ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY (A Component Unit of Rockbridge County, Virginia) FINANCIAL REPORT YEAR ENDED JUNE 30, 2020

(A Component Unit of Rockbridge County, Virginia)

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

(A Component Unit of Rockbridge County, Virginia)

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

MEMBERS

David Hinty, Jr.

Rick Mast

Jay Melvin

Dr. Grigg Mullen

David Renalds

OFFICIALS

Grigg Mullen, Chairman

Rick Mast, Vice-Chairman

Jay Melvin, Treasurer

Melissa Alexander, Executive Director and Secretary

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the 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, 2020, 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, 2020, 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 40-48 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rockbridge County Public Service Authority's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supporting schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules and the schedule of expenditures of federal awards 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 January 2, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020, on our consideration of the Rockbridge County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rockbridge County Public Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rockbridge County Public Service Authority's internal control over financial reporting and compliance.

Charlottesville, Virginia November 19, 2020

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, 2020. 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 39 of this report.

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

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,548,035 (net position). Of this amount \$8,139,399 (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 \$1,313,558.
- The Authority's total long-term obligations decreased by \$255,582 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 \$19,548,035 at the close of the most recent fiscal year.

The largest portion of the Authority's net position (58%) 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				
		2020		2019		
Current and other assets Capital assets	\$	9,331,220 24,054,245		8,811,690 23,217,059		
Total assets	\$ <u>_</u>	33,385,465	\$	32,028,749		
Deferred outflows of resources	\$_	69,783	\$	28,150		
Long-term liabilities outstanding Other Liabilities	\$	11,751,196 2,132,868		12,026,451 1,762,439		
Total Liabilities	\$_	13,884,064	\$	13,788,890		
Deferred inflows of resources	\$_	23,149	\$	33,532		
Net position: Net investment in capital assets Unrestricted	\$	11,373,650 8,174,385		10,281,869 7,952,608		
Total net position	\$_	19,548,035	\$	18,234,477		

Financial Analysis (continued)

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

		Change in Net Position		
		2020		2019
Revenues: Operating Revenues Operating contributions-Rockbridge County Other Revenue	\$	3,643,824 210,723 122,515	\$	3,132,790 210,642 114,362
Total revenues	\$_	3,977,062	\$	3,457,794
Expenses: Operating Expenses Depreciation Expense Interest Expense Other Expense	\$	2,681,086 957,611 135,989 82,218	\$	2,306,553 925,820 127,804 35,618
Total expenses	\$_	3,856,904	\$	3,395,795
Change in net position before capital contributions Capital Contributions	\$	120,158 1,193,400	\$	61,999 283,500
Change in net position Net position—July 1	\$_	1,313,558 18,234,477	\$	345,499 17,888,978
Net position—June 30	\$_	19,548,035	\$	18,234,477

The Service Authority's net position increased by \$1,313,558 during the current year. Total revenues increased \$120,158 (excluding capital contributions) while total expenses increased \$461,109 from FY2019 totals. Capital contributions increased by \$909,900 from 2019 amounts.

Capital Asset and Debt Administration

<u>Capital Assets</u> - The Authority's investment in capital assets as of June 30, 2020 amounts to \$24,054,245 (net of accumulated depreciation). Investment in Capital Assets increased 4% during the year. Below is a comparison of the items that make up Capital Assets as of June 30, 2020 with that of June 30, 2019.

		2020	 2019
Land and Land Rights	\$	410,596	\$ 410,596
Buildings		49,434	53,855
Water structures, lines and equipment		10,184,212	8,124,471
Sewer structures, lines and equipment		12,581,174	13,097,312
Office equipment		37,749	68,529
Construction in Progress	_	791,080	 1,462,295
Total Capital Assets	\$_	24,054,245	\$ 23,217,058

Capital Asset and Debt Administration (Continued)

Major capital asset activity for the current fiscal year included:

Projects:

1" Water Service	\$ 7,000
Route 60 Sewer Project	 573,509
Total	\$ 580,509

<u>Long-Term Debt</u> - At the end of the fiscal year, the Authority had \$12,645,609 in bonds and notes outstanding versus \$12,913,269 last year, a decrease of 2%.

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

<u>Operating Revenues</u> - Water operating revenues increased by 10.59% from last year's levels while sewer operating revenues increased 23.99%. Total water and sewer fund revenues increased 17.57%.

<u>Operating Expenses</u> - Operating expenses (excluding depreciation) increased by \$374,533 (16.24%) over the prior year. Water operating expenses increased by \$80,923 (10.27%) and sewer expenses increased by \$114,112 (12.69%). Administrative expenses increased by \$179,498 (28.97%).

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

The Authority received operating contributions from Rockbridge County in the form of debt service payments of \$210,723 this year as compared to \$210,642 in the previous year.

Long Term Trends in Operations:

The PSA continued to work on the sewer capacity issues along Route 60 east of Lexington. The preliminary engineering report (PER) by Anderson & Associates, looked at both correcting the current deficiencies and extending both water and sewer to the I-81/Rt. 60 interchange. The PER broke the project into phases. Phase 1 focused on increasing capacity in the existing service area and Phase 2 extended water and sewer to the interchange. Rockbridge County assisted the PSA in the hiring of a consulting firm to determine the best course of action. In March 2018, a loan was obtained for \$2,461,000 to complete Phase 1 with Rockbridge County agreeing to reimburse the PSA for the payments. Hurt & Proffitt was hired to design the project. The project design is close to completion and the project will be bid in the next fiscal year.

The Long Hollow Project bids from last fiscal year were over budget. Rural Development worked with the PSA to obtain some additional funding. The PSA also agreed to put in additional capital to fund the project. Construction began this year and is expected to be completed in the early part of next fiscal year.

Long Term Trends in Operations: (Continued)

Growth is slowly increasing in the county. The Raphine area around the truck stop continues to grow with several new businesses opened this year and more are proposed. There is a potential hotel project that is waiting on the completion of the Route 60 sewer project.

Even with the increase in new growth, 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.



