

COUNTY OF ROCKBRIDGE, VIRGINIA

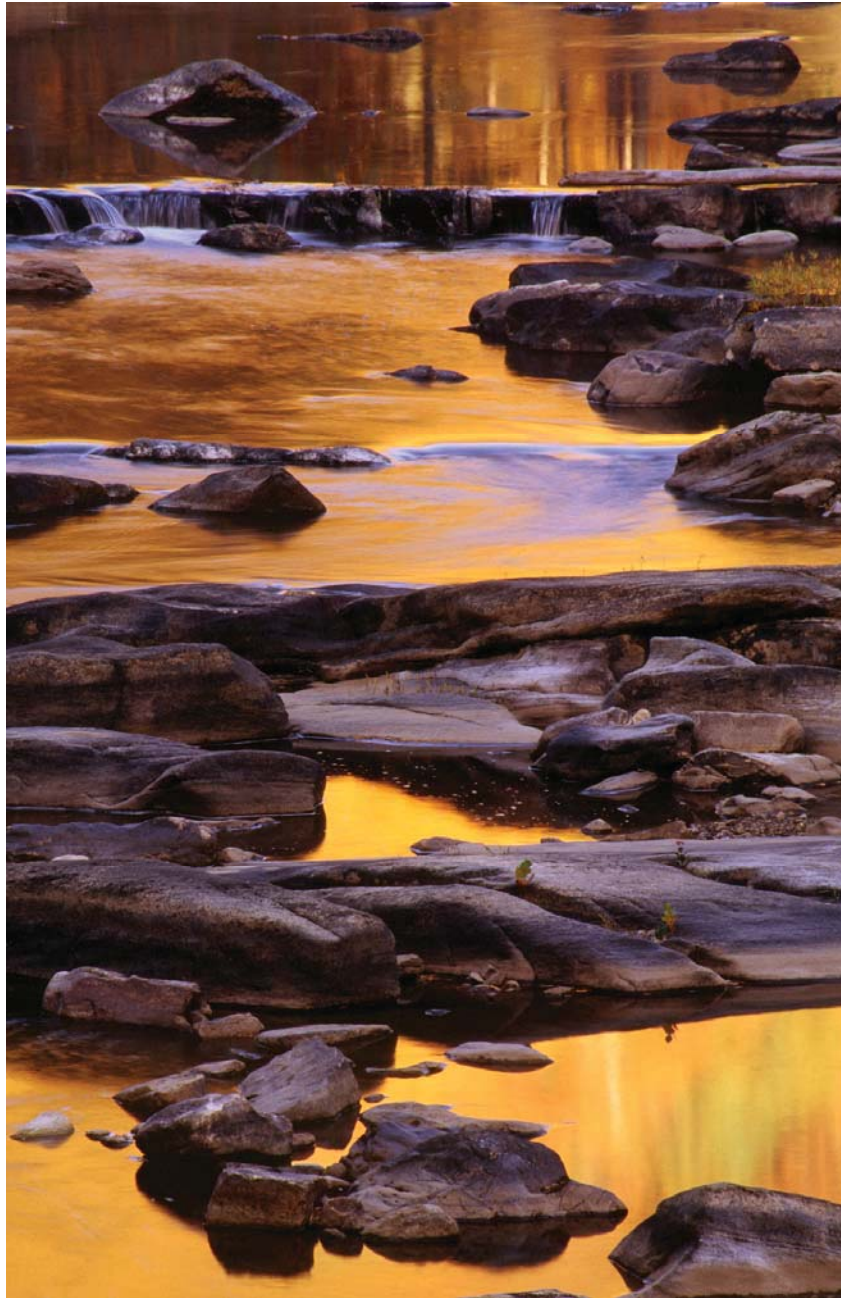


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COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

COUNTY OF ROCKBRIDGE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared by

Steven Bolster, Director of Fiscal Services

County of Rockbridge, Virginia

COUNTY OF ROCKBRIDGE, VIRGINIA

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018

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INTRODUCTORY SECTION



www.co.rockbridge.va.us

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County Administrator
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Fax: (540) 463-4346
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County of Rockbridge

150 South Main Street
Lexington, Virginia 24450

County Board of Supervisors

JOHN M. HIGGINS
Buffalo
Magisterial District

DANIEL E. LYONS
Kerrs Creek
Magisterial District

DAVID W. HINTY, JR.
Natural Bridge
Magisterial District

RONNIE R. CAMPBELL
South River
Magisterial District

A.J. "Jay" LEWIS, II
Walkers Creek
Magisterial District

December 14, 2018

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

Commonwealth of Virginia law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018.

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

Robinson, Farmer, Cox Associates, Certified Public Accountants, have issued an unmodified ("clean") opinion on the County of Rockbridge's financial statements for the year ended June 30, 2018. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. The independent auditor's report is located at the front of the financial section of this document.

In addition to meeting requirements set forth by state statutes, the independent audit was also designed to meet the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) to meet the special needs of federal grantor agencies. As a part of the County's single audit, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2018 provided no instances of material weaknesses in the system of internal control and no violations of applicable laws and regulations. The auditors' report related specifically to the single audit is included in the Compliance Section of this report.

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

Profile of Rockbridge County

The County of Rockbridge was formed in 1778 and named after the Natural Bridge of Virginia, a historic geological wonder located in the southern part of the County. Two-thirds of the County's 607 square miles came from Botetourt County to the south and the remainder from Augusta County to the north. Rockbridge County is located in the southern portion of the Shenandoah Valley between the Alleghany and Blue Ridge Mountain ranges. Two major interstates, I-81 and I-64, intersect near the geographical center of the County, creating a superb transportation corridor. Thousands of tourists annually traverse the 17 miles of the Blue Ridge Parkway which lies along the County's eastern border. Many enjoy visits to the region's 95,371 acres of National Forest and Wildlife Management areas and the James and Maury Rivers, as well as the 1,400-acre Natural Bridge State Park. Additionally, the 361-acre Virginia Horse Center is located in the center of Rockbridge County, just north of the City of Lexington. The Center provides year-round activities including equine competition events, major horse sales, instructional classes, and recreation opportunities.

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

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

The County of Rockbridge provides a full range of services, including law enforcement protection; building inspections; licenses and permits; refuse and recycling collection centers; and recreational facilities. Local volunteer fire departments provide fire protection and volunteer rescue squads, supplemented by a paid emergency medical service, deliver emergency medical response and transport services. The County furnishes support to the volunteer agencies through cash contributions for operational and capital expenditures. Rockbridge County is financially

accountable for a legally separate school division (education), a public service authority (water & sewer), and a solid waste authority (refuse & recycling). Each organization is a component unit or blended component unit within the County's financial statements.

