ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

LEXINGTON, VIRGINIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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LEXINGTON, VIRGINIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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Elizabeth Tulley Raetz
James Gire
Buena Vista
James Bradford
Lori Turner
Keith Hartman
Bath County
Cliff Gillcrest
Perlista Yvonne Henry
Sherie Walters
Executive Director
John Young LCSW
Clerk of the Board
Barbara Wright
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VACANT
Child Adolescent Case Management and ICC
Adult MH /SA and GAP Case Management
Therapeutic Day Treatment
Raise Program
Eagles Nest Club House
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Director of Clinic and Prevention Services
Michael Bell PhD, LCP
Emergency Services
Psychiatric Clinic Services
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Outpatient Clinic
CIT Assessment site
Clinic Support
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RAPC
Director of Developmental Services
Genevieve Brown MA
ID/DD Support Coordination
Waiver Services
Residential Services
Center Based Day Support Services
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Director of Admin/ Chief Financial Officer
Jody Williams
Information Technology
Reimbursement and Credentialing Services
Human Resources
Accounting Services
Facility and Fleet Maintenance
Director of Corporate Integrity/CECO
Don Sherman MS,CHC
Program Audit & Evaluation
Medical Records
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Client Rights
BUILDING BRIDGES
R · A · C · S
ROCKBRIDGE AREA COMMUNITY SERVICES
SINCE 1982

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
ROCKBRIDGE AREA COMMUNITY SERVICES BOARD
LEXINGTON, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Rockbridge Area Community Services Board, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collective comprise Rockbridge Area Community Services Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Rockbridge Area Community Services Board, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the Board adopted new accounting guidance, GASB Statement Nos. 82 Pension Issues – *an amendment of GASB Statement No. 68*. 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 management's discussion and analysis, and schedules related to pension funding on pages 4-11 and pages 43-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Rockbridge Area Community Services Board's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Rockbridge Area Community Services Board's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of the Rockbridge Area Community Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rockbridge Area Community Services Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
October 14, 2016

Management Discussion and Analysis

Management's discussion and analysis provides an overview of Rockbridge Area Community Services Board's (RACS) financial performance and activities for the fiscal year ended June 30, 2016. This information should be read in conjunction with the financial statements that follow.

Basic Financial Statements

The financial statements are prepared on an accrual basis. The Statement of Net Position provides detail on the nature and amount of the Board's assets and liabilities. The net position figure (the difference between assets and liabilities) is a measure of the Board's financial health. It describes available balances and identifies any restrictions that apply to those balances.

The statement of Revenues, Expenses and Changes in Net Position measures the success of the Board's operations over the past year, as evidenced by either an increase or decrease in the net position at year end. This statement includes detail on all revenue and expenses for the year, demonstrating whether the Board has been successful in obtaining both operating and non-operating revenues to cover the cost of providing services.

The Statement of Cash Flows provides information about the Board's cash receipts and disbursements during the reporting period. The statement reports changes in cash from operating, financing, and investing activities, and the resulting change in cash at the end of the fiscal year.

Financial Analysis

The following table summarizes the Statement of Net Position:

Summary of Statement of Net Position

	2016	2015	% Change
Current and other assets	$ 1,558,545	$ 1,682,067	-7.3%
Capital assets, net of depreciation	5,574,589	5,653,268	-1.4%
Net Pension Assets	1,057,914	827,510	27.8%
Total Assets	$ 8,191,048	$ 8,162,845	0.3%
Deferred Outflows of Resources	$ 196,760	$ 211,629	-7.0%
Liabilities	$ 4,645,772	$ 4,772,413	-2.7%
Deferred Inflows of Resources	$ 617,064	$ 730,402	-15.5%
Net Position:			
Net investment in capital assets	$ 1,780,013	$ 1,795,028	-0.8%
Restricted for debt service	18,868	18,868	0.0%
Restricted for federal programs	37,214	13,462	176.4%
Unrestricted	1,288,877	1,044,301	23.4%
Total Net Position	$ 3,124,972	$ 2,871,659	8.8%

Assets

Current and other assets decreased by 7.3%. The cash on hand was impacted by lower Medicaid payments received due decreased utilization of our developmental disabilities group homes.

Accounts receivables increased $251,276 or almost 50%. A larger than normal balance of in-transit funds was due within the following 30 – 60 days from the date of the report.

The Statement of Cash Flows provides additional detail on the cash sources and uses.

The net capital assets balance decreased by $78,679. There was a depreciation expense of $280,281 for the year. This depreciation expense was offset by capital expenditures of $201,602. Seven older model, high mileage vehicles were replaced with newer ones during FY2016 by the agency. Additionally upgrades were required for outdated IT equipment. A new server, wireless access upgrades and several new computers were all purchased.

The net pension assets grew by 27.8% as RACS continues to fund our pension assets. The contributions made after the valuation measurement date of June 30, 2014 in the amount of $196,760 are reported as deferred outflows of resources. Please see Notes 1 and 5 for additional information.

Liabilities

Deferred Inflows of Resources are a requirement of GASB 68 reporting requirements. Deferred Inflows in the amount of $617,064 consist of differences between the estimated and actual investment returns on pension plan assets. Please see Notes 1 and 5 for additional information.

