1,750,000	\$ -	\$ 175,135	\$ -
Transfers out	(1,517,116)	(2,640,124)	(981,659)	(1,123,448)	(859,771)
Issuance of refunding bonds	-	-	-	-	-
Bonds issued	-	6,000,000	-	-	-
Premium on bonds issued	-	-	-	-	-
Capital leases	150,314	157,000	-	-	216,840
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	\$ (616,802)	\$ 5,266,876	\$ (981,659)	\$ (948,313)	\$ (642,931)
Net change in fund balances	\$ (1,454,461)	\$ (2,865,962)	\$ (4,880,756)	\$ (988,522)	\$ 1,100,239
Debt service as a percentage of noncapital expenditures	15.53%	16.89%	13.29%	12.48%	11.01%

Table 5

Fiscal Year				
2012	2013	2014	2015	2016
\$ 20,928,182	\$ 22,414,930	\$ 23,372,482	\$ 24,016,493	\$ 24,843,541
7,890,010	8,157,801	8,294,715	8,619,694	9,009,065
192,207	172,766	210,464	432,008	275,060
284,725	235,024	451,140	521,412	445,370
74,448	78,229	58,003	57,337	113,017
1,588,288	1,482,185	1,559,528	1,451,034	1,444,588
2,150,539	2,471,378	1,213,388	943,636	833,978
303,718	350,799	272,277	317,364	469,735
4,733,732	4,847,109	4,910,801	4,955,261	4,965,583
2,278,613	4,416,673	886,137	475,937	207,913
\$ 40,424,462	\$ 44,626,894	\$ 41,228,935	\$ 41,790,176	\$ 42,607,850
\$ 1,612,340	\$ 1,588,585	\$ 1,667,257	\$ 1,586,194	\$ 2,117,583
1,188,236	1,278,954	1,295,768	1,381,899	1,472,432
5,535,432	5,784,020	7,683,885	6,492,485	7,403,041
2,956,944	3,082,574	2,506,757	2,893,763	3,312,600
1,503,694	1,413,425	1,412,588	1,329,207	1,639,246
12,848,581	14,216,366	13,747,740	13,829,192	13,082,282
1,197,527	1,345,586	1,243,472	1,442,883	1,427,654
6,177,505	7,337,211	2,633,159	3,185,514	2,808,451
1,730,059	1,723,096	1,749,577	1,757,409	1,780,693
2,335,173	21,849,069	4,579,992	130,640	486,825
1,854,205	3,674,994	2,107,993	2,053,317	2,502,118
2,026,423	2,311,965	2,724,423	2,600,518	2,746,012
-	287,772	-	-	-
\$ 40,966,119	\$ 65,893,617	\$ 43,352,611	\$ 38,683,021	\$ 40,778,937
\$ (541,657)	\$ (21,266,723)	\$ (2,123,676)	\$ 3,107,155	\$ 1,828,913
\$ 1,087,294	\$ -	\$ 28,328	\$ 27,786	\$ 4,575,622
(2,198,309)	(1,234,972)	(764,258)	(937,392)	(5,025,573)
-	11,760,000	-	-	4,985,000
7,500,000	21,895,000	-	-	-
-	2,533,876	-	-	835,950
206,315	-	-	-	-
-	(13,086,006)	-	-	(5,579,876)
\$ 6,595,300	\$ 21,867,898	\$ (735,930)	\$ (909,606)	\$ (208,877)
\$ 6,053,643	\$ 601,175	\$ (2,859,606)	\$ 2,197,549	\$ 1,620,036
10.05%	13.59%	12.59%	12.12%	13.15%

General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Record- ation and Wills Tax	Business License Tax	Total
2016 \$	24,843,541	\$ 2,720,814	\$ 1,488,723	\$ 540,217	\$ 181,979	\$ 849,796	\$ 30,625,070
2015	24,016,493	2,561,164	1,509,304	531,093	184,098	873,386	29,675,538
2014	23,372,482	2,439,476	1,514,494	535,776	208,339	882,478	28,953,045
2013	22,414,930	2,392,591	1,522,050	537,855	191,861	913,827	27,973,114
2012	20,928,182	2,292,809	1,520,806	537,280	199,362	851,571	26,330,010
2011	19,778,269	2,226,190	1,541,967	542,034	182,274	775,021	25,045,755
2010	19,568,375	2,238,747	1,538,143	547,407	192,183	723,687	24,808,542
2009	19,905,850	2,337,807	1,529,343	556,865	208,782	855,953	25,394,600
2008	19,267,635	2,484,176	1,616,873	565,841	298,742	831,582	25,064,849
2007	17,167,695	2,486,192	1,326,139	567,994	335,290	740,306	22,623,616