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

Local Economy

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

Unemployment in the County of Rockbridge has been steadily decreasing since it hit a high of 8.7 percent in February 2010, and typically staying just slightly above the average of the Commonwealth of Virginia. In June of 2018, the unemployment rate for the County of Rockbridge was 3.4 percent and the Commonwealth of Virginia was at 3.3 percent, while the Nation was at 4.2 percent. A downward trend continued through September 2018 with the County of Rockbridge unemployment rate at 2.4 percent, the Commonwealth of Virginia at 2.7 percent, and the U.S. at 3.6 percent. Based on economic forecasts, subsequent employment rates are anticipated to remain positive.

Median household incomes within Rockbridge County are typically lower than the state as a whole. In 2016 dollars, the median household income in Rockbridge County was \$52,478 (2012-2016). In the Commonwealth of Virginia, the median household income equaled \$66,149 in 2016 dollars (2012-2016). The Commonwealth of Virginia's population was 7,854,031 in 2008 and 8,470,020 in 2017. Rockbridge County's population was 22,450 in 2008, and 22,596 in 2017. Housing prices in the vicinity of Rockbridge County steadily increased beginning in 2005 until the Great Recession hit a few years later. Through October 2018, the average home sale price was approximately \$191,100 in Rockbridge County while the median listing price equaled \$299,900.

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

In the fiscal year ending June 30, 2018, there were 503 building permits issued in Rockbridge County totaling \$37,162,761. This figure is a \$5,424,632 increase from FYE 2017. Notable developments in FYE 2018 included: 1) Rockbridge Area Health Center addition and renovation at \$5M; 2) Pilot Flying J's \$2M+ truck care center expansion and facility renovation; 3) Devils Backbone Brewery taproom expansion and kitchen addition project at \$1.3M; 4) a new AutoZone store at \$1.1M; 5) White's Travel Center medical offices development at \$800K; 6) Washington and Lee University building renovations at \$800K; 7) a new, special event center by The Seclusion, LLC at \$700K; and 8) The Food Lion's \$540M+ facility upgrade. Stable development, access to major interstates and highways, a vast array of outdoor recreation, and historical tourist sites, as well as the proximity to four higher education institutes, makes Rockbridge County a prime location for business and travel.

The top five industries by employment in Rockbridge County are retail trade (1,300 reported), manufacturing (993 reported), local government (868 reported), accommodations and food services (731 reported), and health care and social assistance (541 reported). Employment in retail trade, manufacturing and local government realized an increase in employment while accommodations and food service and health care and social assistance saw a decrease in employment. The top five average weekly wages were in the following industries: federal government (\$891), finance and insurance (\$841), local government (\$806), state government (\$804), and transportation and warehousing (\$785).

Public School System

The Rockbridge County Public School (RCPS) system currently serves approximately 2,700 students in kindergarten through 12th grade. RCPS operates four elementary schools for kindergarten through fifth grade, one middle school for grades six through eight, and one high school (shared with the City of Lexington) for grades nine through twelve. All of the County schools, with the exception of our high school and the Floyd S. Kay Technical Education Center (VoTech Center), have been completely renovated within the past 19 years. As the oldest school facilities in the system, the high school and VoTech Center recently received \$5,236,000 in upgrades to lighting, water, building envelope, and HVAC systems along with boiler and pump replacements. These two facilities are expected to continue receiving the highest priority for capital improvements in future years. All schools are accredited by the State Department of Education.

RCPS serves a diverse student population and takes pride in meeting the educational needs of all students. To this end, it continues a transformation of Career & Technical Education (CTE) offerings at both the middle school (four programs) and high school level (eighteen programs) to 21st century programs. RCPS's goal is for interested students to begin their CTE educational experience at the middle school so they may earn industry certifications earlier during their high school career. These early certifications will, in turn, lead to internship and work experience opportunities prior to high school graduation, creating a more prepared work force for business and industry. Rigorous academic expectations are a standard of RCPS. In Spring 2018, 90% of the 145 RCPS students who took an Advanced Placement exam scored a three or higher. Comparing this level of success to the Virginia average of 69% meeting this same standard, we are proud to say that RCPS always puts learning first for our students.

Higher Education

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

Long-term financial planning and major initiatives

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

On January 26, 2015, the Board of Supervisors updated their strategic priorities. The targeted changes will drive planning efforts and future funding decisions. The approved strategic priorities remain unchanged in 2017 and are listed below:

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

In accordance with Section 15.2-2239 of the *Code of Virginia*, Rockbridge County prepares and annually updates a Capital Improvement Program (CIP). The CIP is intended to guide the acquisition and construction of the County's capital improvement plans by identifying needed capital projects, estimating their costs, listing the fiscal year each should begin, and determining the optimum method of funding them within our fiscal capabilities. The County of Rockbridge CIP for fiscal year ending (FYE) 2019 reflects \$1,126,861 in capital procurements. Capital improvements approved for FYE 2019 include: 1) continued efforts in constructing/upgrading three staffed collection centers - \$544,500; 2) replacing five law enforcement vehicles - \$200,000; 3) improvements to the Rockbridge County Administration Building - \$90,000; 4) renovating the

Blue Ridge Recreation Area pool - \$68,000; 5) replacing the communications systems at the County Administration Building and Courthouse - \$52,000; and 8) infrastructure and facility upgrades at Lake A. Willis Robertson Recreation Area - \$24,000.

At the start of 2018, Mohawk Industries, Inc. announced its decision to invest \$10 million to expand its Town of Glasgow, VA manufacturing operation with a new extrusion compounding line. The Virginia Economic Development Partnership worked with Rockbridge County to secure the project for Virginia. Then-Governor Terry McAuliffe approved a \$73,000 Commonwealth's Opportunity Fund to assist the County with the project. Mohawk Industries will be eligible to receive Sales and Use Tax Exemptions on manufacturing equipment, and a Major Business Facility Job Tax Credit. Funding support for the company's employee training activities will be provided through the Virginia Jobs Investment Program.