Total liabilities decreased by 2.7% or $126,641 over the previous year.

Accrued expenses and other current liabilities were reduced by $31,881 but accounts payable increased by $26,372 for a net reduction of $9,725 of current liabilities. All of these changes are normal business fluctuations.

Net long-term liabilities decreased $116,916 as RACS continued to pay down long-term debt related to the $3,794,576 principal balance of the mortgage on the Greenhouse Road Building. The principal pay down for the USDA loan during the next fiscal year is expected to be $66,409.

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Change in Capital Assets

	2016	2015	% Change
Land and Land Improvements	$ 643,438	$ 643,438	0.0%
Building	$ 5,990,793	$ 5,990,793	0.0%
Equipment			
Beginning balance	$ 1,081,518	$ 1,075,646	0.5%
Additions	84,451	49,283	71.4%
Disposals	-	(43,411)	-100.0%
Balance at June 30	$ 1,165,969	$ 1,081,518	7.8%
Vehicles			
Beginning balance	$ 878,040	$ 1,011,877	-13.2%
Additions	117,151	-	
Disposals	(109,332)	(133,837)	0.0%
Balance at June 30	$ 885,859	$ 878,040	0.9%
Total capital assets	$ 8,686,059	$ 8,593,789	1.1%
Accumulated Depreciation	(3,111,470)	(2,940,521)	5.8%
Net capital assets	$ 5,574,589	$ 5,653,268	-1.4%

Net Position

Net investments in capital assets decreased by $78,679 or 1.4%. During the year new vehicles were added to the fleet but others were disposed of and the depreciation expense of $280,281 reduced the overall value of the capital assets.

Restricted federal balances are the residual funds from the RAISE program and the Federal Block Grant for Women. These funds are required to be spent by September 30th 2016 or refunded.

The increase in Unrestricted Net Position of $244,576 or 23.4% is the result of net income for the year of $253,313.

Operating Revenues

Operating revenue is the result of fees for behavioral healthcare services provided in the areas of Mental Health, Intellectual Disabilities, and Substance Abuse. During FY16, fees for service were responsible for 55% of total revenue.

Total operating revenues decreased by $480,582 or 10.1%, from the prior year. The table below provides comparative detail on operating revenues derived from each disability.

Operating Revenues

Disability	2016	2015	% Change
Mental Health	$ 1,680,065	$ 1,792,983	-6.3%
Intellectual Disability	2,566,570	2,933,697	-12.5%
Substance Abuse	43,451	43,988	-1.2%
Total	$ 4,290,086	$ 4,770,668	-10.1%

Mental Health operating revenue for services decreased by $112,918 or 6.3% from the prior year. This was led by decreased revenue in Therapeutic Day Treatment, and Mental Health Outpatient Services. This is largely due to an emphasis in crisis services which is evidenced by increased revenue in Mental Health Children Crisis and Psychological Outpatient Treatment.

Operating revenues for Intellectual Disability Services decreased by $367,127 or 12.5%. Residential Services decreased due to three homes not being at full capacity. The Adult Day Service program was also down by $23,136 compared to 2015.

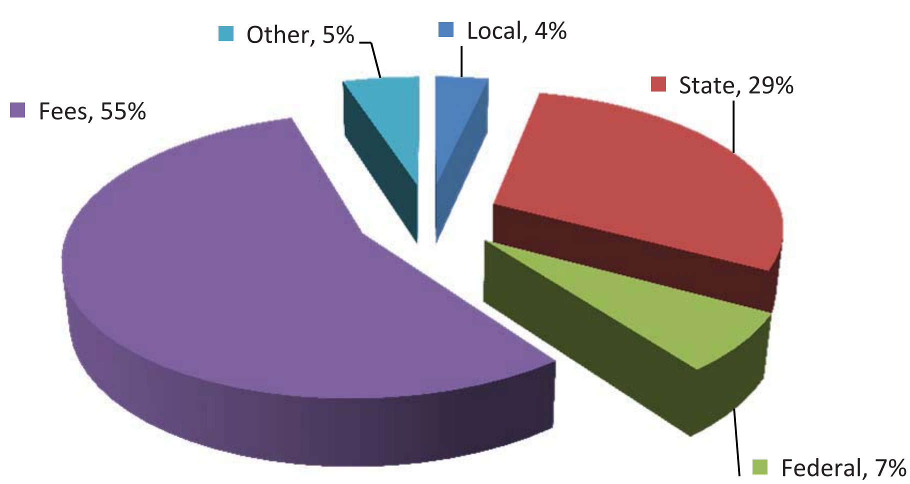
Substance Abuse operating revenue was down slightly by $537 or 1.2%. There was a decrease in Outpatient Services of $6,524 but that was offset by an increase of $5,987 in Emergency Services.