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COUNTY OF ROCKBRIDGE, VIRGINIA

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Machinery and Tools	Public Service (2)	Total Taxable Assessed Value
2016	\$ 2,439,031,715	\$ 193,324,971	\$ 6,606,563	\$ 15,010,380	\$ 179,117,907	\$ 2,833,091,536
2015	2,427,102,558	185,452,684	6,526,117	14,293,472	158,517,874	2,791,892,705
2014	2,409,180,980	182,796,656	6,654,724	14,745,031	146,349,769	2,759,727,160
2013	2,406,225,814	181,627,780	6,529,754	14,352,182	130,966,279	2,739,701,809
2012	2,393,006,606	174,030,130	6,943,019	13,415,023	118,289,855	2,705,684,633
2011	2,381,260,966	168,167,630	9,112,766	10,822,737	113,384,467	2,682,748,566
2010	2,436,189,073	161,297,226	9,172,343	11,287,004	92,656,310	2,710,601,956
2009	2,403,426,774	185,101,529	9,042,587	11,098,157	85,950,278	2,694,619,325
2008	2,361,326,219	178,824,784	9,418,745	11,110,174	99,002,561	2,659,682,483
2007	2,329,760,003	176,096,685	9,629,610	10,784,021	104,485,747	2,630,756,066

Source: Commissioner of the Revenue

(1) Real estate is assessed at 100% of market value.

(2) Assessed values are established by the State Corporation Commission

(3) Source: Virginia Department of Taxation

Table 7

	Estimated Actual Taxable Value	State Sales Assessment Ratio (3)	Total Direct Rate
\$	2,872,735,283	98.62%	\$ 8.26
	2,788,824,998	100.11%	8.24
	2,848,309,588	96.89%	8.19
	2,827,641,458	96.89%	8.14
	2,792,532,390	96.89%	8.08
	2,697,042,893	99.47%	8.02
	2,668,966,085	101.56%	7.98
	2,930,845,470	91.94%	7.98
	3,041,375,052	87.45%	7.94
	3,254,677,800	80.83%	7.70

Property Tax Rates (1)
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Direct Rates						
Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Total Direct Rate	
2016	\$ 0.735	\$ 4.25	\$ 0.72	\$ 2.55	\$ 8.26	
2015	0.715	4.25	0.72	2.55	8.24	
2014	0.715	4.25	0.67	2.55	8.19	
2013	0.67	4.25	0.67	2.55	8.14	
2012	0.64	4.25	0.64	2.55	8.08	
2011	0.61	4.25	0.61	2.55	8.02	
2010	0.59	4.25	0.59	2.55	7.98	
2009	0.59	4.25	0.59	2.55	7.98	
2008	0.59	4.25	0.55	2.55	7.94	
2007	0.55	4.25	0.55	2.35	7.70	

Source: Commissioner of the Revenue

(1) Per \$100 of assessed value.

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$	26,614,006	\$ 25,756,651	96.78%	\$ -	\$ 25,756,651	96.78%
2015		25,839,111	24,786,530	95.93%	685,695	25,472,225	98.58%
2014		25,571,272	24,997,455	97.76%	288,467	25,285,922	98.88%
2013		23,894,710	23,332,287	97.65%	402,581	23,734,868	99.33%
2012		23,041,039	22,189,814	96.31%	729,918	22,919,732	99.47%
2011		21,983,597	21,203,088	96.45%	682,708	21,885,796	99.56%
2010		21,601,653	20,791,246	96.25%	787,142	21,578,388	99.89%
2009		22,272,956	21,510,651	96.58%	744,540	22,255,191	99.92%
2008		21,315,874	20,582,879	96.56%	720,376	21,303,255	99.94%
2007		20,300,479	18,785,345	92.54%	1,506,398	20,291,743	99.96%

Source: Commissioner of the Revenue, Treasurer's office.

(1) Exclusive of penalties and interest, includes Commonwealth of Virginia PPTRA reimbursement.