In 2018, the Virginia Initiative for Growth and Opportunity (GO Virginia) approved funding for the Rockbridge Area Advanced Manufacturing Program (RAAMP) application submitted in the second round of project grants to the GO Virginia State Board. The \$200,000 needed to implement RAAMP will include a mix of GO Virginia funds and matching public/private investments from the Rockbridge County Economic Development Authority, the City of Buena Vista, and Byers, Inc. RAAMP is a 40-week training program for welders at Byers Technical Institute, a new technical training center in Rockbridge County. The GO Virginia funding will allow Byers Technical Institute to hire additional instructors and equipment in order to serve more students. The project received support from a wide range of partners including private industry, economic and workforce professionals, K-12 education, and local government, as an effective way to address industry needs and to create higher paying jobs within the region.

Mountain View Brewery, LLC (DBA "Devils Backbone Brewery") completed its outpost tap room expansion and kitchen addition in July of 2018. In its nine years in Rockbridge County, Devils Backbone Brewery has experienced rapid growth in production leading to continued expansion and additions to the property. The facility currently employs over 75 personnel and the company continues to exceed agreed-upon parameters in the performance agreement with the Rockbridge County Economic Development Authority.

During 2018, Dynovis, Inc. purchased a previously unoccupied 75,000 square foot facility in the Village of Fairfield to begin production of shelter systems for aerospace and defense industries. The company opened with 15 new jobs and anticipated to hire between 20-50 staff contingent on the demand for the company's products. The firm is locally owned and operated, with federal government contract ties.

In an ongoing regional effort, the County, the Cities of Lexington and Buena Vista, and community partners continue to focus on making enhancements to the Chessie Trail in the upcoming years. Trail improvements include connection points at Woods Creek Trail to the west and the Buena Vista Riverwalk to the east. Buena Vista received a \$200,000 federal grant to facilitate improvements at the west end. In addition, the Virginia Military Institute (VMI) is overseeing the management of grant funds which will bring a new bridge spanning the South River. The joint collaboration of the government partners, VMI, and Friends of the Chessie Trail will result in connecting three individual trails (Wood Creek Trail, Chessie Trail, & the Buena Vista Riverwalk) the next few years.

The adopted FY 2019 budget includes a small increase in funding for the provision of Fire and EMS services in the County. The primary change in this area is the consolidation of previously separate Fire and EMS Services into a single budget. Additionally, the Board approved a shift from contracted EMS services to hiring County staff who are cross-trained in both firefighting and EMS. Crews continue to operate 12 hours a day, 7 days a week in the village of Fairfield and Town of Glasgow. The gradual increases in funding for the core services of fire and EMS are expected to continue into the future, as increased pressure on volunteers' time and training requirements necessitate supplemental, paid responder programs. In addition, the Board expects to see proposals for volunteer incentives designed to help maintain volunteer ranks.

The County cost-share to the Rockbridge Regional Jail facility also saw a significant increase in FY 2019, with an additional \$204,599 dedicated to meet increasing operational needs resulting from a combination of funding three new, full-time positions funded solely by the regional partners, increased jail population and the provisions of a new medical services contract. We expect this trend to continue into the future.

In FY 2019, after years of collaborative planning efforts, the Board of Supervisors partnered with the City of Lexington to establish the Blue Ridge Resource Authority (BRRA), which is tasked with managing disposal of solid waste for the two partner localities, primarily via a new, regional lined landfill. The new BRRA board of directors includes all five members of the Board of Supervisors and two members of Lexington City Council. The first cell of the expanded landfill was opened on July 1, 2017, after the existing Rockbridge Regional Solid Waste Authority executed financing in the amount of \$5,710,000 to fund both the initial lined-landfill cell and the long-term infrastructure which will serve future cells as well. The combined life of the current and future cells is anticipated to exceed 50 years.

In a collaborative effort to more effectively plan for future capital expenditures necessary for the RCPS, the Board of Supervisors and the School Board continues the process of developing a long-range school capital improvement plan. Following the initial step of approving a \$6,267,103 energy savings project impacting multiple school facilities, the Board anticipates receipt of a dedicated needs assessment and master plan from the School Division, which will help inform collaborative discussions and decisions on future capital improvement planning for the School Division.

In FY 2018, the Board of Supervisors and the Rockbridge County Public Service Authority (RCPSA) agreed to expand water and sewer service and capacity in the US Route 60 east corridor. The currently-served area, just east of Lexington City, is at capacity, with sewer throughput as the limiting factor. Phase 1 of the plan is underway and will increase capacity in the currently served area. Financed over 15 years, with an initial payment of \$210,642, phase 1's total cost is \$2,461,000. Phase 2 of the plan would require additional approvals, and would extend water and sewer service approximately 2 miles east along US Route 60, to and across US Interstate 81, to allow for development of additional property zoned for business and commercial uses. Estimated phase 2 cost is \$9,600,000.

Relevant financial policies

The County of Rockbridge Fund Balance and Reserve Policy includes the goal to maintain a fund balance for cash liquidity purposes that will provide sufficient cash flow to minimize the possibility of short-term revenue anticipation borrowing. At the close of each fiscal year, the

County's unassigned General Fund balance should be equal to at least 20% of the County's total General Fund expenditures (i.e., General Fund expenditures plus School Fund operating expenditures less County contribution to School Division). If the County does not meet its target, it will develop a plan during the annual budget adoption process to replenish the unassigned fund balance to the 20% target level over a period of not more than three (3) years. The County's unassigned fund balance in the General Fund is 35.30% for fiscal ended June 30, 2018.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Rockbridge for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the fourth year that the County of Rockbridge has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Spencer H. Suter, County Administrator