Statement of Net Position June 30, 2020 (With Comparative Totals for 2019)

	At June 30, 2020						Totals for June 30,	
		Water		Sewer		Total	•	2019
ASSETS			_		_		_	
Current Assets:								
Cash and cash equivalents	\$	3,756,855	\$	2,655,112	\$	6,411,967	\$	5,769,768
Accounts receivable - customers		266,573		312,161		578,734		562,018
Accounts receivable - others		93,042		34,497		127,539		761
Prepaid items				10 107		70.046		100
Inventory of maintenance supplies		59,939		10,107		70,046		67,892
Restricted current assets:								
Customer deposits - cash	\$	39,340	Ś	36,230	Ś	75,570	Ś	71,420
Investments	*	-	•	2,061,085	•	2,061,085	•	2,266,368
	_		_	, ,	_	, ,	-	
Total current assets	\$_	4,215,749	\$ <u> </u>	5,109,192	\$_	9,324,941	\$_	8,738,327
Noncurrent Assets:								
Other assets:								
Net pension asset	\$	3,139	. ^{\$} _	3,140	\$	6,279	. Ş _	73,363
Capital Assets:								
Land	\$	194,893	\$	215,703	\$	410,596	\$	410,596
Buildings		99,951		76,915		176,866		176,866
Utility plant and equipment		18,550,035		20,932,936		39,482,971		37,016,960
Vehicles and equipment	_	442,336		320,291		762,627		762,627
Total capital assets	\$	19,287,215	\$	21,545,845	\$	40,833,060	\$	38,367,049
Accumulated depreciation		(8,864,555)	_	(8,705,340)	_	(17,569,895)		(16,612,286)
Sub-total	\$	10,422,660	\$	12,840,505	\$	23,263,165	\$	21,754,763
Construction work in progress	_	7,000		784,080		791,080		1,462,296
Total net capital assets	\$	10,429,660	\$	13,624,585	\$	24,054,245	\$_	23,217,059
Total noncurrent assets	\$	10,432,799	\$	13,627,725	\$	24,060,524	\$_	23,290,422
Total assets	\$	14,648,548	\$	18,736,917	\$	33,385,465	\$	32,028,749
DEFERRED OUTFLOWS OF RESOURCES								
Pension related items	\$	31,952	\$	31,593	\$	63,545	\$	23,977
OPEB related items	,	3,119		3,119	,	6,238		4,173
Total deferred outflows of resources	_	25.071		24 712	ċ	60 792	· -	28 150
rotat deferred outflows of resources	\$ <u></u>	35,071	۔ ۲	34,712	۔ ، ـ	69,783	۔ ب	28,150

Statement of Net Position June 30, 2020 (Continued) (With Comparative Totals for 2019)

	_		Å	At June 30, 2020)			Totals for June 30,
LUDUITIES	_	Water		Sewer		Total		2019
LIABILITIES								
Current liabilities:	,	250 220	÷	452.004	ċ	4 002 422	ċ	(20 (72
Accounts payable	\$	350,339	\$	652,094	\$	1,002,433	\$	638,672
Retainage payable		9,080		25,906		34,986		49,962
Compensated absences		26,862		26,862		53,724		48,646
Accrued interest payable		1,906		18,174		20,080		21,921
Bonds payable - current portion	_	117,958		828,117	-	946,075		931,818
Total current liabilities	\$_	506,145	\$_	1,551,153	\$_	2,057,298	\$_	1,691,019
Current liabilities payable from restricted assets:								
Customer deposits	\$_	39,340	\$_	36,230	\$_	75,570	\$_	71,420
Noncurrent liabilities:								
Loan from Rockbridge County	\$	-	\$	3,507,980	\$	3,507,980	\$	3,279,263
Net OPEB liabilities		25,831		25,831		51,662		45,000
Bonds payable - net of current portion	_	2,335,912		5,855,642	_	8,191,554	_	8,702,188
Total noncurrent liabilities	\$_	2,361,743	\$_	9,389,453	\$_	11,751,196	\$_	12,026,451
Total liabilities	\$_	2,907,228	\$_	10,976,836	\$_	13,884,064	\$_	13,788,890
DEFERRED INFLOWS OF RESOURCES								
Pension related items	\$	9,130	Ś	12,019	Ś	21,149	Ś	29,532
OPEB related items	_	1,000	· _	1,000		2,000	· _	4,000
Total deferred inflows of resources	\$_	10,130	\$_	13,019	\$_	23,149	\$_	33,532
NET POSITION								
Net investment in capital assets	\$	7,966,710	\$	3,406,940	\$	11,373,650	\$	10,281,869
Unrestricted	_	3,799,551		4,374,834		8,174,385		7,952,608
Total Net Position	\$_	11,766,261	\$	7,781,774	\$	19,548,035	\$	18,234,477

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

Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2020 (With Comparative Totals for 2019)

	Year Ended June 30, 2020						Totals for June 30,
	_	Water		Sewer	Totals	_	2019
Operating Revenues:							
Water sales	\$	1,495,492	\$	- \$	1,495,492	\$	1,353,620
Sewer service charges		-		1,673,143	1,673,143		1,501,081
Potential demand charge		75,107		80,436	155,543		154,013
Extra service units		21,988		23,823	45,811		47,378
Hookup fees		15,308		6,650	21,958		23,975
Late charges		9,225		4,970	14,195		20,795
Reconnection charges		4,263		865	5,128		8,031
Trip charges		-		-	-		50
Inspection charge		-		18,525	18,525		650
Account charge		6,495		3,570	10,065		8,270
Miscellaneous revenue	_	14,948		189,016	203,964	_	14,927
Total Operating Revenues	\$_	1,642,826	\$	2,000,998 \$	3,643,824	\$_	3,132,790
Operating Expenses:							
Water operating expenses	\$	869,021	\$	- \$	869,021	\$	788,098
Sewer operating expenses		-		1,012,996	1,012,996		898,884
Administrative and general expenses		338,239		460,830	799,069		619,571
Depreciation expense	_	399,933		557,678	957,611	-	925,820
Total Operating Expenses	\$_	1,607,193	\$	2,031,504 \$	3,638,697	\$_	3,232,373
Net Operating Income (Loss)	\$_	35,633	\$	(30,506) \$	5,127	\$_	(99,583)
Nonoperating Revenues (Expenses): Interest income	\$	55,819	\$	66,696 \$	122,515	\$	114,362
Operating contributions - County (Note 5)	•	-	•	210,723	210,723		210,642
Interest expense		(60,273)		(75,716)	(135,989)		(127,804)
Contribution to Maury Service Authority		(82,218)		-	(82,218)		(35,618)
Total Nonoperating Income (Expense)	\$	(86,672)	\$	201,703 \$	115,031	\$	161,582
Income (loss) before contributions	\$	(51,039)	\$	171,197 \$	120,158	\$	61,999
Capital contributions	_	1,076,650		116,750	1,193,400	_	283,500
Change in net position	\$	1,025,611	\$	287,947 \$	1,313,558	\$	345,499
Net Position, Beginning of Year	_	10,740,650		7,493,827	18,234,477	_	17,888,978
Net Position, End of Year	\$_	11,766,261	\$	7,781,774 \$	19,548,035	\$_	18,234,477

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

Statement of Cash Flows Year Ended June 30, 2020 (With Comparative Totals for 2019)