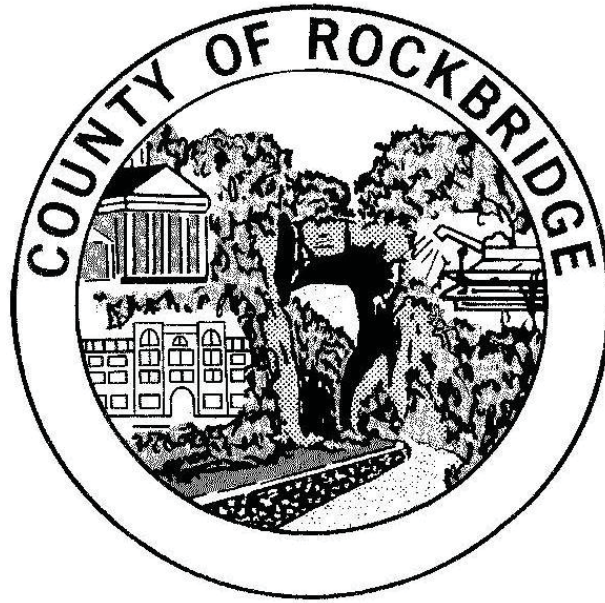
(2) Does not include land redemptions.

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2016		Fiscal Year 2007	
		2016 Assessed Valuation	% of Total Assessed Valuation	2007 Assessed Valuation	% of Total Assessed Valuation
Virginia Elec. & Power Company	Utility	\$ 105,665,465	3.730%	n/a	n/a
Lexington Retirement Community, Inc.	Health Provider	27,726,900	0.979%	\$ 18,834,000	0.716%
White's/Lee Hi/Berkstresser	Industry & Service	23,353,200	0.824%	10,913,600	0.415%
BARC Electric	Utility	21,511,530	0.759%	n/a	n/a
Stonewall/Medusa/CWB&S/Barger	Real Estate & Industry	21,166,800	0.747%	14,319,700	0.544%
Virginia Conservation Legacy*	Hospitality	9,579,300	0.338%	8,431,700	0.321%
Wal-Mart Real Estate Business Trust	Retail	8,992,900	0.317%	8,556,300	0.325%
Aladdin Manufacturing Corporation	Industry	8,978,700	0.317%	8,959,700	0.341%
Elmech, Inc. (Wingate Hotel)	Hospitality	8,415,600	0.297%	7,826,300	0.297%
Lowe's Home Center	Retail	7,912,500	0.279%	7,711,700	0.293%
Laurie Jeanne Landeau	Individual	3,634,600	0.151%	6,716,700	0.455%
		<u>\$ 246,937,495</u>	<u>8.716%</u>	<u>\$ 92,269,700</u>	<u>3.507%</u>

*Formerly associated with Natural Bridge of Virginia, LCC in FY 2007

Source: Commissioner of Revenue



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COUNTY OF ROCKBRIDGE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities	
	General Obligation Bonds	Revenue Bonds	Literary Fund Loans	Notes Payable	Capital Leases	General Obligation Bonds	Capital Leases
2016	\$ 42,453,194	\$ 16,745,000	\$ 1,075,000	\$ -	\$ -	\$ 7,264,710	\$ 916,590
2015	43,604,236	17,390,000	1,255,000	-	-	724,462	449,111
2014	45,109,146	17,870,000	1,435,000	-	53,280	750,543	583,060
2013	46,590,095	18,359,697	1,635,000	-	173,515	776,624	317,405
2012	24,907,549	19,055,719	2,000,000	-	330,643	776,624	-
2011	18,537,312	19,523,530	2,200,000	-	226,105	-	-
2010	19,638,305	19,967,851	2,400,000	-	67,323	-	-
2009	21,079,658	20,474,555	2,600,000	-	284,800	-	-
2008	22,466,568	20,924,192	2,800,000	-	619,700	-	-
2007	23,799,252	17,046,376	3,000,000	-	776,317	-	-

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics-Table 14.