The following table is a summary of the Statements of Revenues, Expenses and Changes in Net Position:

Statement of Revenues, Expenses and Changes in Net Position

	2016	2015	% Change
Revenues			
Operating revenues	$ 4,290,086	$ 4,770,668	-10.1%
Expenses			
Operating expenses	$ 7,349,343	$ 7,787,267	-5.6%
Operating loss	$ (3,059,257)	$ (3,016,599)	1.4%
Nonoperating income (expenses)			
Local government	$ 273,475	$ 265,246	3.1%
State of Virginia	2,282,882	2,166,526	5.4%
Federal government	530,315	537,137	-1.3%
Other	225,898	210,509	7.3%
Total	$ 3,312,570	$ 3,179,418	4.2%
Change in net position	$ 253,313	$ 162,819	55.6%

FY 2016 Revenue Sources



Local government revenue is obtained from the four jurisdictions served by RACS. The revenue requested from each jurisdiction is based on its population and a per capita rate. The local government revenue increased 3.1% during FY 2016 with Rockbridge, the City of Lexington, and Buena Vista each increasing local funds by over 3%.

Revenues from the Commonwealth of Virginia included a mix of increases and decreases which netted a 5.4% increase or $116,356 for FY 2016. This increase was mainly in general funds which are disbursed throughout the agency but there was also an $8,129 increase in Discharge Assistance Funds which help people transition from hospitalization to life in the community. There was a $4,067 decrease in funds for Early Intervention Services.

Funds from the Federal Government decreased 1.3% or $6,822. The Federal Block Grant for Substance Abuse Prevention fell $7,575 and Early Intervention Funds fell $5,226 but Federal General Funds increased by $6,157 to result in a net decrease of $6,822.

Other non-operating revenue sources increased 7.3% or $15,389 primarily due to the following:

- Medicaid Incentives for clients which have previously been shown as revenue increased $40,046 but other revenue dropped by $20,494.
- Interest Income dropped $393 due to lower interest rates.

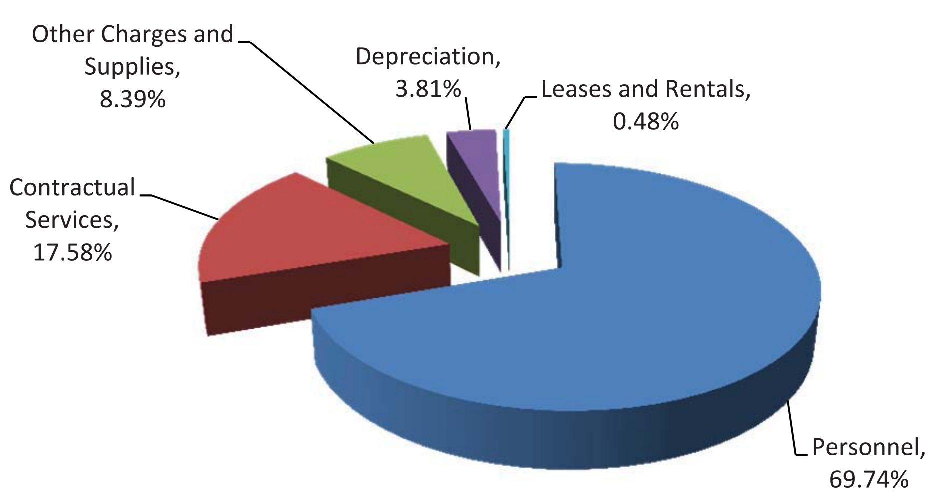
Operating Expenses:

The following table provides a summary of the operating expenses for FY2016.

Operating Expenses

	2016	2015	% Change
Salaries and wages	$ 4,305,797	$ 4,534,854	-5.1%
Fringe benefits	819,954	1,000,345	-18.0%
Contractual services	1,292,133	1,315,213	-1.8%
Leases and rentals	34,921	21,030	66.1%
Other charges and supplies	616,257	657,255	-6.2%
Depreciation	280,281	258,570	8.4%
Total Expenses	$ 7,349,343	$ 7,787,267	-5.6%

FY 2016 Operating Expenses



Salaries and wages fell 5.1% to $4,305,797. This was due to staff vacancies and turnover in Psychological Outpatient Services, Case Management Services, Emergency Services, Developmental Residential Services and some Administrative Staff positions. Staff turnover and a reduction in cost of some benefits resulted in Fringe Benefits cost dropping 18% or $180,391.

Fringe Benefits Expense

	2016	2015	% Change
FICA	$ 310,892	$ 327,364	-5.0%
Health/dental	592,479	598,388	-1.0%
VRS retirement	(131,752)	20,161	-753.5%
VRS group life	18,196	19,533	-6.8%
Unemployment	1,777	3,376	-47.4%
Short term disability	26,136	27,541	-5.1%
Flex plan/EAP	2,226	3,982	-44.1%
Total Expenses	$ 819,954	$ 1,000,345	-18.0%

As the chart above shows vacancies reduced the FICA taxes and had an effect on the lowered Health and Dental costs. VRS retirement decreased by $131,752 primarily due to changes in the valuation of the net pension asset and the deferred inflows and outflows related to measurement of the net pension asset. The VRS group life, Short Term Disability and Flex plan all had reductions due to the staff vacancies and turnover.