		Year Ended June 30, 2020			Totals for June 30,
	-	Water	Sewer	Totals	2019
Cash flows from operating activities: Receipts from customers and users Payments to suppliers Payments to employees	\$	1,548,955 \$ (1,036,850) (257,287)	1,955,525 \$ (721,454) (276,980)	3,504,480 \$ (1,758,304) (534,267)	3,112,825 (1,815,640) (525,264)
Net cash provided by (used for) operating activities	\$_	254,818 \$	957,091 \$	1,211,909 \$	771,921
Cash flows from noncapital financing activities: Operating grants received - County Contribution to Maury Service Authority	\$	- \$ (82,218)	210,723 \$	210,723 \$ (82,218)	210,642 (35,618)
Net cash provided by (used for) noncapital financing activities	\$_	(82,218) \$	210,723 \$	128,505 \$	175,024
Cash flows from capital and related financing activities: Additions to utility plant Principal payments on bonds Interest paid Proceeds from issuance of bonds Proceeds from loans from Rockbridge Contributions in aid of construction Net cash provided by (used for) financing activities	\$	(1,238,217) \$ (113,875) (61,107) 441,615 - 1,076,650 105,066 \$	(571,556) \$ (824,117) (76,723) - 228,717 116,750 (1,126,929) \$	(1,809,773) \$ (937,992) (137,830) 441,615 228,717 1,193,400 (1,021,863) \$	(1,003,142) (920,966) (129,971) 195,386 221,990 283,500 (1,353,203)
Cash flows from investing activities:	¢	FF 040 Ć	// /D/ ¢	422 E4E Ć	44.4.272
Interest income	۶.	55,819 \$	66,696 \$	122,515 \$	114,362
Increase (decrease) in cash and cash equivalents	\$	333,485 \$	107,581 \$	441,066 \$	(291,896)
Cash and cash equivalents at beginning of year (including \$38,120 and \$2,299,668 respectively reported in restricted accounts) Cash and cash equivalents at end of year (including	-	3,462,710	4,644,846	8,107,556	8,399,452
\$39,340 and \$2,097,315 respectively reported in	ċ	2 704 10E ¢	4 752 427 ¢	0 E40 422 ¢	0 107 554
restricted accounts) Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	۶.	<u>3,796,195</u> \$	<u>4,752,427</u> \$_	<u>8,548,622</u> \$	8,107,556
Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	\$	35,633 \$	(30,506) \$	5,127 \$	(99,583)
Depreciation Changes in operating assets and liabilities:		399,933	557,678	957,611	925,820
(Increase) decrease in receivables (Increase) decrease in prepaid items		(95,091) 50	(48,403) 50	(143,494) 100	(25,690)
(Increase) decrease in inventories		(2,130)	(24)	(2,154)	(8,761)
Increase (decrease) in accounts payable		(97,357)	461,118	363,761	620
Increase (decrease) in compensated absences		2,539	2,539	5,078	2,653
Increase (decrease) in net OPEB liability		2,431	4,231	6,662	(4,000)
(Increase) decrease in net pension asset/liability		35,743	31,341	67,084	(15,770)
(Increase) decrease in deferred outflows of resources		(20,551)	(21,082)	(41,633)	10,061
Increase (decrease) in deferred inflows of resources		(7,602)	(2,781)	(10,383)	(19,154)
Increase (decrease) in customers deposits	<u>,</u> -	1,220	2,930	4,150	5,725
Net cash provided by (used for) operating activities	٤_	<u>254,818</u> \$	957,091 \$	1,211,909 \$	771,921

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

Notes to Financial Statements As of June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

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

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

Notes to Financial Statements As of June 30, 2020 (Continued)

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

<u>Restricted Assets</u> - Certain resources of the Authority are set aside for the repayment of customer deposits and are classified as restricted assets on the Statement of Net Position because their use is limited by customers. Bond proceeds of the sewer fund are held in a restricted investment account to fund capital improvements.

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

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

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

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

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

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

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

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

Notes to Financial Statements As of June 30, 2020 (Continued)

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

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

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

Net Position -

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

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

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

<u>Comparative Totals</u> - Comparative totals are presented for informational purposes only.

<u>Deferred Outflows/Inflows of Resources</u> - 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 has one item that qualifies for reporting in this category. The items are comprised of certain items related to the measurement of the pension and OPEB plans and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

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. The items are comprised of certain items related to the measurement of the net pension asset and net OPEB liabilities. For more detailed information on these items, reference the related notes.

Notes to Financial Statements As of June 30, 2020 (Continued)

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

Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's 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.

Other Postemployment Benefits

Group Life Insurance

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

NOTE 2-DEPOSITS AND INVESTMENTS:

Deposits

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

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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Authority has no formal deposit and investment policy.

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The Authority's rated debt investments as of June 30, 2020 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				
6		700011				
State Non-Arbitrage Pool	\$	2,061,085				

External Investment Pools

The fair value of the positions in the external investment pools (State Non-Arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

The Authority does not have a formal interest rate risk policy.

Investment Maturities (in years)							
		Value	Less Than 1 Year				
State Non-Arbitrage Pool	<u> </u>	2,061,085 \$	2,061,085				

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 3—CAPITAL ASSETS:

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

	_	Beginning Balance	Increases	_	Decreases		Ending Balance
Water Capital assets not being depreciated: Land	\$	194,893 \$		\$		\$	194,893
Construction in progress	Ş	1,251,724	- 1,167,404	Ç	2,412,128	Ş	7,000
Total capital assets not being depreciated	ş –	1,446,617 \$	1,167,404	\$	2,412,128	·	201,893
Other Capital Assets:	· -	· · .	, ,	•	, ,	· -	,
Buildings	\$	99,951 \$	-	\$	-	\$	99,951
Accumulated depreciation	_	(71,801)	(2,498)		-		(74,299)
Total	\$	28,150 \$	(2,498)	\$	-	\$	25,652
Utility plant and equipment	\$	16,107,976 \$	2,442,059	\$	-	\$	18,550,035
Accumulated depreciation	_	(7,983,505)	(382,318)		-	_	(8,365,823)
Total	\$	8,124,471 \$	2,059,741	\$_	-	\$	10,184,212
Office and general equipment	\$	442,336 \$	-	\$	-	\$	442,336
Accumulated depreciation	_	(409,317)	(15,116)	_	-	_	(424,433)
Total	\$_	33,019 \$	(15,116)	\$_	-	. \$_	17,903
Other capital assets, net	\$_	8,185,640 \$	2,042,127	\$_	-	\$_	10,227,767
Water capital assets, net	\$_	9,632,257 \$	3,209,531	\$_	2,412,128	\$_	10,429,660
<u>Sewer</u> Capital assets not being depreciated:							
Land	\$	215,703 \$	-	\$	-	\$	215,703
Construction work in progress		210,571	573,509		-		784,080
Total capital assets not being depreciated	\$_	426,274 \$	573,509	۶_	-	٤ _	999,783
Other Capital Assets:							
Buildings	\$	76,915 \$	-	\$	-	\$	76,915
Accumulated depreciation	_	(51,210)	(1,923)	_	-		(53,133)
Total	\$_	25,705 \$	(1,923)	Ş ₋	-	. ۶_	23,782
Utility plant and equipment	\$	20,908,984 \$	23,952	\$	-	\$	20,932,936
Accumulated depreciation	. –	(7,811,672)	(540,090)		-		(8,351,762)
Total	\$_	13,097,312 \$	(516,138)	Ş ₋	-	۶_	12,581,174
Office and general equipment	\$	320,291 \$	-	\$	-	\$	320,291
Accumulated depreciation	_	(284,781)	(15,664)	_	-	–	(300,445)
Total	\$_	35,510 \$	(15,664)	Ş ₋	-	. \$_	19,846
Other capital assets, net	\$_	13,158,527 \$	(533,725)	\$_	-	\$_	12,624,802
Sewer capital assets, net	\$_	13,584,801 \$	39,784	\$_	-	\$_	13,624,585
Total capital assets, net	\$_	23,217,058 \$	3,249,315	\$_	2,412,128	\$_	24,054,245

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 4-PENSION PLAN:

Plan Description

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

Benefit Structures

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Number
4
2
2
2
6
9
19

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 2.85% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$12,236 and \$11,909 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, the net pension asset was measured as of June 30, 2019. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions - General Employees

The total pension asset for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation 2.50%

Salary increases, including inflation 3.50% - 5.35%

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

expenses, including inflation*

^{*} 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based upon VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-2014 projected
retirement healthy, and disabled)	to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from
	70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and
	service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
	*Expected arithme	tic nominal return	7.63%

^{*} The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension asset.

Changes in Net Pension Asset

	Increase (Decrease)					
		Total	Plan	Net		
		Pension	Fiduciary	Pension		
		Liability	Net Position	Liability (Asset)		
	_	(a)	(b)	(a) - (b)		
Balances at June 30, 2018	\$	1,629,750 \$	1,703,113 \$	(73,363)		
Changes for the year:						
Service cost		39,097	-	39,097		
Interest		111,834	-	111,834		
Changes of assumptions		51,688	-	51,688		
Differences between expected						
and actual experience		9,080	-	9,080		
Contributions - employer		-	11,909	(11,909)		
Contributions - employee		-	20,893	(20,893)		
Net investment income		-	113,007	(113,007)		
Benefit payments, including refunds						
of employee contributions		(64,243)	(64,243)	-		
Administrative expenses		-	(1,124)	1,124		
Other changes		-	(71)	71		
Net changes	\$	147,456 \$	80,371 \$	67,085		
Balances at June 30, 2019	\$_	1,777,206 \$	1,783,484 \$	(6,278)		

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 4—PENSION PLAN: (CONTINUED)

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

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

		Rate	
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Net Pension Liability (Asset)	\$ 227,511 \$	(6,278) \$	(192,914)

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$31,397. At June 30, 2020, the 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	\$	12,743	\$ 2,011
Change in assumptions		38,536	3,867
Net difference between projected and actual earnings on pension plan investments		-	15,271
Employer contributions subsequent to the measurement date	_	12,266	
Total	\$	63,545	\$ 21,149

\$12,236 was reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2021	\$ 16,161
2022	(1,039)
2023	13,994
2024	1,013
2025	-
Thereafter	_

Notes to Financial Statements As of June 30, 2020 (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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 5-LONG-TERM OBLIGATIONS:

Details of long-term obligations:		Total Amount		Amount Due Within One Year
Water Fund:	_			
<u>Direct Borrowings and Placements:</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%.	\$	135,000	\$	65,000
Rural Development Bonds:				
\$637,000 Water System Revenue Bond (Series 2018) issued through the United States Department of Agriculture, dated October 30, 2018, payable monthly through July 2028, stated interest rate of 2.75%		630,820		9,395
\$2,081,000 Water System Revenue Bond (Series 2012) issued through the United States Department of Agriculture, dated June 28, 2012, payable annually in varying amounts through June 28, 2052, stated interest rate of 2.0%.		1,688,050		43,563
Total Revenue Bonds	\$	2,453,870	. ;	117,958
Other Long-term Obligations:	•	, , -	•	, -
Compensated absences		26,862		26,862
Net OPEB liabilities		26,000		-
Total Water Fund	\$_	2,506,732	\$	144,820

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 5-LONG-TERM OBLIGATIONS: (CONTINUED)

		Total Amount	Amount Due Within One Year
Sewer Fund:			
<u>Direct Borrowings and Placements:</u> Revenue Bonds:			
\$14,700,000 Sewer System Revenue Bonds, Series 2005 issued through the Virginia Revolving Loan Fund payable through December 31, 2027 in equal installments with no interest. Amount advanced and outstanding at year-end	\$	4,485,759	\$ 690,117
\$2,461,000 Sewer System Revenue Bonds, Series 2018 issued through the Virginia Revolving Loan Fund payable through December 31, 2033 in equal installments with interest at 3.29%. Amount advanced and outstanding at year-end		2,198,000	138,000
Advances:			
Loan from Rockbridge County, dated September 1, 2010. No agreed upon repayment terms.		3,507,980	-
Other Long-term Obligations:			
Compensated absences		26,862	26,862
Net OPEB liabilities		26,000	-
Total Sewer Fund	\$_	10,244,601	\$ 854,979
Grand total	\$_	12,751,333	\$ 999,799

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 5-LONG-TERM OBLIGATIONS: (CONTINUED)

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

		Direct Borrowings and Placements						
Year Ending	•	Revenue and Rural Development Bonds						
June 30		Principal		Interest				
2021	\$	946,075	\$	129,850				
2022		957,216		120,853				
2023		893,388		111,411				
2024		898,576		105,349				
2025		904,794		99,130				
2026		912,040		92,719				
2027		573,255		86,083				
2028		234,497		79,255				
2029		241,827		72,233				
2030		249,186		64,985				
2031-2035		934,391		215,030				
2036-2040		381,164		136,876				
2041-2045		424,425		93,255				
2046-2050		388,385		46,182				
2051-2055		113,577		19,863				
2056-2059	_	84,833		4,063				
Total	\$	9,137,629	\$	1,477,137				