Table 11

	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$	68,454,494	5.43%	\$ 3,089
	63,422,809	5.03%	2,862
	65,801,029	5.22%	2,939
	67,852,336	5.44%	3,038
	47,070,535	3.94%	2,131
	40,486,947	3.57%	1,827
	42,073,479	3.72%	1,886
	44,439,013	3.85%	1,975
	46,810,460	4.13%	2,085
	44,621,945	4.12%	2,000

COUNTY OF ROCKBRIDGE, VIRGINIA
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Table 12

Fiscal Year	Population (1)	Assessed Value (2)	Gross and Net Bonded Debt (3)	Less: Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2016	22,163	\$ 2,439,031,715	\$ 43,528,194	\$ -	\$ 43,528,194	1.78%	\$ 1,964
2015	22,163	2,427,102,558	44,859,236	-	44,859,236	1.85%	\$ 2,024
2014	22,390	2,409,180,980	46,544,146	-	46,544,146	1.93%	2,079
2013	22,338	2,406,225,814	48,225,095	-	48,225,095	2.00%	2,159
2012	22,090	2,393,006,606	26,907,549	-	26,907,549	1.12%	1,218
2011	22,155	2,381,260,966	20,963,417	-	20,963,417	0.88%	946
2010	22,307	2,436,189,073	22,038,305	-	22,038,305	0.90%	988
2009	22,498	2,403,426,774	23,679,657	-	23,679,657	0.99%	1,053
2008	22,450	2,361,326,219	25,266,568	-	25,266,568	1.07%	1,125
2007	22,313	2,329,760,003	26,799,252	-	26,799,252	1.15%	1,201

(1) www.coopercenter.org; See the Schedule of Demographic and Economic Statistics - Table 14

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property- Table 7

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Landfill Revenue Bonds						
	Landfill Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2016	\$ 2,113,441	1,005,416	\$ 1,108,025	\$ 20,000	\$ 29,656	2231.40%	
2015	1,583,311	892,831	690,480	20,000	40,173	1147.49%	
2014	936,618	1,138,798	(202,180)	20,000	31,456	-392.92%	
2013	1,035,112	892,364	142,748	-	28,107	507.87%	
2012	1,063,575	825,011	238,564	-	-	N/A	
2011	1,126,524	862,292	264,232	-	-	N/A	
2010	1,213,528	969,972	243,556	-	-	N/A	
2009	1,267,734	1,058,560	209,174	-	-	N/A	
2008	1,184,895	1,215,648	(30,753)	-	-	N/A	
2007	1,261,870	1,336,355	(74,485)	-	-	N/A	

Note: Landfill charges and other include landfill charges and miscellaneous revenues but not investment earnings or capital contributions.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
2016	22,163	\$ 1,259,937,000	\$ \$34,836	47	2,755	4.40%
2015	22,163	1,259,937,000	\$34,836	47	2,613	5.80%
2014	22,390	1,259,937,000	\$34,836	47	2,604	5.40%
2013	22,338	1,247,903,000	\$33,524	47	2,594	6.00%
2012	22,090	1,194,088,000	\$33,353	47	2,546	5.60%
2011	22,155	1,133,574,000	\$32,238	47	2,499	5.90%
2010	22,307	1,131,047,000	\$30,857	47	2,505	6.30%
2009	22,498	1,153,540,000	\$30,683	40	2,677	6.70%
2008	22,450	1,132,913,000	\$31,335	40	2,801	4.10%
2007	22,313	1,082,653,000	\$30,799	40	2,714	2.90%

Sources: Weldon Cooper Institute, Central Shenandoah Planning District Commission*, Rockbridge County School Division, and the Virginia Employment Commission.

*Independent Cities of Buena Vista and Lexington included with Rockbridge County. Data not available separately.

2015 -2016 Per Capita Personal Income figures are currently not available.

Median Age calculated during census.

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2016			Fiscal Year 2007		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Mohawk Industries, Inc.	730	1	7.57%	1,150	1	16.36%
Walmart	252	2	2.61%	n/a	n/a	n/a
White's Travel Center	248	3	2.57%	120	2	1.71%
Kendall	175	4	1.82%	n/a	n/a	n/a
Vesuvius Corporation	123	5	1.28%	90	8	1.28%
Lowes	113	5	1.17%	n/a	n/a	n/a
Byers, Inc.	87	5	0.90%	90	8	1.28%
Natural Bridge Hotel/Caverns	84	6	0.87%	90	9	0.82%
Devils Backbone	73	7	0.76%	n/a	n/a	n/a
Stella Jones (BPBC)	54	8	0.56%	105	5	1.49%
Totals	1,939		20.11%	n/a		n/a

Businesses with 2007 employment figure marked 'n/a' do not maintain their records that far back, were unable to provide requested information or were not in business at that time.

