

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

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

(A Component Unit of Rockbridge County, Virginia)

(A governmental organization formed October 10, 1966
under the Water and Sewer Authorities Act, Chapter 51,
Title 15.2 of the Code of Virginia, as amended)

MEMBERS

Rick Mast

Joe Sokolowski

Dr. Grigg Mullen

Jay Melvin

David Hinty, Jr.

OFFICIALS

Grigg Mullen, Chairman

Rick Mast, Vice-Chairman

Melissa Alexander, Executive Director and Secretary

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Rockbridge County Public Service Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rockbridge County Public Service Authority, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 and schedules related to pension and OPEB funding progress on page 43-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited the Rockbridge County Public Service Authority's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 25, 2017, on our consideration of the Rockbridge County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rockbridge County Public Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

October 25, 2017

Management's Discussion and Analysis

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

As management of the Rockbridge County Public Service Authority, (the "Authority"), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements section of this report.

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$17,730,482 (net position). Of this amount \$5,501,295 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's total net position increased by \$201,984.
- The Authority's total long-term obligations decreased by \$586,963 during the current fiscal year, largely due to payment of revenue bonds.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Service Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,730,482 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position (69%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	2017	2016
Current and other assets	\$ 5,943,020	\$ 5,653,342
Capital assets	<u>23,749,789</u>	<u>24,480,797</u>
Total assets	<u>\$ 29,692,809</u>	<u>\$ 30,134,139</u>
Deferred outflow of resources	\$ <u>55,167</u>	\$ <u>30,013</u>
Long-term liabilities outstanding	\$ 10,748,457	\$ 11,251,529
Other Liabilities	<u>1,246,150</u>	<u>1,327,188</u>
Total Liabilities	<u>\$ 11,994,607</u>	<u>\$ 12,578,717</u>
Deferred inflow of resources	\$ <u>22,887</u>	\$ <u>56,937</u>
Net position:		
Net investment in capital assets	\$ 12,236,279	\$ 12,370,263
Unrestricted	<u>5,494,203</u>	<u>5,158,235</u>
Total net position	<u>\$ 17,730,482</u>	<u>\$ 17,528,498</u>

Financial Analysis (continued)

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

	<u>Change in Net Position</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Operating Revenues	\$ 3,067,361	\$ 2,798,318
Operating contributions-Rockbridge County	110,292	185,342
Other Revenue	<u>39,307</u>	<u>32,189</u>
Total revenues	<u>\$ 3,216,960</u>	<u>\$ 3,015,849</u>
Expenses:		
Operating Expenses	\$ 2,118,731	\$ 2,034,201
Depreciation Expense	959,701	952,509
Interest Expense	75,168	70,955
Other Expense	<u>26,713</u>	<u>35,618</u>
Total expenses	<u>\$ 3,180,313</u>	<u>\$ 3,093,283</u>
Decrease in net position before capital contributions	\$ 36,647	\$ (77,434)
Capital Contributions	<u>165,337</u>	<u>326,500</u>
Increase in net position	\$ 201,984	\$ 249,066
Net position—July 1	<u>17,528,498</u>	<u>17,279,432</u>
Net position—June 30	<u><u>\$ 17,730,482</u></u>	<u><u>\$ 17,528,498</u></u>

The Service Authority's net position increased by \$201,984 during the current year. Total revenues increased \$201,111 (excluding capital contributions) while total expenses increased \$87,030 from FY2016 totals. Capital contributions decreased by \$161,163 from 2016 amounts.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2017 amounts to \$23,749,789 (net of accumulated depreciation). Investment in Capital Assets decreased 2% during the year. Below is a comparison of the items that makeup Capital Assets as of June 30, 2017 with that of June 30, 2016.

	<u>2017</u>	<u>2016</u>
Land and Land Rights	\$ 410,596	\$ 389,259
Buildings	62,699	67,698
Water structures, lines and equipment	8,819,999	9,156,582
Sewer structures, lines and equipment	14,145,325	14,564,081
Office equipment	173,976	173,828
Construction in Progress	<u>137,194</u>	<u>129,349</u>
Total Capital Assets	<u><u>\$ 23,749,789</u></u>	<u><u>\$ 24,480,797</u></u>

Capital Asset and Debt Administration (Continued)

Major capital asset activity for the current fiscal year included:

Projects:

Route 11 Sewer Project	\$ <u>101,346</u>
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Long-Term Debt - At the end of the fiscal year, the Authority had \$11,513,508 in bonds and notes outstanding versus \$12,110,534 last year, a decrease of 5%.

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

Operating Revenues - Water operating revenues increased by 10% from last year's levels while sewer operating revenues increased 11%. Total water and sewer fund revenues increased 10%.

Operating Expenses - Operating expenses (excluding depreciation) increased by \$84,531 (4%) over the prior year. Water operating expenses increased by \$19,314 (1%) and sewer expenses increased by \$72,408 (5%). Administrative expenses increased by \$17,091 (3%).