Steven J. Bolster, Fiscal Services Director



Government Finance Officers Association

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

Presented to

**County of Rockbridge
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

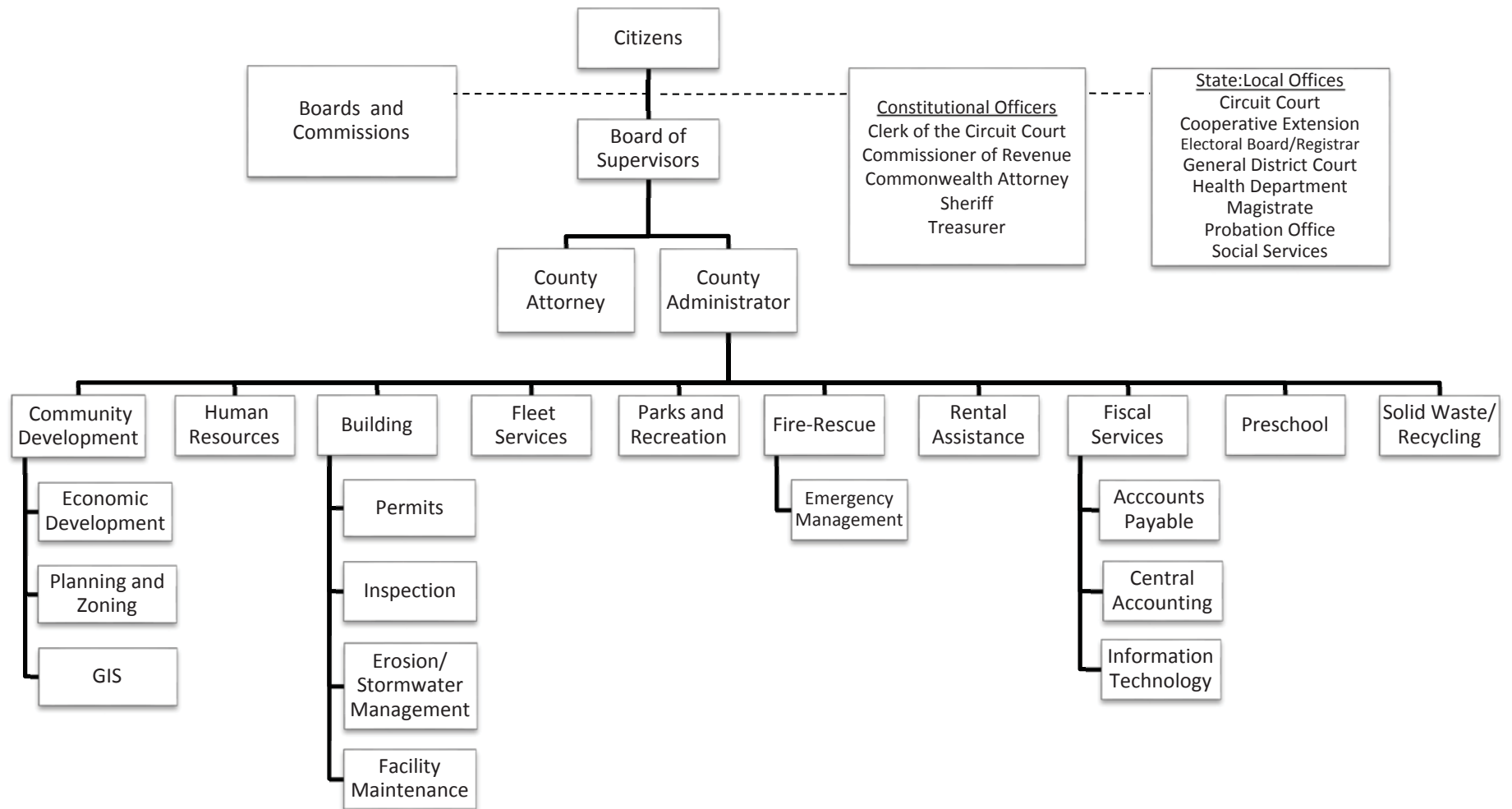
June 30, 2017

Christopher P. Morill

Executive Director/CEO



County of Rockbridge



COUNTY OF ROCKBRIDGE, VA

BOARD OF SUPERVISORS

David W. Hinty, Jr., Chairman
John M. Higgins, Vice-Chairman
Ronnie R. Campbell
Albert "Jay" Lewis II
Daniel E. Lyons

ROCKBRIDGE COUNTY APPOINTED OFFICIALS

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

COUNTY SCHOOL BOARD

David B. McDaniel, Chairman
Wendy W. Lovell, Vice-Chairman
Corey Berkstresser
Heather Hostetter
Neil Whitmore

SCHOOL DIVISION APPOINTED OFFICIALS

Superintendent of Schools.....Dr. Phillip Thompson
Clerk of the School Board.....Rhonda Humphries

LEGISLATIVE ELECTION

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

CONSTITUTIONAL OFFICERS

Clerk of the Circuit Court.....Michelle M. Trout
Commonwealth's Attorney.....Chris Billias
Commissioner of the Revenue.....David C. Whitesell
Sheriff.....Christopher J. Blalock
Treasurer.....Betty S. Trovato

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Rockbridge, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Rockbridge, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 2 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-15, 109, 110-126, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Rockbridge, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the County of Rockbridge, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 County of Rockbridge, Virginia'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 the County of Rockbridge, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 14, 2018

Management's Discussion and Analysis

As management of the County of Rockbridge, Virginia, we offer the readers of the County's financial statements this narrative. The narrative provides an overview and analysis of our financial activities for the fiscal year ending June 30, 2018.

Financial Highlights

Government-wide Financial Statements

The combined total assets of the County of Rockbridge, Virginia exceeded its liabilities by \$40,529,605 (net position) at the close of the most recent fiscal year. Of the total net position, \$37,839,694 is associated with governmental activities and \$2,689,911 is associated with business-type activities. Of the governmental activities net position, \$25,139,551 may be used to meet the government's ongoing obligations to creditors and citizens. There is \$274,880 presented under governmental activities which are restricted to ensure the availability of funds for specific functions, programs and anticipated liabilities (ex., \$4 for Life expenditures, the annual pass-through funding to USDA for Virginia Horse Center debt, and fire service program expenses). These restricted accounts are also displayed on the Balance Sheet of Government Funds. The business-type activities net position is down \$2,762,899 compared to FY 2017. The primary reason for the change in net position involves the \$3,355,869 increase to the landfill closure/post-closure liability resulting from a revised engineering estimate approved by Virginia Department of Environmental Quality (VA DEQ) on July 12, 2018. As a result, the unrestricted net position is a deficit of \$894,497. For the year ending June 30, 2018, the governmental activities' assets include \$10,349,806 in taxes receivable while \$9,175,924 is reflected as deferred inflows of resources for property taxes. This is shown as part of compliance with GASB requirements. The \$10,349,806 in taxes receivable are booked in the first half of calendar year 2018, but because of twice-a-year tax billing, second half real estate taxes of \$9,175,924 are not due until December 2018, and are shown as a deferred revenue. When compared to the net position at year's end June 30, 2017, as restated, the total combined net position decreased by \$2,633,294 (down 6.10%).