Non-personnel Operating Expenses

Contractual Services fell 1.8% or $23,080 during FY 2016. This small decrease was due to reductions in electric and gas expenses, maintenance and repairs and a small decrease in the Tele-psychiatric Services.
Lease and rental expenses increased by 66% or $13,891 due to an increase rent paid with Discharge Assistance Programs Funds as DAP clients needed more rental assistance in FY 2016.

Summary

Rockbridge Area Community Services Finished FY 2016 with an increase in Net Position of $253,313. Operating expenses fell by $437,924 due mainly to lower staffing and turnover. However, operating revenues also fell $480,582. This was offset by an increase in Non-operating income of $133,152. Cost savings measures continue to be implemented to ensure the agency's financial position remains strong, and management will endeavor to increase the level of cash reserves for FY 2017.

Economic Factors

Virginia's state budget has a $1.5 billion short-fall for FY 2016. The Governor has implemented some cost saving initiatives such as a freeze in hiring, no pay raises for teachers or State employees, and lowering funds for State colleges. There were no cuts in FY 2017 in State General Funds for the Community Services Board and there has been no indication for the FY2018 budget.

Contacting The CSB's Financial Management

This financial report is designed to provide local citizens, our consumers and their families, and all taxpayers with a general overview of the CSB's finances. Questions regarding this report or requests for additional financial information should be made to John Young, Executive Director, 241 Greenhouse Road, Lexington, VA 24450; telephone (540) 462-6618.

FINANCIAL STATEMENTS

Exhibit 1

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Statement of Net Position

June 30, 2016
With Comparative Totals for 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 717,558	$ 1,076,656
Accounts receivable, net of allowance for doubtful accounts (Note 3)	755,407	504,131
Loans receivable (Note 12)	1,318	1,440
Prepaid items	30,013	41,095
Total current assets	$ 1,504,296	$ 1,623,322
Restricted Current Assets:		
Cash restricted for USDA loan	$ 18,868	$ 18,868
Cash restricted for others (Note 1)	35,381	39,877
Total restricted current assets	$ 54,249	$ 58,745
Noncurrent Assets:		
Capital Assets: (Note 4)		
Land and land improvements	$ 643,438	$ 643,438
Buildings	5,990,793	5,990,793
Equipment	1,165,969	1,081,518
Vehicles	885,859	878,040
Total capital assets	$ 8,686,059	$ 8,593,789
Accumulated depreciation	(3,111,470)	(2,940,521)
Net capital assets	$ 5,574,589	$ 5,653,268
Net pension asset	$ 1,057,914	$ 827,510
Total assets	$ 8,191,048	$ 8,162,845
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to the measurement date	$ 196,760	$ 211,629
Total deferred outflows of resources	$ 196,760	$ 211,629
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 177,467	$ 151,095
Accrued expenses	110,136	123,918
Amounts held for others	43,912	48,128
Other current liabilities	181,965	200,064
Total current liabilities	$ 513,480	$ 523,205

Exhibit 1

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Statement of Net Position (Continued)

June 30, 2016
With Comparative Totals for 2015

		2016		2015
Long-term Liabilities:				
Due within one year	$	66,409	$	63,650
Due in more than one year		4,065,883		4,185,558
Total long-term liabilities	$	4,132,292	$	4,249,208
Total liabilities	$	4,645,772	$	4,772,413
DEFERRED INFLOWS OF RESOURCES				
Items related to measurement of net pension asset	$	617,064	$	730,402
Total deferred inflows of resources	$	617,064	$	730,402
NET POSITION				
Net investment in capital assets	$	1,780,013	$	1,795,028
Restricted for debt service		18,868		18,868
Restricted federal balances		37,214		13,462
Unrestricted		1,288,877		1,044,301
Total net position	$	3,124,972	$	2,871,659

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016
With Comparative Totals for 2015

	2016	2015
Operating revenues:		
Charges for services, net patient service revenue	$ 4,290,086	$ 4,770,668
Total operating revenues	$ 4,290,086	$ 4,770,668
Operating expenses:		
Salaries and wages	$ 4,305,797	$ 4,534,854
Fringe benefits	819,954	1,000,345
Contractual services	1,292,133	1,315,213
Leases and rentals	34,921	21,030
Other charges and supplies	616,257	657,255
Depreciation	280,281	258,570
Total operating expenses	$ 7,349,343	$ 7,787,267
Net operating loss	$ (3,059,257)	$ (3,016,599)
Nonoperating income (expenses):		
Intergovernmental revenues:		
Local sources:		
County of Rockbridge, Virginia	$ 147,654	$ 143,146
City of Lexington, Virginia	49,198	47,664
City of Buena Vista, Virginia	45,186	43,512
County of Bath, Virginia	31,437	30,924
State of Virginia	2,282,882	2,166,526
Federal government	530,315	537,137
Interest income	4,247	4,640
Contributions	56,939	25,431
In-kind donations	184,580	138,134
Gain/(loss) on sale of assets	-	6,675
Miscellaneous income	142,884	201,025
Interest expense	(162,752)	(165,396)
Total nonoperating income (expense)	$ 3,312,570	$ 3,179,418
Change in net position	$ 253,313	$ 162,819
Net position, beginning of year	2,871,659	2,708,840
Net position, end of year	$ 3,124,972	$ 2,871,659