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

The Authority received operating contributions from Rockbridge County in the form of debt service payments of \$110,292 this year as compared to \$186,342 in the previous year.

Long Term Trends in Operations:

Last year the Authority hired Anderson and Associates who completed a preliminary engineering report on extending water and sewer services to the I81/Rt. 60 interchange east of the City of Lexington. Due to capacity issues in the pump station, the Authority cannot make any additional sewer connections on the existing line. The report focused on correcting those issues and will divide the construction into phases. The City of Lexington began an upgrade to the pump station that serves this area and asked if the PSA was interested in participating to gain additional capacity. The board and staff researched the options deciding not to participate with city and to pursue correcting the deficiencies in the area on our own.

Due to an agreement with the City of Lexington, the PSA took over service to Kendal at Lexington and the City now serves the new third year housing and natatorium recently built at Washington and Lee University. Both entities are in the county; however, the city had served them both due to lack of PSA infrastructure in the area. Since the Maury Service Authority built the water loop around the city, the PSA can now serve Kendal through an existing connection. The engineers reviewed the connection and system making some suggested changes which were implemented and the switch occurred in August without any issues.

Long Term Trends in Operations: (Continued)

The agreement with the City of Buena Vista which set the rate for wholesale water for the Rivermont Heights area ended. The new rate going forward is the retail rate. Since the new rate was higher than the PSA rate, the board established a new rate for the customers in the Rivermont Heights area to take effect July 1, 2017.

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

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, 150 South Main Street, Lexington, Virginia 24450.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Net Position

June 30, 2017

(With Comparative Amounts for 2016)

	At June 30, 2017			Totals for June 30, 2016
	Water	Sewer	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,465,316	\$ 1,623,608	\$ 4,088,924	\$ 4,045,992
Investments	844,503	356,738	1,201,241	1,017,863
Accounts receivable - customers, net of allowance	254,042	273,245	527,287	429,659
Inventory of maintenance supplies	51,581	8,517	60,098	59,380
Restricted current assets:				
Customer deposits -- cash	\$ 35,135	\$ 30,335	\$ 65,470	\$ 59,920
Total Current Assets	\$ 3,650,577	\$ 2,292,443	\$ 5,943,020	\$ 5,612,814
Noncurrent Assets:				
Other assets:				
Net pension asset	\$ -	\$ -	\$ -	\$ 40,528
Capital Assets:				
Land	\$ 194,893	\$ 215,703	\$ 410,596	\$ 389,259
Buildings	99,951	76,915	176,866	176,866
Utility plant and equipment	16,112,226	20,882,916	36,995,142	36,882,165
Vehicles and equipment	453,558	327,773	781,331	714,467
Accumulated depreciation	\$ 16,860,628 (7,720,713)	\$ 21,503,307 (7,030,627)	\$ 38,363,935 (14,751,340)	\$ 38,162,757 (13,811,309)
Sub-total	\$ 9,139,915	\$ 14,472,680	\$ 23,612,595	\$ 24,351,448
Construction work in progress	137,194	-	137,194	129,349
Total net capital assets	\$ 9,277,109	\$ 14,472,680	\$ 23,749,789	\$ 24,480,797
Total Noncurrent Assets	\$ 9,277,109	\$ 14,472,680	\$ 23,749,789	\$ 24,521,325
Total assets	\$ 12,927,686	\$ 16,765,123	\$ 29,692,809	\$ 30,134,139
DEFERRED OUTFLOW OF RESOURCES				
Items related to measurement of				
net pension asset/liability	\$ 19,997	\$ 17,734	\$ 37,731	\$ -
Post measurement date employer				
pension contributions	9,241	8,195	17,436	30,013
Total deferred outflows of resources	\$ 29,238	\$ 25,929	\$ 55,167	\$ 30,013

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Net Position

June 30, 2017 (Continued)

(With Comparative Amounts for 2016)