Changes in Long-Term Obligations: **Balance** Balance Issuances/ Retirement/ July 1, 2019 **Additions** June 30, 2020 Reductions Water Fund: Direct Borrowings and Placements: Revenue Bonds \$ 395,386 441,615 71,181 765,820 Rural Development Bonds 1,730,744 42,694 1,688,050 Compensated Absences 24,323 2,539 26,862 Net OPEB liabilities 23,400 2,600 26,000 **Total Water Fund** \$ 2,173,853 446,754 113,875 \$ 2,506,732 Sewer Fund: Direct Borrowings and Placements: \$ Revenue Bonds 7,507,876 \$ 6,683,759 824,117 3,507,980 Advances 3,279,263 228,717 Compensated absences 24,323 2,539 26,862 Net OPEB liabilities 21,600 4,400 26,000 **Total Sewer Fund** 10,833,062 235,656 824,117 \$ 10,244,601 937,992 **Totals** 13,006,915 682,410 12,751,333

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Related Party Activity:

Operating contributions from Rockbridge County consisted of the following:

Principal and interest payments on the 2018 Sewer Revenue Bonds

\$ 210,723 \$ 210,723

Rockbridge County issued a loan to the Authority in 2010 in the amount of \$2,823,785, with additional issuances of \$233,488 in 2018, \$221,900 in 2019, and \$228,717 in 2020. The total amount outstanding at June 30, 2020 is \$3,507,980. The loan has no agreed upon repayment terms.

NOTE 6-RISK MANAGEMENT:

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

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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

Plan Description

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

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

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Plan Description: (Continued)

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for COLA \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by \$51.1-506 and \$51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$2,238 and \$2,173 for the years ended June 30, 2020 and June 30, 2019, respectively.

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

At June 30, 2020, the entity reported a liability of \$35,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .00213% as compared to .00211% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$853. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>-</u>	Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$	2,000	\$ 500
Net difference between projected and actual earnings on GLI OPEB Plan investments		-	500
Change in assumptions		2,000	1,000
Employer contributions subsequent to the measurement date		2,238	
Total	\$	6,238	\$ 2,000

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

\$2,238 was reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	\$ (2,238)
2022	-
2023	-
2024	-
2025	-
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation 2.50%

Salary increases, including inflation:

Locality - General employees 3.50%-5.35%

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

including inflation*

^{*}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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and extended final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount rate	Decreased rate from 7.00% to 6.75%

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	_	Group Life Insurance OPEB Plan
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
Employers' Net GLI OPEB Liability (Asset)	\$	1,627,266
Plan Fiduciary Net Position as a Percentage		53.00W
of the Total GLI OPEB Liability		52.00%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
	*Expected arithme	tic nominal return	7.63%

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Long-Term Expected Rate of Return (Continued)

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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 ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate							
	1% Decrease	Current Discount		1% Increase				
	(5.75%)	(6.75%)		(7.75%)				
Authority's proportionate								
share of the Group Life								
Insurance Plan								
Net OPEB Liability	\$ 45,535 \$	34,661	\$	25,843				

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

Benefits Provided

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

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. Contributions to the OPEB plan from the Rockbridge County Public Service Authority were \$0 for the year ended June 30, 2020.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2020
Salary Increases	2.50% per year for general salary inflations
Discount Rate	3.13% for accounting and funding disclosures
Healthcare Cost Trend Rate	12.02% for fiscal year end 2020, decreasing 0.50% per year to an ultimate rate of 5.00%

Mortality rates were based on the RP-2014 Fully Generational Mortality Table, with base year 2006 projected using two-dimensional improvement scale MP-2019.

The actuarial assumptions used in the July 1, 2019 valuation were based on July 1, 2019 valuation data rolled forward to the measurement date. The methods, assumptions, and participant data used can be found in the July 1, 2019 actuarial valuation report.

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Discount Rate

The discount rate has been set equal to 3.13% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date.

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

The following presents the total OPEB liability of the Rockbridge County Public Service Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

			Rate			
1% Decrease			Current Discount	1% Increase		
	(2.13%)		Rate (3.13%)	(4.13%)		
\$ _	18,781	\$	17,000	\$ 15,389		

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

The following presents the total OPEB liability of the Rockbridge County Public Service Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (11.02% decreasing by 0.50% annually to an ultimate rate of 4.00%) or one percentage point higher (13.02% decreasing by 0.50% annually to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

			Rates			
			Healthcare Cost			
	1% Decrease		Trend	1% Increase		
(11.02% decreasing			(12.02% decreasing	(13.02% decreasing		
to 4.00%)			to 5.00%)	to 6.00%)		
\$	14,965	\$	17,000	\$ 19,416		

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

At June 30, 2020, the Rockbridge County Public Service Authority reported a liability of \$17,000 for its proportionate share of the Total OPEB Liability. The Total OPEB Liability was measured as of July 1, 2019 and was determined by an actuarial valuation as of that date. At June 30, 2020 and 2019, the Rockbridge County Public Service Authority's proportion was 4.24% and 3.82%, respectively.

For the year ended June 30, 2020, the Rockbridge County Public Service Authority recognized OPEB expense of \$1,000. Additional disclosures on changes in total OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Aggregate OPEB Information:

	Deferred Outflows	Deferred Inflows		Net OPEB Liability	OPEB Expense
VRS Group Life Insurance Plan	\$ 6,238	\$ 2,000	\$	34,662	\$ 5,235
Stand-Alone Plan	-	-	•	17,000	1,000
Totals	\$ 6,238	\$ 2,000	\$	51,662	\$ 6,235

NOTE 8-LITIGATION:

At June 30, 2020, there were no matters of litigation involving the Authority for which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 9—COVID-19 PANDEMIC:

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, which has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. Management is monitoring the situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

NOTE 10-UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 10—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

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

NOTE 11—CONSTRUCTION COMMITMENTS:

The Authority has active construction projects as of June 30, 2020. The Route 60 Sewer Project is funded by the Series 2018 bond issue. All other projects are funded by capital improvement funds.