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Statement of Cash Flows

Year Ended June 30, 2016
With Comparative Totals for 2015

	2016	2015
Cash flows from operating activities:		
Receipts from customers	$ 4,016,617	$ 5,002,964
Payments to suppliers	(1,905,857)	(1,984,069)
Payments to and for employees	(5,521,658)	(5,723,476)
Net cash used for operating activities	$ (3,410,898)	$ (2,704,581)
Cash flows from noncapital financing activities:		
Intergovernmental revenues	$ 3,086,672	$ 2,968,909
Contributions	56,939	25,431
In-kind donations	184,580	138,134
Miscellaneous income	142,884	201,025
Net cash provided by noncapital financing activities	$ 3,471,075	$ 3,333,499
Cash flows from capital and related financing activities:		
Purchase of fixed assets	$ (201,602)	$ (49,282)
Net proceeds from sale of assets	-	6,675
Principal payments on long term debt	(63,664)	(61,019)
Interest expense	(162,752)	(165,396)
Net cash used for capital and related financing activities	$ (428,018)	$ (269,022)
Cash flows from investing activities:		
Interest income	$ 4,247	$ 4,640
Net increase (decrease) in cash and cash equivalents	$ (363,594)	$ 364,536
Cash and cash equivalents, (including restricted cash and cash equivalents) beginning of year	1,135,401	770,865
Cash and cash equivalents, (including restricted cash and cash equivalents) end of year	$ 771,807	$ 1,135,401
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Net Operating loss	$ (3,059,257)	$ (3,016,599)
Depreciation	280,281	258,570
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable	(251,276)	229,365
(Increase) decrease in prepaid items	11,082	54,132
(Increase) decrease in loans receivable	122	(740)
(Increase) decrease in net pension asset	(230,404)	(988,814)
(Increase) decrease in deferred outflows of resources	14,869	66,944
Increase (decrease) in deferred inflows of resources	(113,338)	730,402
Increase (decrease) in accounts payable	26,372	(44,703)
Increase (decrease) in accrued expenses	(13,782)	(2,113)
Increase (decrease) in other current liabilities	(18,099)	9,121
Increase (decrease) in compensated absences	(53,252)	5,364
Increase (decrease) in amounts held for others	(4,216)	(5,510)
Total cash provided by (used for) operating activities	$ (3,410,898)	$ (2,704,581)

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Agency

The Board operates as an agent for the Counties of Rockbridge and Bath and Cities of Lexington and Buena Vista in the establishment and operation of community mental health, intellectual disabilities and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950), relating to the Virginia Department of Behavioral Health and Disabilities Services. In addition, the Board provides a system of community mental health, developmental, and substance abuse services which relate to and are integrated with existing and planned programs.

The Board is not considered a component unit of either the Counties of Rockbridge or Bath or the Cities of Lexington or Buena Vista since none of the entities have oversight responsibility, or are legally obligated to fund any deficit of the Board.

B. Financial Reporting Entity

For financial reporting purposes, these financial statements include all organizations for which the Board is considered accountable in accordance with Government Accounting Standards Board Statement 14, The Financial Reporting Entity. Financial accountability includes the appointment of voting majority of the organization's governing body and the ability of the Board to impose its will on the organization or if there is a financial benefit/burden relationship. Also, an organization that is financially dependent on the Board should be included in its reporting entity.

Based on the above criteria, there are no other organizations to be included as part of the reporting entity.

C. Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board and the Virginia Department of Behavioral Health and Disabilities Services. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The Board is funded by Federal, State and local funds. Its accounting policies are governed by applicable provisions of these grants and applicable pronouncements and publications of the grantors. The Board utilizes the accrual basis of accounting for revenues and expenses. In accrual accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. Budgets

Budgets are prepared by management and adopted by the Board for fiscal planning purposes only. Budgets are amended at various times during the year to reflect the availability of grants and other resources received during the year.

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

E. Basis of Accounting

Rockbridge Area Community Services Board is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. For financial reporting purposes, the Board utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

F. Allowance for Uncollectible Accounts

The Board has estimated its allowance for uncollectible accounts based on historical collection data. The total allowance for uncollectible accounts was $62,486 at June 30, 2016.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than $2,500 (amount not rounded) and an estimated useful life in excess of one year. The Board has established a lower threshold for information technology equipment of $1,000. 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. Depreciation has been provided over the estimated useful lives using the straight-line method.

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

H. Inventory

The Board expenses all materials and supplies when purchased. Inventory on hand is considered immaterial, and no provision is made for it in the financial statements.

I. Risk Management

The Board 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 Board carries commercial insurance for all of these risks of loss. Claims did not exceed coverage in any of the three most recent years.

J. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less from the date of acquisition.

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

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Restricted Cash

The Board is required to maintain $18,868 in reserve by USDA Rural Development as specified by the loan agreement. In addition, the Board has restricted cash held for consumers in the amount of $35,381.