	At June 30, 2017			Totals for
	Water	Sewer	Total	June 30, 2016
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 188,457	\$ 157,565	\$ 346,022	\$ 348,718
Compensated absences	23,062	20,451	43,513	42,545
Bonds payable - current portion	101,028	690,117	791,145	876,005
Total current liabilities	\$ 312,547	\$ 868,133	\$ 1,180,680	\$ 1,267,268
Current liabilities payable from restricted assets:				
Customer deposits	\$ 35,135	\$ 30,335	\$ 65,470	\$ 59,920
Noncurrent liabilities:				
Revenue bonds payable (noncurrent portion):				
Loan from Rockbridge County	\$ -	\$ 2,823,785	\$ 2,823,785	\$ 2,544,811
Net pension liability	3,759	3,333	7,092	-
Net OPEB obligation	10,070	8,930	19,000	17,000
Bonds payable - net of current portion	2,032,587	5,865,993	7,898,580	8,689,718
Total noncurrent liabilities	\$ 2,046,416	\$ 8,702,041	\$ 10,748,457	\$ 11,251,529
Total liabilities	\$ 2,394,098	\$ 9,600,509	\$ 11,994,607	\$ 12,578,717
DEFERRED INFLOW OF RESOURCES				
Items related to measurement of net pension asset/liability	\$ 12,130	\$ 10,757	\$ 22,887	\$ 56,937
NET POSITION				
Net investment in capital assets	\$ 7,143,494	\$ 5,092,785	\$ 12,236,279	\$ 12,370,263
Unrestricted	3,407,202	2,087,001	5,494,203	5,158,235
Total Net Position	\$ 10,550,696	\$ 7,179,786	\$ 17,730,482	\$ 17,528,498

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2017

(With Comparative Amounts for 2016)

	Year Ended June 30, 2017			Totals for June 30, 2016
	Water	Sewer	Totals	
Operating Revenues:				
Water Sales	\$ 1,353,032	\$ -	\$ 1,353,032	\$ 1,231,398
Sewer Service Charges	-	1,475,063	1,475,063	1,305,976
Potential Demand Charge	67,883	63,812	131,695	126,070
Extra Service Units	21,173	20,697	41,870	41,291
Hookup fees	10,350	6,325	16,675	10,576
Late charges	11,341	6,620	17,961	25,952
Reconnection charges	5,500	1,100	6,600	5,885
Inspection Charge	159	161	320	2,370
Account Charge	4,950	2,670	7,620	7,020
Lease revenue - Glasgow Interconnection	-	-	-	7,482
Miscellaneous Revenue	12,659	3,866	16,525	34,298
Total Operating Revenues	\$ 1,487,047	\$ 1,580,314	\$ 3,067,361	\$ 2,798,318
Operating expenses:				
Water operating expenses	\$ 786,458	\$ -	\$ 786,458	\$ 776,760
Sewer operating expenses	-	714,493	714,493	656,751
Administrative and general expenses	327,287	290,493	617,780	600,690
Depreciation expense	409,508	550,193	959,701	952,509
Total Operating Expenses	\$ 1,523,253	\$ 1,555,179	\$ 3,078,432	\$ 2,986,710
Operating Income (Loss)	\$ (36,206)	\$ 25,135	\$ (11,071)	\$ (188,392)
Nonoperating Income (Expense):				
Interest income	\$ 25,290	\$ 14,017	\$ 39,307	\$ 32,189
Operating contributions - County (Note 5)	110,292	-	110,292	185,342
Interest expense	(75,168)	-	(75,168)	(70,955)
Contribution to Maury Service Authority	(26,713)	-	(26,713)	(35,618)
Total Nonoperating Income (Expense)	\$ 33,701	\$ 14,017	\$ 47,718	\$ 110,958
Income (loss) before contributions	\$ (2,505)	\$ 39,152	\$ 36,647	\$ (77,434)
Capital contributions	82,622	82,715	165,337	326,500
Change in net position	\$ 80,117	\$ 121,867	\$ 201,984	\$ 249,066
Net Position, Beginning of Year	10,470,579	7,057,919	17,528,498	17,279,432
Net Position, End of Year	\$ 10,550,696	\$ 7,179,786	\$ 17,730,482	\$ 17,528,498

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Cash Flows

Year Ended June 30, 2017

(With Comparative Amounts for 2016)