Sources: Individual company human resource departments.

Note: Excludes government, schools, and state/local agencies.

COUNTY OF ROCKBRIDGE, VIRGINIAFull-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2007	2008	2009	2010
General government	25	25	22	22
Judicial administration	13	13	12	12
Public safety				
Sheriffs department	38	38	36	38
Building inspections	4	4	5	4
Animal control	2	2	2	2
Public works				
General maintenance	6	6	6	6
Landfill	16	16	15	15
Engineering	1	1	1	-
Health and welfare				
Department of social services	25	25	25	25
Culture and recreation				
Parks and recreation	3	3	3	3
Community development				
Planning	4	4	5	5
Totals	<u>137</u>	<u>137</u>	<u>132</u>	<u>132</u>

Source: Individual County departments

Table 16

Fiscal Year					
2011	2012	2013	2014	2015	2016
21	21	21	21	22	23
12	12	12	12	13	13
38	38	38	39	39	39
4	4	4	4	4	4
2	2	2	2	2	2
6	6	6	6	6	6
10	10	10	11	11	11
-	-	-	-	-	-
25	25	25	23	26	26
3	3	3	3	3	4
5	5	5	5	5	5
126	126	126	126	131	133

COUNTY OF ROCKBRIDGE, VIRGINIA

Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year				
	2007	2008	2009	2010	2011
Fire and rescue:					
Number of calls answered	3,829	4,962	4,876	4,876	4,983
Building inspections:					
Permits issued	688	409	281	294	310
Landfill:					
Refuse collected (tons/day)	167	113	110	97	138
Recycling (tons/day)	15	15	16	13	11
Health and welfare					
Department of Social Services:					
Caseload	2,412	2,850	2,931	3,622	6,714

*Calls dispatched; excludes Lexington and Buena Vista Fire and Rescue

**Tons per day based on 310 work days

***Includes Lexington City, excludes Buena Vista City and private enterprises

Source: Individual County departments--only information that is currently available.

Table 17

Fiscal Year				
2012	2013	2014	2015	2016
5,636	4791*	5582*	5475*	5580*
274	310	522	529	535
138	141	141	141	144**
11	13	15	17	13***
6,714	6,366	6,275	6,286	6,239

COUNTY OF ROCKBRIDGE, VIRGINIACapital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2007	2008	2009	2010	2011
General government					
Administration buildings	1	1	1	1	1
Public safety					
Building inspections/maintenance:					
Vehicles	4	4	4	4	3
Animal control:					
Vehicles	2	2	2	2	2
Landfill:					
Sites	1	1	1	1	1
Health and welfare					
Department of Social Services:					
Vehicles	1	1	1	1	4
Culture and recreation					
Parks and recreation:					
Vehicles	3	3	3	3	3
Swimming pools	2	2	2	2	2
Community development					
Planning:					
Vehicles	3	3	3	3	3
Sheriff (Law Enforcement):					
Vehicles	37	37	38	38	39

Source: Individual County departments--only information that is currently available

Table 18

Fiscal Year				
2012	2013	2014	2015	2016
1	1	1	1	1
3	3	3	4	4
2	2	2	2	2
1	1	1	1	1
4	4	4	5	5
3	3	3	2	3
2	2	2	2	2
3	3	3	3	3
39	39	39	38	40

COUNTY OF ROCKBRIDGE, VIRGINIA

Schedule of the City of Lexington's and Buena Vista's Share of Certain General Government Expenditures
Year Ended June 30, 2016

Description	Total Cost to the County	State and Other Reimbursement	City of Lexington Share		
			Net County Cost	% Used	Total Cost
Clerk of the Circuit Court	\$ 414,189	\$ 269,857	\$ 144,332	24.95%	\$ 36,011
Circuit Court - Expenses	62,546	-	62,546	24.95%	15,605
General District and J&D Court	21,104	-	21,104	24.95%	5,265
Courthouse Maintenance	327,874	-	327,874	24.95%	81,805
Administration Building, 150 S. Main Street	152,984	-	152,984	5.90%	9,026
25th Court Services Unit-Juvenile Probation	5,903	-	5,903	20.37%	1,202
Commonwealth's Attorney	473,345	350,733	122,612	24.95%	30,592
Sheriff's Salary	116,642	87,322	29,320	24.95%	7,315
Advancement of Agriculture (City Agent)	<u>156,438</u>	<u>-</u>	<u>156,438</u>	15.00%	<u>23,466</u>
Totals	\$ <u>1,731,025</u>	\$ <u>707,912</u>	\$ <u>1,023,113</u>		\$ <u>210,287</u>