Fund Financial Statements

As of the close of the fiscal year June 30, 2018, the County's governmental funds reported a combined ending fund balance of \$28,758,166. This is an increase of \$492,886 (up 1.74%) as compared with the previous fiscal year. The increase in fund balance is associated with the \$5,236,000 issuance of a capital lease to source energy-efficiency projects at the School Division's high school and vocational training facilities. The County also realized increased collections compared to FY 2017 in the following: general property taxes (up \$406,039); use of money and property (rose \$84,300); permits and license fees (higher by \$28,245) and court fines and forfeitures (up \$25,244). The total unassigned fund balance reported as \$21,821,167, or 75.88%, is available to meet the County's fund balance policy, unanticipated budget requests, costs to manage local emergencies and/or disasters, capital improvement projects, and the government's discretionary spending.

At the fiscal year end, unassigned fund balance for the General Fund was \$21,821,167 or 49.84% of total General Fund expenditures. This is a 3.45%-point decrease in fund balance to expenditure ratio compared to year ending June 30, 2017, but well within the County's fund balance policy, which requires a 20% unassigned fund balance to expenditures ratio.

The County Capital Project Fund was established in FY 2016 to proactively establish dedicated fund sources for capital improvement plan (CIP) projects. This category includes: 1) new construction and major upgrades to County facilities; and 2) procurement of vehicle and major equipment replacement activities. Notable FY 2018 facility projects involved the following: 1) construct and relocate recycling and refuse collection centers (\$286K); 2) upgrade county administration building restrooms (\$65K); 3) complete Sheriff Office outdoor training facility at shooting range (\$35K); 4) improve Lake Robertson campground electrical infrastructure (\$30K); and 5) construct cabin at Lake Robertson campground (\$30K). Vehicle and equipment replacement efforts involved: 1) procure new Sheriff vehicles (\$235.7K); purchase new pre-crushers for two collection centers (\$100K); and 3) acquire new vehicle for erosion-control/stormwater management technician (\$28K). The FY 2018 fund balance reflects \$1,612,971 to source ongoing and future CIP projects.

The School Capital Projects Fund ended fiscal year 2018 with a fund balance of \$1,283,634, up \$1,089,431 (565.86%) compared to last fiscal year. The balance is sourcing energy-efficiency improvements to four elementary schools, one middle school, and the joint high school and vocational-technical facility as coordinated by the Board of Supervisors and School Board.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

Proprietary funds

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

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

Fiduciary funds

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

Notes to the financial statements

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

Government-wide Financial Analysis

Net Position

As noted, net position may serve as a useful indicator of a government's financial position. For the County of Rockbridge, combined total assets exceeded liabilities by \$40,529,605 at the end of the fiscal year.

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

COUNTY OF ROCKBRIDGE'S NET POSITION						
June 30, 2018						
	Governmental Activities		Business-type Activities		Total	
	2018	2017 restated	2018	2017 restated	2018	2017 restated
Current and other assets	\$ 41,751,370	\$ 40,311,512	\$ 6,973,973	\$ 7,209,410	\$ 48,725,343	\$ 47,520,922
Capital Assets	71,740,055	69,585,441	8,714,108	8,707,796	80,454,163	78,293,237
Total Assets	\$ 113,491,425	\$ 109,896,953	\$ 15,688,081	\$ 15,917,206	\$ 129,179,506	\$ 125,814,159
Deferred Outflow s of Resources	\$ 1,971,628	\$ 2,520,970	\$ 48,922	\$ 95,727	\$ 2,020,550	\$ 2,616,697
Long-term liabilities	\$ 64,406,617	\$ 63,248,490	\$ 12,558,426	\$ 9,190,647	\$ 76,965,043	\$ 72,439,137
Other liabilities	3,251,514	2,279,780	441,845	1,364,830	3,693,359	3,644,610
Total liabilities	\$ 67,658,131	\$ 65,528,270	\$ 13,000,271	\$ 10,555,477	\$ 80,658,402	\$ 76,083,747
Deferred Inflow s of Resources	\$ 9,965,228	\$ 9,179,564	\$ 46,821	\$ 4,646	\$ 10,012,049	\$ 9,184,210
Net Position:						
Net investment in capital assets	\$ 12,425,263	\$ 12,935,258	\$ 2,579,553	\$ 2,096,784	\$ 15,004,816	\$ 15,032,042
Unrestricted (deficit)	25,139,551	24,322,910	(894,497)	1,673,929	24,245,054	25,996,839
Restricted	274,880	451,921	1,004,855	1,682,097	1,279,735	2,134,018
Total net position	\$ 37,839,694	\$ 37,710,089	\$ 2,689,911	\$ 5,452,810	\$ 40,529,605	\$ 43,162,899

Governmental Activities

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related outstanding debt used to acquire those assets is \$12,425,263 which represents 32.84% of total net position. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. It is also of note that a portion of the capital assets is used to encourage economic development and in turn may produce future revenue for operations in either fees or sale of property. For example, in 2017 the County sold land adjacent to Devils Backbone Brewery for \$575K. They, in turn, constructed a \$6.6M packaging and bottling facility to expand their operations. Furthermore, in 2018 Devils Backbone Brewery invested \$1.3M to complete their taproom expansion and kitchen addition projects.

During the year ending June 30, 2018, total governmental liabilities increased by \$2,129,861. This reflects a combination of other liabilities rising \$971,734 while long-term liabilities grew \$1,158,127. The Board of Supervisors and School Board collaborated to complete an equipment lease-purchase financing of \$5.2M+ to improve the HVAC system at the adjacently-located high school and vocational facilities.

The restricted net position represents resources that are subject to external or internal restrictions based on how the specific funds may be used. The restricted net position for fiscal year 2018 included assets restricted by external constraints. For fiscal year 2018, staff continues to use restricted accounts to identify pass-through transient occupancy tax to fund the annual debt service to the USDA on behalf of the Virginia Horse Center, and manage state funds for the local fire service programs, the \$4 for Life program (rescue), and the rental assistance office. This reflects a \$274,880 balance in restricted net position.

The unrestricted net position is \$25,139,551, representing 66.44% of total net position, which may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the fiscal year, the County's governmental activities realized decreases in two of the three categories of combined total net position. These changes in net position include a decrease in net investment in capital assets of \$509,995 while restricted assets were lower by \$177,041. Unrestricted assets were higher by \$816,641. For the year ending June 30, 2018, the governmental activity total net position increased by \$129,605 from last fiscal year.

Business-type Activities

As identified earlier in the highlights of the government-wide financial statements, the business-type activities/enterprise fund (landfill) net position decreased by \$2,762,899. This results from the upward adjustment in the closure/post-closure liability discussed in paragraph one.