	Year Ended June 30, 2017			Totals for June 30, 2016
	Water	Sewer	Totals	
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,447,883	\$ 1,527,400	\$ 2,975,283	\$ 2,841,882
Payments to suppliers	(819,018)	(791,636)	(1,610,654)	(1,544,952)
Payments to employees	(276,088)	(244,018)	(520,106)	(514,240)
Net cash provided by (used for) operating activities	\$ 352,777	\$ 491,746	\$ 844,523	\$ 782,690
Cash flows from noncapital financing activities:				
Operating grants received - County	\$ 110,292	\$ -	\$ 110,292	\$ 185,342
Contribution to Maury Service Authority	(26,713)	-	(26,713)	(35,618)
Net cash provided by (used for) noncapital financing activities	\$ 83,579	\$ -	\$ 83,579	\$ 149,724
Cash flows from capital and related financing activities:				
Additions to utility plant	\$ (73,365)	\$ (155,327)	\$ (228,692)	\$ (262,154)
Principal payments on bonds	(185,881)	(690,116)	(875,997)	(957,929)
Interest paid	(75,168)	-	(75,168)	(70,955)
Proceeds from loans from Rockbridge	-	278,974	278,974	297,302
Contributions in aid of construction	82,622	82,715	165,337	326,500
Net cash provided by (used for) financing activities	\$ (251,792)	\$ (483,754)	\$ (735,546)	\$ (667,236)
Cash flows from investing activities:				
Interest income	\$ 25,289	\$ 14,016	\$ 39,305	\$ 32,189
Increase (decrease) in cash and cash equivalents	\$ 209,853	\$ 22,008	\$ 231,861	\$ 297,367
Cash and cash equivalents at beginning of year (including \$33,055 and \$26,865 respectively reported in restricted accounts)	3,135,101	1,988,674	5,123,775	4,826,408
Cash and cash equivalents at end of year (including \$35,135 and \$30,335 respectively reported in restricted accounts)	<u>\$ 3,344,954</u>	<u>\$ 2,010,682</u>	<u>\$ 5,355,636</u>	<u>\$ 5,123,775</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (36,206)	\$ 25,135	\$ (11,071)	\$ (188,392)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	409,508	550,193	959,701	952,509
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	(41,244)	(56,384)	(97,628)	40,839
(Increase) decrease in inventories	736	(1,454)	(718)	12,231
(Increase) decrease in net pension asset	21,480	19,048	40,528	-
Increase (decrease) in accounts payable	22,469	(25,164)	(2,695)	(2,557)
Increase (decrease) in compensated absences	513	455	968	216
Increase (decrease) in net OPEB obligation	1,060	940	2,000	1,000
(Increase) decrease in net pension asset/liability	3,759	3,333	7,092	(5,422)
(Increase) decrease in deferred outflow of resources	(13,331)	(11,823)	(25,154)	(1,693)
Increase (decrease) in deferred inflow of resources	(18,047)	(16,003)	(34,050)	(28,766)
Increase (decrease) in customers deposits	2,080	3,470	5,550	2,725
Net cash provided by (used for) operating activities	\$ 352,777	\$ 491,746	\$ 844,523	\$ 782,690
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 10,622	\$ 10,715	\$ 21,337	\$ 166,000
Capitalized interest	-	-	-	-

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements As of June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Basic Financial Statements - The Authority's financial statements are presented in accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis-For State and Local Governments*. Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Required Supplementary Information
 - Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 - Schedule of Employer Contributions
 - Notes to Required Supplementary Information
 - Schedule of OPEB Funding Progress

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

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of availability charges intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

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

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. \$0 in interest was capitalized during the current fiscal year.

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

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

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

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

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

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

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

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

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

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

Pensions

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

The Authority has no formal deposit and investment policy.

Credit Risk of Debt Securities

The Authority’s rated debt investments as of June 30, 2017 were rated by Standard & Poor’s, and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor’s rating scale.

Authority's Rated Debt Investments' Values	
	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 1,201,241

External Investment Pools

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 3—CAPITAL ASSETS:

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Water</u>				
Capital assets not being depreciated:				
Land	\$ 184,271	\$ 10,622	\$ -	\$ 194,893
Construction in progress	129,349	19,478	11,633	137,194
Total capital assets not being depreciated	<u>\$ 313,620</u>	<u>\$ 30,100</u>	<u>\$ 11,633</u>	<u>\$ 332,087</u>
Other Capital Assets:				
Buildings	\$ 99,951	\$ -	\$ -	\$ 99,951
Accumulated depreciation	(61,804)	(4,999)	-	(66,803)
Total	<u>\$ 38,147</u>	<u>\$ (4,999)</u>	<u>\$ -</u>	<u>\$ 33,148</u>
Utility plant and equipment	\$ 16,100,593	\$ 11,633	\$ -	\$ 16,112,226
Accumulated depreciation	(6,944,011)	(348,216)	-	(7,292,227)
Total	<u>\$ 9,156,582</u>	<u>\$ (336,583)</u>	<u>\$ -</u>	<u>\$ 8,819,999</u>
Office and general equipment	\$ 410,292	\$ 43,266	\$ -	\$ 453,558
Accumulated depreciation	(305,390)	(56,293)	-	(361,683)
Total	<u>\$ 104,902</u>	<u>\$ (13,027)</u>	<u>\$ -</u>	<u>\$ 91,875</u>
Other capital assets, net	<u>\$ 9,299,631</u>	<u>\$ (354,609)</u>	<u>\$ -</u>	<u>\$ 8,945,022</u>
Water capital assets, net	<u>\$ 9,613,251</u>	<u>\$ (324,509)</u>	<u>\$ 11,633</u>	<u>\$ 9,277,109</u>
<u>Sewer</u>				
Capital assets not being depreciated:				
Land	\$ 204,988	\$ 10,715	\$ -	\$ 215,703
Total capital assets not being depreciated	<u>\$ 204,988</u>	<u>\$ 10,715</u>	<u>\$ -</u>	<u>\$ 215,703</u>
Other Capital Assets:				
Buildings	\$ 76,915	\$ -	\$ -	\$ 76,915
Accumulated depreciation	(47,364)	-	-	(47,364)
Total	<u>\$ 29,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,551</u>
Utility plant and equipment	\$ 20,781,570	\$ 101,346	\$ -	\$ 20,882,916
Accumulated depreciation	(6,217,491)	(520,100)	-	(6,737,591)
Total	<u>\$ 14,564,079</u>	<u>\$ (418,754)</u>	<u>\$ -</u>	<u>\$ 14,145,325</u>
Office and general equipment	\$ 304,176	\$ 43,266	\$ 19,669	\$ 327,773
Accumulated depreciation	(235,248)	(30,093)	(19,669)	(245,672)
Total	<u>\$ 68,928</u>	<u>\$ 13,173</u>	<u>\$ -</u>	<u>\$ 82,101</u>
Other capital assets, net	<u>\$ 14,662,558</u>	<u>\$ (405,581)</u>	<u>\$ -</u>	<u>\$ 14,256,977</u>
Sewer capital assets, net	<u>\$ 14,867,546</u>	<u>\$ (394,866)</u>	<u>\$ -</u>	<u>\$ 14,472,680</u>
Total capital assets, net	<u>\$ 24,480,797</u>	<u>\$ (719,375)</u>	<u>\$ 11,633</u>	<u>\$ 23,749,789</u>