M. Net Client Service Revenue

Client service revenue is recorded at scheduled rates when services are rendered. Allowances and provisions for uncollectible accounts and contractual adjustments are deducted to arrive at net client service revenue.

N. Comparative Totals

Comparative amounts for the prior year are presented for informational purposes only. Certain reclassifications have been made to the prior year amounts to provide a more comparative presentation with the current year financial reporting presentation.

O. Fiscal Agent

The Rockbridge Area Community Services Board acts as its own fiscal agent.

P. Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses are defined as those items that result from providing services, and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investment and other income. Nonoperating expenses are defined as capital and noncapital related financing and other expenses.

Q. 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.

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

R. Net Position Flow Assumption

Sometimes the Board 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 Board's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Board only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset measurement date, which will be recognized as a reduction of the net pension asset next fiscal year. For more detailed information on these items, reference the pension note.

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

T. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Board's Retirement Plan and the additions to/deductions from the Board'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 benefit terms. Investments are reported at fair value.

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

U. 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 Board 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.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the Board 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 and certain corporate notes, banker's acceptances, repurchase agreements and the state Treasurer's Local Government Investment Pool (LGIP).

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Board's investing activities are managed to ensure the maximum preservation of capital and minimize credit risk. Investing is performed in accordance with the investment policy adopted by the Board of Directors complying with State Statutes. Per policy, investments should be categorized as Category Level 1, investments that are insured or registered or for which the securities are held by the CSB or its safekeeping agent in the CSB's name. Board funds may be invested in:

1. U.S. Treasury Bills, Notes, Bonds, and other direct obligations of the United States Government.
2. Obligations of Agencies of the Federal Government including but not limited to the Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, and Student Loan Marketing Association.
3. Repurchase Agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government securities, and collateralized by Treasury or Agency obligations the market value of which is at least 102% of the purchase price of the repo.
4. Certificates of deposit or other deposits of national banks located within the Commonwealth and state-chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act.
5. Money Market Mutual Funds which trade on a constant net asset value and which invest solely in securities otherwise eligible for investment under these guidelines, including the Commonwealth of Virginia Treasury Department's Local Government Investment Pool (LGIP).

NOTE 3—ACCOUNTS RECEIVABLE:

A summary of accounts receivable at June 30, 2016 is as follows:

Local Sources:		
Fees receivable	$	759,901
Logisticare transportation		6,336
Other		13,307
Less allowance for doubtful accounts		(62,486)
Net fees receivable	$	717,058
Commonwealth of Virginia:		
Virginia Foundation for Healthy Youth	$	8,171
Healthy Community Actions Team Grant		3,507
Discharge Assistance Planning		5,351
Total Commonwealth of Virginia	$	17,029
Federal Government:		
Drug Free Communities Support Program	$	21,320
Total Federal Government	$	21,320
Total accounts receivable	$	755,407

NOTE 4—CAPITAL ASSETS:

A summary of capital assets at June 30, 2016 is as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 614,171	$ -	$ -	$ 614,171
Total capital assets not being depreciated	$ 614,171	$ -	$ -	$ 614,171
Other capital assets:				
Buildings	$ 5,990,793	$ -	$ -	$ 5,990,793
Land improvements	29,267	-	-	29,267
Equipment	1,081,518	84,451	-	1,165,969
Vehicles	878,040	117,151	(109,332)	885,859
Total other capital assets	$ 7,979,618	$ 201,602	$ (109,332)	$ 8,071,888
Accumulated depreciation:				
Buildings	$ (1,252,531)	$ (156,147)	$ -	$ (1,408,678)
Land improvements	(24,363)	(2,638)	-	(27,001)
Equipment	(948,499)	(50,939)	-	(999,438)
Vehicles	(715,128)	(70,557)	109,332	(676,353)
Total accumulated depreciation	$ (2,940,521)	$ (280,281)	$ 109,332	$ (3,111,470)
Other capital assets, net	$ 5,039,097	$ (78,679)	$ -	$ 4,960,418
Net capital assets	$ 5,653,268	$ (78,679)	$ -	$ 5,574,589

Current year depreciation expense amounted to $280,281.

NOTE 5–PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Board 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**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • 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. **Defined Contribution Component:** Not applicable.

NOTE 5–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:

	Number
Inactive members or their beneficiaries currently receiving benefits	33
Inactive members:	
Vested inactive members	38
Non-vested inactive members	91
Inactive members active elsewhere in VRS	47
Total inactive members	209
Active members	105
Total covered employees	314

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's contractually required contribution rate for the year ended June 30, 2016 was 5.2% 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 Board were $196,760 and $207,564 for the years ended June 30, 2016 and June 30, 2015, respectively.