		Remaining
Project	Spent-to-Date	Commitment
Rt 60 Sewer Project	\$ 664,739 \$	3,506,886



Schedule of Changes in Net Pension Liability (Asset) and Related Ratios For the Measurement Dates of June 30, 2014 through June 30, 2019

		2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$	39,097 \$	37,532 \$	38,895 \$	36,790 \$	35,500 \$	42,889
Interest		111,834	106,421	100,315	96,238	93,316	88,171
Changes in assumptions		51,688	-	(15,705)	-	-	-
Differences between expected and actual experience		9,080	(4,053)	24,257	(12,565)	(25,361)	-
Benefit payments, including refunds of employee contributions		(64,243)	(60,911)	(60,153)	(64,284)	(59,123)	(55,998)
Net change in total pension liability	\$	147,456 \$	78,989 \$	87,609 \$	56,179 \$	44,332 \$	75,062
Total pension liability - beginning		1,629,750	1,550,761	1,463,152	1,406,973	1,362,641	1,287,579
Total pension liability - ending (a)	\$	1,777,206 \$	1,629,750 \$	1,550,761 \$	1,463,152 \$	1,406,973 \$	1,362,641
Plan fiduciary net position							
Contributions - employer	\$	11,909 \$	17,960 \$	17,436 \$	30,013 \$	28,320 \$	30,278
Contributions - employee	~	20,893	20,089	19,504	18,618	17,568	17,769
Net investment income		113,007	118,751	176,686	25,120	63,878	191,855
Benefit payments, including refunds of employee contributions		(64,243)	(60,911)	(60,153)	(64,284)	(59,123)	(55,998)
Administrative expense		(1,124)	(1,024)	(1,022)	(897)	(875)	(1,030)
Other		(71)	(106)	(157)	(11)	(14)	10
Net change in plan fiduciary net position	Ś.	80,371 \$	94,759 \$	152,294 \$	8,559 \$	49,754 \$	182,884
Plan fiduciary net position - beginning		1,703,113	1,608,354	1,456,060	1,447,501	1,397,747	1,214,863
Plan fiduciary net position - ending (b)	\$	1,783,484 \$	1,703,113 \$	1,608,354 \$	1,456,060 \$	1,447,501 \$	1,397,747
	=			=			:
Authority's net pension liability (asset) - ending (a) - (b)	\$	(6,278) \$	(73,363) \$	(57,593) \$	7,092 \$	(40,528) \$	(35,106)
Plan fiduciary net position as a percentage of the total							
pension liability		100.35%	104.50%	103.71%	99.52%	102.88%	102.58%
Covered payroll	\$	417,862 \$	401,781 \$	390,078 \$	372,358 \$	351,360 \$	362,539
Authority's net pension liability (asset) as a percentage of covered payroll		-1.50%	-18.26%	-14.76%	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.

Schedule of Employer Contributions - Pension Years Ended June 30, 2011 through June 30, 2020

Date	 Contractually Required Contribution (1)	 Contributions in Relation to Contractually Required Contribution (2)	 Contribution Deficiency (Excess) (3)	 Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 12,236	\$ 12,236	\$ -	\$ 430,402	2.84%
2019	11,909	11,909	-	417,862	2.85%
2018	17,960	17,960	-	401,781	4.47%
2017	17,436	17,436	-	390,078	4.47%
2016	30,013	30,013	-	372,358	8.06%
2015	28,320	28,320	-	351,360	8.06%
2014	30,515	30,515	-	362,539	8.42%
2013	30,417	30,417	-	326,909	9.30%
2012	29,625	29,625	-	304,331	9.73%
2011	27,440	27,440	-	301,331	9.11%

Notes to Required Supplementary Information - Pension Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Authority's Share of Net OPEB Liability Group Life Insurance (GLI) Plan For the Measurement Dates of June 30, 2017 through June 30, 2019

					Employer's	
	Employer's	Employer's			Proportionate Share	
	Proportion of	Proportionate			of the Net GLI	Plan Fiduciary
	the Net GLI	Share of the		Employer's	OPEB Liability	Net Position as a
	OPEB	Net GLI OPEB		Covered	as a Percentage of	Percentage of Total
Date	Liability	Liability		Payroll	Covered Payroll	GLI OPEB Liability
2019	0.002439/ \$	35,000	ċ	417 042	0 200/	E2 00%
2019	0.00213% \$	35,000	\$	417,862	8.38%	52.00%
2018	0.00211%	32,000		401,781	7.96%	51.22%
2017	0.00211%	32,000		390,078	8.20%	48.86%

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

Schedule of Employer Contributions Group Life Insurance (GLI) Plan For the Years Ended June 30, 2011 through June 30, 2020

Date	 Contractually Required Contribution	 Contributions in Relation to Contractually Required Contribution	-	Contribution Deficiency (Excess)	 Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 2,238	\$ 2,238	\$	-	\$ 430,402	0.52%
2019	2,173	2,173		-	417,862	0.52%
2018	2,089	2,089		-	401,781	0.52%
2017	2,028	2,028		-	390,078	0.52%
2016	1,787	1,787		-	372,360	0.48%
2015	1,687	1,687		-	351,360	0.48%
2014	1,706	1,706		-	355,379	0.48%
2013	1,714	1,714		-	357,009	0.48%
2012	912	912		-	325,550	0.28%
2011	847	847		-	302,459	0.28%

Notes to Required Supplementary Information Group Life Insurance (GLI) Plan For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

	·
Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Authority's Proportionate Share of Net OPEB Liability Medical and Dental Insurance For the Years Ended June 30, 2018 through June 30, 2020

Date	Employer's Proportion of the Net OPEB Liability (NOLA)	Proportionate Share of the NOLA	Covered Payroll	Proportionate Share of the NOLA as a Percentage of Covered Payroll
2020	4.2394%	17,000	430,402	3.95%
2019	3.8235%	13,000	417,862	3.11%
2018	4.3038%	17,000	401,781	4.23%

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

Schedule of Employer Contributions Medical and Dental Insurance For the Years Ended June 30, 2018 through June 30, 2020

Date	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	-	-	-	430,402	0.00%
2019	-	-	-	417,862	0.00%
2018	-	-	-	401,781	0.00%

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

Notes to Required Supplementary Information Medical and Dental Insurance For the Year Ended June 30, 2020

Valuation Date: 7/1/2019 Measurement Date: 7/1/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Actuarial Cost Method								
Discount Rate	3.13%								
Inflation	2.50%								
Healthcare Trend Rate	12.02% for fiscal year end 2020, decreasing 0.50% per year to an ultimate rate of 5.00%								
Salary Increase Rates	2.50%								
Retirement Age	The average age at retirement is 59								
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019								