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN:

Plan Description

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

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

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	4
Inactive members:	
Vested inactive members	2
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>2</u>
Total inactive members	7
Active members	<u>9</u>
Total covered employees	<u><u>20</u></u>

Contributions

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

The Rockbridge County Public Service Authority's contractually required contribution rate for the year ended June 30, 2017 was 4.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Contributions: (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Rockbridge County Public Service Authority were \$17,436 and \$30,013 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Rockbridge County Public Service Authority’s net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Rockbridge County Public Service Authority’s Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	\$ 1,406,973	\$ 1,447,501	\$ (40,528)
Changes for the year:			
Service cost	36,790	-	36,790
Interest	96,238	-	96,238
Differences between expected and actual experience	(12,565)	-	(12,565)
Contributions - employer	-	30,013	(30,013)
Contributions - employee	-	18,618	(18,618)
Net investment income	-	25,120	(25,120)
Benefit payments, including refunds of employee contributions	(64,284)	(64,284)	-
Administrative expenses	-	(897)	897
Other changes	-	(11)	11
Net changes	\$ 56,179	\$ 8,559	\$ 47,620
Balances at June 30, 2016	\$ 1,463,152	\$ 1,456,060	\$ 7,092

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability	\$ 199,502	\$ 7,092	\$ (152,839)

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

For the year ended June 30, 2017, the Rockbridge County Public Service Authority recognized pension expense of \$5,852. At June 30, 2017, the Rockbridge County Public Service Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 22,887
Net difference between projected and actual earnings on pension plan investments	37,731	-
Employer contributions subsequent to the measurement date	17,436	-
Total	\$ 55,167	\$ 22,887

\$17,436 reported as deferred outflows of resources related to pensions resulting from the Rockbridge County Public Service Authority's contributions subsequent to the measurement date will be recognized as a component of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2018	\$ (8,721)
2019	(8,720)
2020	17,160
2021	15,125
2022	-
Thereafter	-

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Details of long-term obligations:		
<u>Water Fund:</u>		
Revenue Bonds (payable from the Water Fund):		
\$940,000 Infrastructure Revenue Bonds (Series 2002A) issued through the Virginia Resources Authority, dated June 6, 2002, payable annually in varying amounts through April 1, 2022, interest payable semi-annually at rates ranging from 3.1% to 5.35%.	\$ 320,000	\$ 60,000
Rural Development Bond:		
\$2,081,000 Water System Revenue Bond (Series 2012) issued through the United States Department of Agriculture, dated June 28, 2012, payable annually in varying amounts through June 28, 2052, stated interest rate of 2.0%.	<u>1,813,615</u>	<u>41,028</u>
Total Revenue Bonds	\$ 2,133,615	\$ 101,028
Other Long-term Obligations:		
Compensated absences	23,062	23,062
Net pension liability	3,759	-
Net OPEB obligation	<u>10,070</u>	<u>-</u>
Total Water Fund	\$ <u>2,170,506</u>	\$ <u>124,090</u>

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Sewer Fund:</u>		
Revenue Bonds:		
\$14,700,000 Sewer System Revenue Bonds, Series 2005 issued through the Virginia Revolving Loan Fund payable through December 31, 2027 in equal installments with no interest. Amount advanced and outstanding at year-end	\$ 6,556,110	\$ 690,117
Advances:		
Loan from Rockbridge County, dated September 1, 2010. No agreed upon repayment terms.	2,823,785	-
Other Long-term Obligations:		
Compensated absences	20,451	20,451
Net pension liability	3,333	-
Net OPEB Obligation	8,930	-
Total Sewer Fund	<u>\$ 9,412,609</u>	<u>\$ 710,568</u>
Grand total	<u><u>\$ 11,583,115</u></u>	<u><u>\$ 834,658</u></u>