Table 19

<u>City of Buena Vista Share</u>	
<u>% Used</u>	<u>Total Cost</u>
- \$	-
-	-
-	-
-	-
-	-
18.34%	1,083
-	-
-	-
-	-
	<hr/>
\$	<u><u>1,083</u></u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF ROCKBRIDGE, 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 Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Rockbridge, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Rockbridge, Virginia's basic financial statements, and have issued our report thereon dated December 18, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 18, 2016

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF ROCKBRIDGE, VIRGINIA

Report on Compliance for Each Major Federal Program

We have audited County of Rockbridge, Virginia's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of County of Rockbridge, Virginia's major federal programs for the year ended June 30, 2016. County of Rockbridge, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Rockbridge, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Rockbridge, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Rockbridge, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Rockbridge, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of County of Rockbridge, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Rockbridge, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Rockbridge, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 18, 2016

County of Rockbridge, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster			
Department of Agriculture:			
Food Distribution	10.555	40623	\$ 78,148
Department of Education:			
National School Lunch Program	10.555	40623	560,410
Total School Lunch Program			\$ 638,558
School Breakfast Program	10.553	40591	\$ 71,266
Total Child Nutrition Cluster			\$ 709,824
Child Nutrition Discretionary Grants Limited Availability	10.579	86804	\$ 4,291
Schools and Roads - Grants to States	10.665	43841	71,226
Total Department of Agriculture			\$ 785,341
Environmental Protection Agency:			
Pass Through Payments:			
Department of Environmental Quality:			
DEQ Royalty Grants	66.000	515002	\$ 442
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790	\$ 36,502
Total Department of Housing and Urban Development			\$ 36,502
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	CJS86515	\$ 37,826
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	Not available	\$ 12,545
Highway Planning and Construction	20.205	Not available	5,443
State and Community Highway Safety	20.600	SC-2010 50364 3984	7,470
Total Department of Transportation			\$ 25,458

County of Rockbridge, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education-Basic Grants to States	84.002	42801	\$ 128,222
Title I: Grants to Local Educational Agencies	84.010	42901	493,739
Special Education Cluster:			
Special Education Grants to States	84.027	43071	598,772
Special Education Preschool Grants	84.173	62521	14,140
Total Special Education Cluster			\$ 612,912
Career and Technical Education - Basic Grants to States	84.048	61095	\$ 46,898
Supporting Effective Instruction State Grant	84.367	61480	66,085
Twenty-First Century Community Learning Centers	84.287	60565	106,029
Action Against Poverty	84.000	Not available	36,652
Advanced Placement Program	84.330	60957	738
Total Department of Education			\$ 1,491,275
Total Expenditures of Federal Awards			\$ 2,376,844

Notes to Schedule of Expenditures of Federal Awards:

NOTE 1-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Rockbridge, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Rockbridge, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Rockbridge, Virginia.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) County of Rockbridge, Virginia has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- (3) Pass-through entity identifying numbers are presented where available.

NOTE 3-FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, the County had food commodities totaling \$7,080 in inventory. The value of food commodities expended during the year ended June 30, 2016 amounted to \$78,148.

NOTE 4 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal expenditures, revenues, and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

Governmental funds

General fund

Department of the Interior - Payment in Lieu of Taxes

Total primary government

\$ 207,913

(107,685)

\$ 100,228

Discretely presented component unit - School Board:

School operating fund

School cafeteria fund

Total discretely presented component unit - School Board

\$ 1,562,501

714,115

\$ 2,276,616

Total federal expenditures per the Schedule of Expenditures of

Federal awards

\$ 2,376,844

COUNTY OF ROCKBRIDGE, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR section 200.516(a)? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Distribution

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II-Financial Statement Findings

There are no financial statement findings to report.

Section III-Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV-Summary of Prior Year Findings

There were no prior year findings.