Changes in Net Position

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

COUNTY OF ROCKBRIDGE'S CHANGES IN NET POSITION						
June 30, 2018						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,397,047	\$ 2,491,441	\$ 2,108,888	2,232,822	\$ 4,505,935	\$ 4,724,263
Operating grants	2,525,993	2,460,447	21,966	22,492	2,547,959	2,482,939
Capital grants	38,569	21,545	-	-	38,569	21,545
General Revenues:						
Property taxes	26,107,887	25,753,935	-	-	26,107,887	25,753,935
Other taxes	9,084,201	9,140,168	-	-	9,084,201	9,140,168
Use of money and property	253,575	169,275	63,798	43,456	317,373	212,731
Other	1,216,150	939,045	13,587	47,113	1,229,737	986,158
Grants and contributions not restricted to specific programs	2,764,409	2,764,276	-	-	2,764,409	2,764,276
Total Revenues	\$ 44,387,831	\$ 43,740,132	\$ 2,208,239	\$ 2,345,883	\$ 46,596,070	\$ 46,086,015
Expenses:						
General						
General Govt. Admin	\$ 2,921,147	\$ 2,905,137	\$ -	\$ -	\$ 2,921,147	\$ 2,905,137
Judicial administration	1,498,614	1,500,916	-	-	1,498,614	1,500,916
Public safety	9,210,516	8,332,745	-	-	9,210,516	8,332,745
Public works	3,508,528	3,458,387	4,942,934	1,694,164	8,451,462	5,152,551
Health and welfare	1,723,940	1,618,131	-	-	1,723,940	1,618,131
Education	16,750,090	16,455,148	-	-	16,750,090	16,455,148
Parks, recreation, and culture	1,502,900	1,403,936	-	-	1,502,900	1,403,936
Community development	3,106,501	2,792,737	-	-	3,106,501	2,792,737
Non-departmental	1,856,695	1,805,264	-	-	1,856,695	1,805,264
Interest on long-term debt	2,207,499	2,209,563	-	-	2,207,499	2,209,563
Total expenses	\$ 44,286,430	\$ 42,481,964	\$ 4,942,934	\$ 1,694,164	\$ 49,229,364	\$ 44,176,128
Increase (decrease) in net position before transfers	\$ 101,401	\$ 1,258,168	\$ (2,734,695)	\$ 651,719	\$ (2,633,294)	\$ 1,909,887
Transfers	28,204	(447,927)	(28,204)	447,927	-	-
Increase (decrease) net position	\$ 129,605	\$ 810,241	\$ (2,762,899)	\$ 1,099,646	\$ (2,633,294)	\$ 1,909,887
Net position - beginning	37,710,089	37,366,546	5,452,810	4,382,933	43,162,899	41,749,479
Effect of change in accounting principle	-	(466,698)	-	(29,769)	-	(496,467)
Net position - ending	\$ 37,839,694	\$ 37,710,089	\$ 2,689,911	\$ 5,452,810	\$ 40,529,605	\$ 43,162,899

Governmental Activities

Governmental activities increased the County's net position by \$129,605. Key elements relating to FY 2018 activities compared to the prior fiscal year will be discussed below.

Total revenues increased by \$647,699 (up 1.48%). The following table provides a breakdown on the various revenues sources as of June 30, 2018.

Type	Overall total %
1. Property taxes	58.82%
2. Other local taxes	20.47%
3. Non-restricted grants and contributions	6.23%
4. Operating and capital grants	5.78%
5. Charges for services	5.40%
6. Other general revenues	2.74%
7. Use of money and property	0.57%

Component changes from FY 2017 to FY 2018 include:

- The largest source of revenues is property taxes at \$26,107,877. Property tax collections rose by \$353,952 (up 1.36%). Real property, public service corporation, personal property, and machinery and tools taxes increased as a result of growth in assessed values and/or collection levels.
- Other local taxes decreased by \$55,967 (down 0.61%). Meals, recordation, business license, bank franchise and motor vehicle decal receipts generally reflect a positive trend in revenues collected, while sales, lodging, and utility taxes slightly dropped from FY 2017 levels.
- Non-restricted grants or contributions increased by \$133. These receipts are linked to state-shared revenues for rolling stock, motor vehicle rentals, and timber sales.
- Operating and capital grants rose by \$82,570 (up 3.33%). This reflects increased state funding for the rental assistance, fire services, emergency management, soil and water conservation, and victim-witness programs.
- Charges for services decreased by \$94,394 (down 3.79%) due to lower activities associated with the following area: formerly the County charged business and industry for tipping fees initially subsidized by the locality. In February 2018, the Blue Ridge Resource Authority (landfill) began charging these organizations directly resulting in a drop in this category of revenue.
- Other general revenues were higher by \$277,105 resulting from miscellaneous collections (sale of supplies, and patron refunds/rebates) coming in greater than forecasted.
- Use of money and property rose by \$84,300. A combination of ongoing income from County property rentals and effective investment methodology by the Treasurer contributed to the revenue increase.

The following table reflects the distribution of FY 2018 governmental expenditures. For the year, the Board of Supervisors' expenditure priorities were to maintain improvements in education, public safety, public works, health and welfare, and economic development. In addition, the Board approved a 3% cost-of-living adjustment effective July 1, 2017, with a goal of retaining and attracting a quality workforce via competitive compensation. Overall expenses increased by \$1,804,466 (up 4.25%) over the same period in FY 2017. As shown, education expenses account for 37.82% of total expenses. When combined with public safety, public works, community development, and general government administration, expenditures for these five categories are approximately 80% of the \$44,286,430 in total expenses.