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

<u>Year Ending June 30</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 750,117	\$ 16,170
2019	750,117	13,260
2020	755,117	10,200
2021	755,117	6,885
2022	760,117	3,570
2023	690,117	-
2024	690,117	-
2025	690,117	-
2026	690,117	-
2027	345,057	-
Total	<u><u>\$ 6,876,110</u></u>	<u><u>\$ 50,085</u></u>

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Changes in Long-Term Obligations:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Issuances/</u> <u>Additions</u>	<u>Retirement/</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Water Fund:				
Revenue Bonds	\$ 465,672	\$ -	\$ 145,672	\$ 320,000
Rural Development Bond	1,853,824	-	40,209	1,813,615
Compensated Absences	22,549	513	-	23,062
Net pension liability	-	3,759	-	3,759
Net OPEB obligation	9,010	1,590	530	10,070
Total Water Fund	<u>\$ 2,351,055</u>	<u>\$ 5,862</u>	<u>\$ 186,411</u>	<u>\$ 2,170,506</u>
Sewer Fund:				
Revenue Bonds	\$ 7,246,226	\$ -	\$ 690,116	\$ 6,556,110
Advances	2,544,811	278,974	-	2,823,785
Compensated absences	19,996	455	-	20,451
Net pension liability	-	3,333	-	3,333
Net OPEB obligation	7,990	1,410	470	8,930
Total Sewer Fund	<u>\$ 9,819,023</u>	<u>\$ 284,172</u>	<u>\$ 690,586</u>	<u>\$ 9,412,609</u>
Totals	<u><u>\$ 12,170,078</u></u>	<u><u>\$ 290,034</u></u>	<u><u>\$ 876,997</u></u>	<u><u>\$ 11,583,115</u></u>

Operating contributions from Rockbridge County consisted of the following:

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

Related Party Indebtedness:

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

Rockbridge County issued a loan to the Authority in 2010 in the amount of \$2,823,785. The loan has no agreed upon repayment terms.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 6—RISK MANAGEMENT:

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

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS PROGRAM:

Authority and Other Participating Entities:

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

A. Plan Description

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

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

B. Funding Policy

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is presented in the following table for fiscal year 2017. The Authority has elected not to pre-fund OPEB liabilities. The Authority is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

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

	<u>Rockbridge Public Service Authority</u>
Annual Required Contribution (ARC)	\$ 2,000
Interest on OPEB Obligation	1,000
Adjustment to ARC	(1,000)
Annual OPEB Cost	\$ <u>2,000</u>
Increase in Net OPEB Obligation	\$ <u>2,000</u>
Net OPEB Obligation-beginning of year	<u>17,000</u>
Net OPEB Obligation-end of year	<u><u>\$ 19,000</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years as follows:

	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Rockbridge County Public Service Authority	June 30, 2017	\$ 2,000	0.00%	\$ 19,000
Rockbridge County Public Service Authority	June 30, 2016	1,000	0.00%	17,000
Rockbridge County Public Service Authority	June 30, 2015	2,000	40.00%	16,000

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016 the date of the most recent actuarial, is as follows:

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

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

E. Actuarial Methods and Assumptions

Cost Method

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

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

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

NOTE 8—LITIGATION:

At June 30, 2017, there were no matters of litigation involving the Authority for which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 9—UPCOMING PRONOUNCEMENTS:

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

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

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 9—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Rockbridge County Public Service Authority

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2017

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

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.

Rockbridge County Public Service Authority

Schedule of Employer Contributions

For the Years Ended June 30, 2008 through June 30, 2017

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
2017	\$ 17,436	\$ 17,436	\$ -	\$ 390,078	4%
2016	30,013	30,013	-	372,358	8%
2015	28,320	28,320	-	351,360	8%
2014	30,515	30,515	-	362,539	8%
2013	30,417	30,417	-	326,909	9%
2012	29,625	29,625	-	304,331	10%
2011	27,440	27,440	-	301,331	9%
2010	26,457	26,457	-	301,331	9%
2009	25,207	25,207	-	290,862	9%
2008	27,599	27,599	-	297,696	9%

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

Rockbridge County Public Service Authority

Notes to Required Supplementary Information

For the Year Ended June 30, 2017

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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Schedule of OPEB Funding Progress