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

Net Pension Liability

The Board's net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was 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 Board'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% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 5–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

Actuarial Assumptions – General Employees (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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

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NOTE 5–PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

NOTE 5–PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 11,180,604	$ 12,008,114	$ (827,510)
Changes for the year:			
Service cost	$ 413,588	$ -	$ 413,588
Interest	768,095	-	768,095
Differences between expected and actual experience	(439,695)	-	(439,695)
Contributions - employer	-	207,564	(207,564)
Contributions - employee	-	220,728	(220,728)
Net investment income	-	551,636	(551,636)
Benefit payments, including refunds of employee contributions	(415,648)	(415,648)	-
Administrative expenses	-	(7,421)	7,421
Other changes	-	(115)	115
Net changes	$ 326,340	$ 556,744	$ (230,404)
Balances at June 30, 2015	$ 11,506,944	$ 12,564,858	$ (1,057,914)

NOTE 5–PENSION PLAN: (CONTINUED)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Rockbridge Area Community Services Board			
Net Pension Liability (Asset)	$ 807,855	$ (1,057,914)	$ (2,565,729)

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

For the year ended June 30, 2016, the Board recognized pension expense of ($136,178). At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 300,551
Net difference between projected and actual earnings on pension plan investments	-	316,513
Employer contributions subsequent to the measurement date	196,760	-
Total	$ 196,760	$ 617,064

NOTE 5–PENSION PLAN: (CONTINUED)

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

$196,760 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting years as follows:

Year ended June 30,		
2017	$	(263,922)
2018		(263,922)
2019		(147,043)
2020		57,823
Thereafter		-

NOTE 6—COMPENSATED ABSENCES:

Board employees earn paid time-off each month at a scheduled rate in accordance with their years of service. Accumulated unpaid vacation and other compensating leave amounts are accrued when incurred. Outstanding accrued leave pay totaled $337,716 at June 30, 2016.

NOTE 7—LONG-TERM OBLIGATIONS:

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

	Balance June 30, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016	Due Within One Year
Loan payable	$ 3,858,240	$ -	$ (63,664)	$ 3,794,576	$ 66,409
Compensated absences	390,968	-	(53,252)	337,716	-
Total	$ 4,249,208	$ -	$ (116,916)	$ 4,132,292	$ 66,409

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual Requirements to Amortize Long-Term Debt:

Year Ending June 30,	Loan Payable Principal	Loan Payable Interest
2017	66,409	160,007
2018	69,287	157,129
2019	72,290	154,126
2020	75,422	150,994
2021	78,691	147,725
2022-2026	447,663	684,417
2027-2031	553,447	578,633
2032-2036	684,229	447,851
2037-2041	845,912	286,168
2042-2046	901,226	88,004
Total	$ 3,794,576	$ 2,855,054

Details of long-term obligations:

Line of Credit:

The Board maintains a guidance line of credit with Union First Bank. Borrowing under the line of credit is evidenced by a master note and will accrue interest daily at the Prime Rate published in the Wall Street Journal, but will not be less than 3.5% per annum. The accrued interest will be billed monthly. The outstanding balance of the line at June 30, 2016 is $-0-.

Loan Payable:

The Board entered into a loan agreement with USDA on December 28, 2007 in the amount of $4,259,000 at an interest rate of 4.25%, which was used to finance construction of a 28,000 square foot office building. Monthly payments of principal and interest total $18,868. The maturity date of the loan is December 28, 2045, and the balance outstanding at June 30, 2016 was $3,794,576.

NOTE 8—CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 9—OPERATING LEASE AGREEMENTS:

The Board leases office space and other facilities from various lessors. The lease terms are generally for one year with provisions for additional one year renewals. Future minimum lease payments for the fiscal year ending June 30, 2016 are as follows:

2017	$	9,000
Total	$	9,000

Leases may be adjusted each year based on changes in the prior year's Consumer Price index.

NOTE 10—LOCAL SUPPORT:

Cash contributions to the Rockbridge Area Community Services Board by the supporting localities are as follows:

Rockbridge County	$	147,654
City of Lexington		49,198
City of Buena Vista		45,186
Bath County		31,437
Total	$	273,475

NOTE 11—DEFERRED COMPENSATION PLAN:

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is with the Commonwealth of Virginia Deferred Compensation Plan, and is administered by ICMA-RC.

NOTE 12—LOANS RECEIVABLE:

Loans receivable consist of monies loaned to residential clients of the Rockbridge Area Community Services Board. These loans are to be repaid to the Board. The balance at June 30, 2016 was $1,318.

NOTE 13—NET POSITION RESTRICTED FOR FEDERAL PROGRAMS:

Net position restricted for federal programs consisted of the following at June 30, 2016:

		Total
Substance abuse	$	13,673
Developmental disabilities		23,541
Total net position restricted for federal programs	$	37,214

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2014
Total pension liability		
Service cost	$ 413,588	$ 420,624
Interest	768,095	714,630
Differences between expected and actual experience	(439,695)	-
Benefit payments, including refunds of employee contributions	(415,648)	(327,310)
Net change in total pension liability	$ 326,340	$ 807,944
Total pension liability - beginning	11,180,604	10,372,660
Total pension liability - ending (a)	$ 11,506,944	$ 11,180,604
Plan fiduciary net position		
Contributions - employer	$ 207,564	$ 278,573
Contributions - employee	220,728	220,470
Net investment income	551,636	1,633,511
Benefit payments, including refunds of employee contributions	(415,648)	(327,310)
Administrative expense	(7,421)	(8,572)
Other	(115)	86
Net change in plan fiduciary net position	$ 556,744	$ 1,796,758
Plan fiduciary net position - beginning	12,008,114	10,211,356
Plan fiduciary net position - ending (b)	$ 12,564,858	$ 12,008,114
Political subdivision's net pension liability/(asset) - ending (a) - (b)	$ (1,057,914)	$ (827,510)
Plan fiduciary net position as a percentage of the total pension liability	109.19%	107.40%
Covered payroll	$ 3,991,615	$ 4,151,610
Political subdivision's net pension liability as a percentage of covered payroll	-26.50%	-19.93%