Type	Overall total %
1. Education	37.82%
2. Public Safety	20.80%
3. Public Works	7.92%
4. Community Development	7.01%
5. General Government Administration	6.60%
6. Long-term debt interest	4.98%
7. Non-departmental	4.19%
8. Health and Welfare	3.89%
9. Parks, Recreation, and Cultural	3.39%
10. Judicial Administration	3.38%

Component changes from FY 2017 to FY 2018 include:

- Education expenses increased by \$294,943 (+4.19%). The Board of Supervisors continued its annual support of educational programs in FY 2018. The Board approved a \$504,000 increase local tax-dollar support for school operations (approximately two cents on the real estate tax rate). End-of-year School Fund budget balances are returned back to the County and restricted into a school capital account within the General Fund to assist with School Division capital projects.
- Public Safety reflects an increase of \$877,771 (+10.53). The FY 2018 budget included a 3% cost-of-living increase for County employees. In addition, the state budget provided for a 2% cost-of-living increase for all employees of constitutional offices (includes the Sheriff's Office). Furthermore, the state provided supplements of \$80 of additional base salary for each year of service for law enforcement officers to address pay-compression issues. In addition, the Sheriff's Office received state grant funding in FY 2018 to support crisis intervention training and the implementation of an assessment site at our local hospital to manage mental health situations involving Sheriff Deputies (+\$144,426). The Board approved the following budget increases related to fire and rescue services: 1) performance pay to volunteer agencies (+\$221,018); 2) City of Lexington fire-rescue contract (+\$86,655); and 3) expanded ambulance service (+\$52,893). Lastly, the County's cost-share for the Rockbridge Regional Jail rose by \$199,974 compared to FY 2017. This increase is based on trends in revenue funding levels and operational expenses attributable to the number of incarcerated County citizens.
- Public Works increased by \$50,141 (+1.45%). This category pays the County's cost-share for the landfill operation. The County of Rockbridge and the Blue Ridge Resource Authority (landfill) created an FY 2018 budget with the expectation that the Authority would begin billing business and industry directly starting on July 1, 2017. Administrative delays impacted the implementation plan which generated higher expenditures that originally budgeted. However, the County's source for the additional costs were the payments received from realized collections resulting from invoicing County business and industry.
- General government administration increased by \$16,010 (+0.55%). The minimal increase is attributable to the Board approving a 3% cost-of-living increase County employees in FY 2018.
- Community Development increased by \$313,764 (+11.23%). Several out-of-cycle expenditures occurred under this category in FY 2018. They include the following transactions. In coordination with Lexington City and the Virginia Horse Center (VHC), the County and Lexington supported paying down a VHC line of credit with surplus occupancy tax revenues generated over the prior four years. This pass-through payment equated to approximately \$190,000. The Board of Supervisors approved a one-time contribution of \$45,450 to the Town of Glasgow as part of a local match requirement related to a stormwater grant the town received. Rockbridge County received a community development grant totaling \$476,693. During FY 2018, the County expended \$43,879 in grant reimbursement dollars. The County also contributed \$27,500 to the Public Service Authority (PSA) for legal services incurred on the Route 60 East infrastructure financing effort. Lastly, the County received state authorization and funding to hire a new Rental Assistance Coordinator prior to the retirement of the former manager. This allowed for nearly four months of crossover and specialized training resulting in additional expenditures totaling \$20,826.
- Long-term debt interest payments are down \$2,064 (-0.09%) based on current debt payment schedules.
- Non-departmental was up \$51,431 (+2.85%) resulting from an increase in the Modified Voluntary Settlement of Annexation and Immunity payment from Rockbridge County to Lexington City.
- Health and Welfare reflects an increase of \$105,809 (+6.54%) primarily because the County's actual cost-share funding for the Comprehensive Services Act program exceeded anticipated levels.
- Parks, Recreation and Cultural increased by \$98,964 (+7.04%) due in part to greater funding in support of the Rockbridge Area Recreational Organization and the Rockbridge Regional Library (both involve a regional cost-share with the cities of Lexington and Buena Vista); the Lime Kiln Theater and the Rockbridge Chorale Society (both funded 50% by state grant); and the YMCA (to support after-school youth programs). The Board also approved out-of-cycle funding to the Rockbridge Regional Fair (+\$25,000) and the Friends of Rockbridge Swimming (\$7,500 for capital projects) organizations during FY 2018.
- Judicial Administration decreased by \$2,302 (-0.15%) reflected court-related expenses remained consistent with FY 2017 levels.

Business-type Activities

The business-type activities/enterprise fund (landfill) total net position decreased by \$2,734,695. As highlighted earlier in the MD&A and later below, the landfill closure and post-closure liability is the primary driver for this reduction in comparison to FY 2017. Additional details on the impact associated with FY 2018 revenues, expenses, capital, and long-term liabilities is below.

In February 2018, the Blue Ridge Resource Authority (BRRA) began to invoice business and industry directly for use of the landfill. Previously, the Authority billed each locality, which in turn, processed collections to garner reimbursement from these entities for subsidizing the initial service charge. The initial FY 2018 per-ton tipping fees reflected the following: Rockbridge County and Lexington City at \$51.00 and Buena Vista at \$53.00; each level with FY 2017. In February 2018, the Authority adopted a new master fee table as they transitioned to direct billing format. The adjusted tipping fees include: members (Rockbridge County and Lexington City) at \$51.00; member jurisdiction commercial at \$53.00; municipal customer at \$63.75; and non-jurisdictional commercial at \$66.25. Tipping fee revenues for FY 2018 decreased by \$129,865 (down 5.77%) resulting from lower overall tonnage collected. Non-operational revenue involved increases to investment income (up \$20,342) and the receipt of the Commonwealth of Virginia letter control grant (\$21,966) which previously was accounted for in the former Recycling Fund. In FY 2019, this grant funding will be accounted for in the General Fund as the County Recycling Program transitions away from BRRA's operational responsibility.

Expenditures realized a \$214,965 increase compared to FY 2017. The four primary drivers are: 1) depreciation (+\$78,956); 2) contractual services (+\$61,786); 3) personnel services (+\$57,757); and 4) other charges (+\$36,513). These individual categories grew due to the following respective factors: 1) depreciating heavy-duty equipment purchased prior to FY 2018; 2) upward annual adjustment on hauling contract which incorporates transporting recycling stream to buyer beyond County limits and costs for unstaffed collection center site clean-up; 3) increase in staff compensation, to include the reclassification of two leadership positions; and 4) higher expenses on supplies, materials, equipment, and other consumables. The increases in expenditures were offset by smaller decreases in rent payments and fringe benefits (lower retirement contribution rate).

The new, lined landfill cell began operations on July 1, 2017. During FY 2018, there were no further capital projects involved with the lateral landfill expansion effort. The construction in progress decreased from \$4,776,676 in FY 2017 to \$0 in 2018.

The Authority has \$12,558,426 in long-term obligations (up \$2,484,551, or +24.66%). As previously stated, the landfill closure/post-closure liability realized an increase of \$3,355,869 from the previous fiscal year. Other long-term liability changes include: net pension liability (down \$208,032), other post-employment benefits (decreased \$2,311), and compensated absences (lower by \$13,175) realized decreases based on updated cost estimates. There were no revenue bond or lease-purchase financing efforts in FY 2018.