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

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
WATER FUND:			
Operating Revenues:			
Water Sales	\$ 1,278,615	\$ 1,353,032	\$ 74,417
Potential Demand Charge	66,940	67,883	943
Extra Service Units	21,635	21,173	(462)
Hookup Fee-Water	6,475	10,350	3,875
Late charges	13,500	11,341	(2,159)
Reconnection charges	5,000	5,500	500
Trip charge	100	-	(100)
Inspection Charge	200	159	(41)
Account Charge	4,600	4,950	350
Lease revenue - Glasgow Interconnection	-	-	-
Miscellaneous Revenue	9,439	12,659	3,220
Total Operating Revenues	\$ 1,406,504	\$ 1,487,047	\$ 80,543
Nonoperating Revenue and Capital Contributions:			
Interest Income	\$ 15,000	\$ 25,290	\$ 10,290
Availability Fee - Water	80,000	72,000	(8,000)
Capital contributions	-	10,622	10,622
Operating contributions - County	-	110,292	110,292
Total Nonoperating Revenues and Contributions	\$ 95,000	\$ 218,204	\$ 123,204
Total Water Revenues	\$ 1,501,504	\$ 1,705,251	\$ 203,747
SEWER FUND:			
Operating Revenues:			
Sewer Service Charges	\$ 1,364,674	\$ 1,475,063	\$ 110,389
Potential Demand Charge	70,985	63,812	(7,173)
Extra Service Units	22,955	20,697	(2,258)
Hookup Fee-Sewer	5,250	6,325	1,075
Late charges	10,500	6,620	(3,880)
Reconnection charges	750	1,100	350
Trip charge	20	-	(20)
Inspection Charge	50	161	111
Account Charge	2,000	2,670	670
Miscellaneous Revenue	105	3,866	3,761
Total Operating Revenues	\$ 1,477,289	\$ 1,580,314	\$ 103,025
Nonoperating Revenue and Capital Contributions:			
Interest Income	\$ 9,000	\$ 14,017	\$ 5,017
Availability Fee - Sewer	90,000	72,000	(18,000)
Capital contributions	-	10,715	10,715
Total Nonoperating Revenues and Contributions	\$ 99,000	\$ 96,732	\$ (2,268)
Total Sewer Revenues	\$ 1,576,289	\$ 1,677,046	\$ 100,757

Schedule of Water Expenses - Budget and Actual
Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:			
Water:			
Licenses & Permits	\$ 6,850	\$ 6,770	\$ 80
Maintenance of Source of Supply Plant	500	1,368	(868)
Purchased Water	635,565	655,395	(19,830)
O & M-Water Pumping Equipment	2,815	4,550	(1,735)
Power for Pumping Water	65,000	54,166	10,834
O & M-Water Pumping Station	600	340	260
O & M-Water Treatment Equipment	4,195	4,442	(247)
Water Treatment Supplies and Expense	4,500	3,622	878
Sampling and analysis	5,200	3,940	1,260
Maintenance of Water Tanks	5,380	3,021	2,359
Maintenance of Mains and Accessories	11,500	8,711	2,789
Water Services	10,300	10,464	(164)
Maintenance of Meters	4,050	3,609	441
Maintenance of Fire Hydrants and Accessories	1,000	793	207
Repair and replacement expense	77,500	25,267	52,233
Total Water Operating Expenses	\$ 834,955	\$ 786,458	\$ 48,497
Administrative and General Expenses:			
Bank Service Charges	\$ 50	\$ 43	\$ 7
Uncollected Expenses	1,100	1,135	(35)
Salaries	207,802	207,218	584
Office Supplies and Expenses	3,850	2,738	1,112
Outside Services Employed - Financial	6,500	5,747	753
Outside Services Employed - Legal	7,500	-	7,500
Outside Services - Software	2,661	2,179	482
Outside Services - General	750	-	750
Insurance Expense	7,789	7,739	50
Payroll contract	315	300	15
Employee Benefits-Medical Insurance	35,103	34,761	342
Employee Benefits - OPEB ARC	-	1,060	(1,060)
Employee Benefits-Retirement-VRS	18,689	3,101	15,588
Employee Benefits-Group Life-VRS	2,585	2,708	(123)

Schedule of Water Expenses - Budget and Actual
 Year Ended June 30, 2017 (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Expenses: (Cont'd)			
Administrative and General Expenses: (Cont'd)			
Employee Benefits-Social Security	\$ 12,236	\$ 12,780	\$ (544)
Virginia Unemployment Tax	72	50	22
Employee Benefits-Medicare	2,862	3,023	(161)
Workers compensation insurance	6,731	6,821	(90)
Transportation Expense	12,075	9,236	2,839
Board Members Compensation	2,198	1,316	882
Miscellaneous Expense	5,000	1,183	3,817
Uniform Rental	917	760	157
Dues and Subscriptions	1,120	1,125	(5)
Staff Development	2,050	1,265	785
Employee Appreciation	500	363	137
Operation and Maint.-General Equipment	8,525	6,929	1,596
Telephone Expense	3,086	2,561	525
Postage	4,264	2,890	1,374
Outside Services Employed - NonConstruction	10,334	8,256	2,078
Engineering Services -Non Construction	10,000	-	10,000
	<u>376,664</u>	<u>327,287</u>	<u>49,377</u>
Total Administrative and General Expenses	\$	\$	\$
Depreciation and Amortization:			
Depreciation Expense	\$ -	\$ 409,508	\$ (409,508)
Total Depreciation and Amortization	\$ -	\$ 409,508	\$ (409,508)
Interest and other nonoperating expenses:			
Interest expense	\$ 75,168	\$ 75,168	\$ -
Contribution to Maury Service Authority	35,618	26,713	8,905
Total interest and other nonoperating expenses	\$ 110,786	\$ 101,881	\$ 8,905
TOTAL EXPENSES	\$ <u>1,322,405</u>	\$ <u>1,625,134</u>	\$ <u>(302,729)</u>