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)
2016	$ 196,760	$ 196,760	$ -	$ 3,783,840	5.20%
2015	207,564	207,564	-	3,991,615	5.20%
2014	278,573	278,573	-	4,151,610	6.71%
2013	289,968	289,968	-	4,321,436	6.71%
2012	156,822	156,822	-	4,094,563	3.83%
2011	146,489	146,489	-	3,824,769	3.83%
2010	161,552	161,552	-	3,705,322	4.36%
2009	175,925	175,925	-	4,034,968	4.36%
2008	96,826	96,826	-	3,724,073	2.60%
2007	93,381	93,381	-	3,591,580	2.60%

Current year contributions are from Rockbridge Area Community Services Board 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

OTHER SUPPLEMENTARY INFORMATION

SUPPORTING SCHEDULES

Standard Schedule of Current Property and Casualty Insurance
Year Ended June 30, 2016

Insurance Coverage	Ins. Co. / Agent/Policy #	Policy Period	Limits of Liability		Ded.	Annual Premium
Workers Compensation	Co: VML Pool Ag: Pol. #:	7/1/15-6/30/16	Accident Injury by disease Disease aggregate	$1,000,000 $1,000,000 $1,000,000	N/A	$37,121
Building & Contents	Co: VML Pool Ag: Pol. #:VML-0572-1	7/1/15-6/30/16	241 Greenhouse Rd. Lexington	$6,609,000	$5000/ occurrence	$48,195
			130 E. 30th St., Buena Vista	$ 187,000		
			101 E. 29th St. Buena Vista	$ 434,067		
			133 Boundary Line Rd. Lexington	$ 25,300		
			112 Wellman Drive., Millboro	$ 12,000		
			52 Church St., Millboro	$ 119,000		
			68 Woodpecker Lane, Natural Bridge	$ 19,700		
			136 E. 30th St., Buena Vista	$ 148,141		
			9232 Sam Snead Hwy, Hot Springs	$ 22,660		
			75 Village Way Lexington, VA	$ 1,200,000		
			68 Deer Haven Rd. Buena Vista	$ 30,900		
			EDP equipment	$ 1,070,200		
Commercial Auto	Co: VML Pool Ag: Pol. #:	7/1/15-6/30/16	Combined Single Limit	$1,000,000	$1,000 per occurrence	$28,075
Employee Dishonesty	Co: VML Pool Ag: Pol. #:	7/1/15-6/30/16	Insured Agreement	$400,000	$1,250	$1,005
General Professional And D & O Liability	Co: Dept. of the Treasury, Division of Risk Management, Commonwealth of Virginia Ag: Pol. #:	7/1/15-6/30/16	Medical malpractice Other	$2,000,000 $1,000,000	$1,000	$20,796
						Total $135,192

Schedule 2

Rockbridge Area Community Services Board
Client Statistics
Year Ended June 30, 2016

	2016	2015	2014	2013	2012	2011	2010	2009
Clients Served by Disability								
Mental Health	1,348	1,534	1,468	1,400	1,368	1,324	1,324	1,298
Developmental Services	287	294	303	296	289	277	295	276
Substance Abuse	332	338	257	216	172	264	287	274
Total Clients Served	1,967	2,166	2,028	1,912	1,829	1,865	1,906	1,848

Schedule 3

Rockbridge Area Community Services Board
Computer System Information
June 30, 2016

Description/ Application	Vendor/Name/ Model	Development Stage	Hardware	Operating System
General Ledger, Payroll, Accounts Payable, Budget	Microsoft Dynamics GP	Fully Operational	Dell Power Edge RC620 and R710 Virtual Servers	Windows Server 2008 R2 Standard
Reimbursement & Client Demographics	Askesis Development Psych Consult	Fully Operational	Dell Power Edge RC620 and R710 Virtual Servers	Windows Server 2012 R2 Enterprise Edition
Fixed Assets	Microsoft Dynamics GP	Fully Operational	Dell Power Edge RC620 and R710 Virtual Servers	Windows Server 2008 R2 Standard
Purchasing	None	Manual Operation	Personal Computer	Windows 7

COMPLIANCE

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 BOARD OF DIRECTORS
ROCKBRIDGE AREA COMMUNITY SERVICES BOARD
LEXINGTON, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Rockbridge Area Community Services Board as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Rockbridge Area Community Services Board's basic financial statements and have issued our report thereon dated October 14, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rockbridge Area Community Services Board'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
October 14, 2016