- Other Supplementary Information - Supporting Schedules

Schedule of Revenues - Budget and Actual Year Ended June 30, 2020

WATER FUND:	_	Budget		Actual	 Variance Favorable (Unfavorable)
Operating Revenues: Water sales Potential demand charge Extra service units Hookup fee - water Late charges Reconnection charges Inspection charge Account charge Miscellaneous revenue	\$	1,440,299 74,298 22,675 7,700 15,000 6,000 200 5,025 5,593	\$	1,495,492 75,107 21,988 15,308 9,225 4,263 - 6,495 14,948	\$ 55,193 809 (687) 7,608 (5,775) (1,737) (200) 1,470 9,355
Total Operating Revenues	\$_	1,576,790	\$_	1,642,826	\$ 66,036
Nonoperating Revenue and Capital Contributions: Interest income Availability fee - water Capital contributions	\$_	30,600 88,000	\$	55,819 94,270 982,380	\$ 25,219 6,270 982,380
Total Nonoperating Revenues and Contributions	\$_	118,600	\$_	1,132,469	\$ 1,013,869
Total Water Revenues	\$_	1,695,390	\$_	2,775,295	\$ 1,079,905
SEWER FUND: Operating Revenues: Sewer service charges Potential demand charge Extra service units Hookup fee - sewer Late charges Reconnection charges Inspection charge Account charge Miscellaneous revenue	\$	1,769,698 84,375 23,675 6,900 10,000 1,000 400 2,625 225	\$	1,673,143 80,436 23,823 6,650 4,970 865 18,525 3,570 189,016	\$ (96,555) (3,939) 148 (250) (5,030) (135) 18,125 945 188,791
Total Operating Revenues	\$_	1,898,898	\$_	2,000,998	\$ 102,100
Nonoperating Revenue and Capital Contributions: Interest income Availability fee - sewer Operating contributions - County	\$	18,600 99,000 -	\$	66,696 116,750 210,723	\$ 48,096 17,750 210,723
Total Nonoperating Revenues and Contributions	\$_	117,600	\$_	394,169	\$ 276,569
Total Sewer Revenues	\$_	2,016,498	\$_	2,395,167	\$ 378,669

Schedule of Water Expenses - Budget and Actual Year Ended June 30, 2020

	_	Budget	,	Actual	<u>(l</u>	Variance Favorable Jnfavorable)
Operating Expenses:						
Water:	ċ		¢		ċ	
Licenses & Permits	\$	8,200	\$	7,744	\$	456
Maintenance of Wells		11,500		6,251		5,249
Purchased Water		836,368		728,497		107,871
O & M-Water Pumping Equipment		8,400		3,792		4,608
Power for Pumping Water		62,000		63,728		(1,728)
O & M-Water Buildings		600		189		411
O & M-Water Treatment Equipment		775		916		(141)
Water Treatment Supplies and Expense		4,500		4,776		(276)
Sampling and Analysis		5,000		3,825		1,175
Maintenance of Water Tanks		1,500		278		1,222
Maintenance of Mains and Accessories		5,000		7,316		(2,316)
Maintenance/Installation of Water Services		21,000		15,522		5,478
Maintenance of Large Meters		2,400		2,069		331
Maintenance of Hydrants		1,000		344		656
Repair and Replacement Expense	<u>, —</u>	212,750	<u>, —</u>	23,774	- ,	188,976
Total Water Operating Expenses	\$ <u>_</u>	1,180,993	. ^{\$}	869,021	- ^{\$} _	311,972
Administrative and General Expenses:						
Bank Service Charges	\$	50	\$	40	\$	10
Uncollected Expenses		3,000		2,169		831
Salaries		217,026		198,220		18,806
Office Supplies and Expenses		3,275		2,157		1,118
Outside Services Employed - Financial		7,525		7,084		441
Outside Services Employed - Legal		7,500		´ <u>-</u>		7,500
Outside Services - Software		3,131		1,875		1,256
Outside Services - General		750				750
Insurance Expense		8,470		8,370		100
Payroll Contract		300		300		-
Employee Benefits - Medical Insurance		30,780		30,782		(2)
Employee Benefits - Medicat Insurance Employee Benefits - OPEB		30,700		402		(402)
Employee Benefits - OPEB Employee Benefits - Retirement - VRS		6,185		15,752		, ,
·		· ·		•		(9,567)
Employee Benefits - Group Life - VRS		2,843		2,819		24

Schedule of Water Expenses - Budget and Actual Year Ended June 30, 2020 (Continued)

Occupation Francisco (Contlat)	_	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses: (Cont'd)				
Administrative and General Expenses: (Cont'd)	ċ	42.454 \$	42.427	¢ (474)
Employee Benefits-Social Security	\$	13,456 \$	13,627	` ,
Virginia Unemployment Tax		2 4 4 7	36	8
Employee Benefits-Medicare		3,147	3,145	2
Workers Compensation Insurance		5,027	5,064	(37)
Transportation Expense		10,225	7,771	2,454
Board Members Compensation/Travel		4,360	3,456	904
Miscellaneous Expense		4,998	1,643	3,355
Uniform Rental		1,196	815	381
Dues and Subscriptions		1,200	1,190	10
Staff Development		1,713	717	996
Employee Appreciation		500	284	216
Operation and Maint General Equipment		15,500	12,370	3,130
Telephone Expense		3,330	3,082	248
Postage		4,250	3,345	905
Outside Services Employed - Non Construction		12,627	11,724	903
Engineering Services - Non Construction	_	7,500	-	7,500
Total Administrative and General Expenses	\$_	379,908 \$	338,239	\$ 41,669
Depreciation:				
Depreciation Expense	\$_	\$	399,933	\$ (399,933)
Total Depreciation	\$_	\$	399,933	\$ (399,933)
Interest and other nonoperating expenses:				
Interest expense	\$	61,107 \$	60,273	\$ 834
Contribution to Maury Service Authority		35,618	82,218	(46,600)
Total interest and other nonoperating expenses	\$_	96,725 \$	142,491	- ,
TOTAL EXPENSES	\$	1,657,626 \$	1,749,684	\$ (92,058)

Schedule of Sewer Expenses - Budget and Actual Year Ended June 30, 2020

Operating Evpensor	_	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:				
Sewer: Licenses and Permits	\$	375 \$	375	¢
Maintenance of Sewer Mains	Ş		4,362	5,738
Sewer Services		10,100 2,500	4,36Z 867	1,633
		18,000	18,122	(122)
Power for Pumping Sewage		ŕ	ŕ	, ,
O&M of Sewage Pumping Equipment		6,400	4,524 535	1,876
O&M of Sewer Pumping Station Building		6,500		5,965
Sewage Treatment by Contract		926,439	850,600	75,839 367
Maintenance of Sewage Meters		3,400	3,033	
Repair and Replacement Expense		122,250	8,149	114,101
Sewage Chemical Supplies and Expense		4,000	3,375	625
Septage & Leachate Treatment Expense	<u>,</u>	100,988	119,054	(18,066)
Total Sewer Operating Expenses	ې	1,200,952 \$	1,012,996	\$ 187,956
Administrative and General Expenses:				
Bank Service Charges	\$	50 \$	10	\$ 40
Uncollected Expenses	7	250	235	15
Salaries		217,026	217,912	(886)
Office Supplies and Expenses		3,275	2,149	1,126
Outside Services Employed - Financial		7,525	7,084	441
Outside Services Employed - Legal		7,500	7,001	7,500
Outside Services - Software		3,131	1,875	1,256
Outside Services - General		750	1,075	750
Insurance Expense		8,470	8,370	100
Payroll Contract		300	300	-
Employee Benefits-Medical Insurance		30,780	30,782	(2)
Employee Benefits - OPEB		-	2,195	(2,195)
Employee Benefits-Retirement-VRS		6,185	15,647	(9,462)
Employee Benefits-Group Life-VRS		2,843	2,819	24
Employee Benefits-Social Security		13,456	13,628	(172)
Virginia Unemployment Tax		44	36	8
Employee Benefits-Medicare		3,147	3,145	2
Workers Compensation Insurance		5,027	5,064	(37)
Transportation Expense		10,225	7,792	2,433
Transportation Expense		. 0, 223	,,,,,	2, 133