Schedule of Sewer Expenses - Budget and Actual
 Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:			
Sewer:			
Licenses and Permits	\$ 25	\$ 20	\$ 5
Maintenance of Sewer Lines	7,475	13,817	(6,342)
Maintenance of Services-Sewer	2,100	(355)	2,455
Power for Pumping Sewer	16,000	14,518	1,482
Operation and Maintenance of Sewage Pumping Equipment	9,785	7,356	2,429
Sewage Treatment by Contract	755,753	662,086	93,667
Maintenance of Sewage Meters	2,500	7,665	(5,165)
Repair and Replacement Expense	131,400	6,905	124,495
Operations and Maintenance of Sewer Buildings	500	333	167
Sewage Chemical Supplies and Expense	5,000	2,148	2,852
Total Sewer Operating Expenses	<u>\$ 930,538</u>	<u>\$ 714,493</u>	<u>\$ 216,045</u>
Administrative and General Expenses:			
Bank Service Charges	\$ 50	\$ 23	\$ 27
Uncollected Expenses	1,100	1,118	(18)
Salaries	184,276	182,135	2,141
Office Supplies and Expenses	3,850	2,738	1,112
Outside Services Employed - Financial	6,500	5,747	753
Outside Services Employed - Legal	7,500	-	7,500
Outside Services - Software	2,661	2,179	482
Outside Services - General	750	-	750
Insurance Expense	7,789	7,739	50
Payroll contract	315	300	15
Employee Benefits-Medical Insurance	31,129	31,412	(283)
Employee Benefits - OPEB ARC	-	940	(940)
Employee Benefits-Retirement-VRS	14,106	2,750	11,356
Employee Benefits-Group Life-VRS	2,310	2,402	(92)
Employee Benefits-Social Security	10,851	11,556	(705)
Virginia Unemployment Tax	64	44	20
Employee Benefits-Medicare	2,538	2,681	(143)
Workers compensation insurance	5,975	6,048	(73)
Transportation Expense	12,075	11,256	819

Schedule of Sewer Expenses - Budget and Actual
Year Ended June 30, 2017 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses: (Cont'd)			
Administrative and General Expenses: (Cont'd)			
Board Members Compensation	\$ 2,198	\$ 1,316	\$ 882
Miscellaneous Expense	5,000	977	4,023
Uniform Rental	917	761	156
Dues and Subscriptions	425	425	-
Staff Development	1,150	687	463
Employee Appreciation	500	363	137
Operation and Maintenance - General Equipment	8,525	7,044	1,481
Telephone Expense	3,086	2,562	524
Postage	3,936	2,655	1,281
Outside Services Employed - NonConstruction	3,026	2,635	391
Engineering Services -Non Construction	5,000	-	5,000
Total Administrative and General Expenses	\$ 327,602	\$ 290,493	\$ 37,109
Depreciation and Amortization:			
Depreciation Expense	\$ -	\$ 550,193	\$ (550,193)
Total Depreciation and Amortization	\$ -	\$ 550,193	\$ (550,193)
TOTAL EXPENSES	\$ 1,258,140	\$ 1,555,179	\$ (297,039)

Schedule of Water and Sewer Rates

Year Ended June 30, 2017

	<u>Water</u>	<u>Sewer</u>
Number of Customers:		
Residential	2,012	905
Commercial	312	223
Basic rates per thousand gallons	\$ 4.90	\$ 8.25

Insurance Coverage
Year Ended June 30, 2017

Insurance Company	Certificate Number	Dates	Type	Policy Limits
Virginia Association of Counties Group Self Insurance Risk Pool	VA-RO-078A	7/1/16-7/1/17	Workmen's Compensation and Employer's Liability	Statutory
		7/1/16-7/1/17	Automobile Liability	2,000,000
			Values per policy	Replacement cost
			Fidelity/Crime Contribution	250,000
			Comprehensive general liability	2,000,000

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Rockbridge County Public Service Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Rockbridge County Public Service Authority and have issued our report thereon dated October 25, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
October 25, 2017