Schedule of Sewer Expenses - Budget and Actual Year Ended June 30, 2020 (Continued)

						Variance Favorable
	_	Budget	_	Actual	_(Unfavorable)
Operating Expenses: (Cont'd)						
Administrative and General Expenses: (Cont'd)						
Board Members Compensation/Travel	\$	4,360	\$	3,457	\$	903
Miscellaneous Expense		4,997		113,547		(108,550)
Uniform Rental		1,196		816		380
Dues and Subscriptions		400		400		-
Staff Development		1,713		717		996
Employee Appreciation		500		284		216
Operation and Maintenance - General Equipment		15,500		12,342		3,158
Telephone Expense		3,330		3,082		248
Postage		4,250		3,336		914
Outside Services Employed - Non Construction		4,087		3,806		281
Engineering Services - Non Construction	_	7,500	_	-		7,500
Total Administrative and General Expenses	\$_	367,817	\$_	460,830	\$_	(93,013)
Depreciation:						
Depreciation Expense	\$	-	\$	557,678	\$	(557,678)
Total Depreciation	\$	-	\$_	557,678	\$	(557,678)
Interest and other non-operating expenses:						
Interest expense	\$_	76,723		75,716	_	1,007
Total interest and other non-operating expenses	\$_	76,723	\$_	75,716	.\$_	1,007
TOTAL EXPENSES	\$_	1,645,492	\$_	2,107,220	\$	(461,728)

Schedule of Water and Sewer Rates Year Ended June 30, 2020

	Water	Sewer
Number of Customers:		
Residential	2,099	981
Commercial	318	230
Basic rates per thousand gallons	\$ 5.75	\$ 9.75

Insurance Coverage Year Ended June 30, 2020

Insurance Company	Certificate Number	Dates	Туре	Policy Limits
Virginia Association of Counties				
Group Self Insurance Risk Pool	VA-RO-078A	7/1/19-7/1/20	Workmen's Compensation and Employer's Liability	Statutory
		7/1/19-7/1/20	Automobile Liability	2,000,000
			Values per policy Fidelity/Crime Contribution	Replacement cost 250,000
			Comprehensive general liability	2,000,000

Debt Service Coverage Schedule Year Ended June 30, 2020

				Less Net Revenues		Debt Service				
Fiscal Year	_	Gross Revenue (1)	i	Operating Expenses (2)		available for debt service	 Principal		Interest	 Coverage
2020	\$	3,977,062	\$	2,681,086	\$	1,295,976	\$ 937,992	\$	135,989	\$ 120.67%
2019		3,457,794		2,306,553		1,151,241	920,966		127,804	109.77%
2018		3,187,170		2,171,318		1,015,852	791,139		76,157	117.13%
2017		3,216,960		2,118,731		1,098,229	875,997		75,168	115.46%
2016		3,015,849		2,034,201		981,648	957,929		70,955	95.41%
2015		2,930,636		2,028,750		901,886	944,303		83,359	87.76%
2014		2,767,167		1,948,219		818,948	1,059,909		75,294	72.14%
2013		2,779,760		1,850,047		929,713	883,956		66,570	97.81%
2012		2,549,792		1,671,513		878,279	875,664		76,162	92.27%
2011		2,296,632		1,602,484		694,148	863,757		85,016	73.16%

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

⁽²⁾ Operating expenses net of depreciation and amortization

Schedule of Long Hollow Project Activity Year Ended June 30, 2020

Long Hollow Project: Operating Revenues: Water sales Penalties Reconnection charges Miscellaneous revenue	\$	119,605 2,263 605 340
Total Operating Revenues	\$ _	122,813
Operating Expenses: Supplies Repairs & maintenance Water supply Power for pumping water	\$	193 17,033 29,448 7,669
Total Operating Expenses	, \$	54,343
Net operating income (loss)	\$ <u></u>	68,470
Nonoperating Revenues (Expenses): Interest expense Grant income	\$	(5,069) 936,880
Change in net position	\$ _	1,000,281
Other information: Additions to capital assets Loan proceeds received	\$_	(1,399,432) 441,615
Total net activity	\$ _	42,464





ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities*, *Boards*, *and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Rockbridge County Public Service Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Rockbridge County Public Service Authority and have issued our report thereon dated November 19, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Charlottesville, Virginia November 19, 2020

obinson, Farmer, Cox, Associates



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Rockbridge County Public Service Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Rockbridge County Public Service Authority's major federal programs for the year ended June 30, 2020. Rockbridge County Public Service Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Rockbridge County Public Service Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rockbridge County Public Service Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Rockbridge County Public Service Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Koloinson, Farmer, Cox, Associates
Charlottesville, Virginia
November 19, 2020

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Federal Grantor/Pass-Through <u>Grantor/Program or Cluster Title</u>	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture: Direct Payments: Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 1,378,495
Total expenditures of federal awards			\$ 1,378,495

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Note 1- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Rockbridge County Public Service Authority under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with reporting requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of operations of Rockbridge County Public Service Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Rockbridge County Public Service Authority.

Note 2 - Basis of Accounting

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers were not applicable for presentation.

Note 3 - De Minimis Cost Rate

The Authority did not elect to use the ten percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

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

Federal capital grants Loan proceeds	\$ 936,880 441,615
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 1,378,495

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified?

None reported

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Significant deficiency(ies) identified?

None reported

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

Unmodified

Any audit findings disclosed that are required to be reported

in accordance with 2 CFR section 200.516(a)?

Identification of major programs:

CFDA #	Name of Federal Program
10.760	Water and Waste Disposal Systems
	for Rural Communities

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

Auditee qualified as low-risk auditee?

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Audit Findings

There were no prior year audit findings.