Prior to FY 2018, transfers from the Rockbridge County General Fund supported the County Recycling Program which was accounted for under the Authority. FY 2017 was the last year the Recycling Fund was included in the Authority's financial report, except the transfer out to the General Fund of \$28,204 to close the Recycling Fund. The County Recycling Program is now accounted for under the General Fund (effective July 1, 2017).

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of the fiscal year, the County's total governmental funds reported combined ending fund balances of \$28,758,166, an increase of \$492,886 over the prior fiscal year (up 1.74%). As noted earlier in the government-wide financial highlights, the change in total government fund balance is linked to the equipment lease-purchase which sourced energy-efficiency improvements to the School Division high school and vocational/technical training facilities.

The General Fund is the primary operating fund of the County. As of June 30, 2018, unassigned fund balance of the General Fund was \$21,821,167. This is a decrease in unassigned fund balance of \$66,550 (down 0.30%) compared with the previous fiscal year. The total fund balance of the General Fund is \$25,861,561. This is a decrease over the previous year by \$156,885 (down 0.60%). The primary factors involved a 0.12% increase in overall revenues combined with overall increased expenditures of \$2,675,148 compared to FY 2017. Expenditure increases involved funding public safety (rose \$964,788 for compensation increases, crisis intervention grants, new volunteer fire/rescue performance funding formula, and regional jail cost-share); transfer to school operations (up \$602,901), to include certain CIP projects accounted for in the School Fund; community development (increased \$430,815 – passing through occupancy tax revenues to a new Virginia Horse Center account which funds their USDA debt requirements); and the retirement of debt principal (up \$373,044). As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures (General Fund and School Operating Fund = "General Fund"). Unassigned fund balance represents 49.84% of total "General Fund" expenditures which deducts the local transfer to the School Board component unit of \$14,388,602 for operational support. The Board of Supervisors financial policy is to maintain a minimum of 20% unassigned fund balance to expenditures ratio. Total fund balance represents 59.07% of total General Fund expenditures.

The County Capital Projects Fund reflects the accounting for the Construction Projects and Capital Purchases Funds, both of which align with our 5-year CIP. The net change in fund balance, down \$439,660, results from the use of reserves to source projects identified earlier in the fund financial statement highlights. In addition, the School Capital Projects Fund is up \$1,089,431 compared to FY 2017. During FY 2018, the Board of Supervisors teamed with the School Board to transfer \$932,888 from reserves to fund School Division facility improvements.

Proprietary funds

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

The BRRA owns, maintains, and operates a permitted landfill. The previously active, unlined landfill cell was limited to construction and debris fill on December 31, 2017 in accordance with the VA DEQ approval on the landfill's second extension request. Based on previously agreed to terms and conditions, the Authority submitted the required engineering documents to the VA DEQ that permitted the unlined facility to remain open until June 30, 2018. Part of the fund balance will be used to meet landfill closure requirements of the VA DEQ. The funds associated with sourcing these obligations are restricted. Factors concerning the finances of this fund were discussed in the government-wide financial statements summary section and the changes in net position narrative for business-type activities. Additional information is provided in the BRRA financial report.

General Fund Budgetary Highlights

The difference between the originally budgeted appropriations and the final, amended-budget appropriations was a \$1,816,929 increase. This is 4.23% of the total original budget. The actual expenditures were \$1,031,468 below the final appropriation total. This total is 2.30% below the final budget. The major components of these appropriation changes are:

- The Board of Supervisors approved the use of \$930,451 in combined General Fund unassigned reserves and the school carryover account to fund HVAC capital improvements to four elementary schools, one middle school, and the school administration building. This action was part of an overall energy-efficiency effort totaling over \$6.2M to upgrade facilities approaching, in some cases, over 25 years in age

- The Board also authorized the School Board to source \$306,909 from the school carryover account to fund school division capital improvement projects which included the ongoing implementation of new municipal management software; procurement of Chromebooks; and A&E studies for two elementary schools.
- The County received a \$476,693 Community Development Block Grant from the Virginia Department of Housing and Community Development. The grant funding supports phase 2 of the Greenhouse Village Development which includes constructing residential sites, streets, driveways, utility infrastructure, landscaping, and walking trails.
- The Board approved \$427,996 in additional appropriations to fund the County's landfill cost-share. The original budget was produced with the anticipation that the Blue Ridge Resource Authority (landfill) would directly invoice business and industry beginning on July 1, 2017. This process didn't occur until February 2018. As a result, the County subsidized the initial tipping-fee payments for this category of customer and also billed out to collect these charges which served as the source of the appropriation requests.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2018 was \$71,740,055 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and machinery and equipment. This is an increase of \$2,154,614 from the previous fiscal year, or 3.10%. The primary change in capital assets is the result of construction in progress, up \$4,242,435 from 2017. This increase is primarily driven by the start of \$6.2M+ in energy-efficiency projects begun in the final quarter of FY 2018. The building and systems totals are down \$2,059,517 compared to 2017. This is attributed to the transfer of debt-financed assets to the component unit School Board as a result of principal payments made in 2018.

The County's investment in capital assets for its proprietary funds is \$8,714,108, an increase of \$6,312 (up 0.07%) from the previous year. In FY 2017, the new lined landfill was under construction. The new landfill cell began operations on July 1, 2017.

COUNTY OF ROCKBRIDGE'S CAPITAL ASSETS						
Net of Depreciation						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,790,211	\$ 1,790,211	\$ 531,037	\$ 531,037	\$ 2,321,248	\$ 2,321,248
Buildings and systems	63,301,251	65,360,768	6,993,490	2,262,102	70,294,741	67,622,870
Machinery & equipment	1,066,204	1,094,508	1,189,581	1,137,981	2,255,785	2,232,489
Construction in progress	5,582,389	1,339,954	-	4,776,676	5,582,389	6,116,630
Total	<u>\$ 71,740,055</u>	<u>\$ 69,585,441</u>	<u>\$ 8,714,108</u>	<u>\$ 8,707,796</u>	<u>\$ 80,454,163</u>	<u>\$ 78,293,237</u>

Additional information on the County's capital assets can be found in the Note 16 to the financial statements.

Long-term debt

At the end of fiscal year 2018, the County had the following outstanding debt:

COUNTY OF ROCKBRIDGE'S LONG-TERM OBLIGATIONS						
	Governmental Activities		Business-type Activities		Total	
	2018	2017 restated	2018	2017 restated	2018	2017 restated
General obligation bonds	\$ 38,210,078	\$ 40,365,658	\$ -	\$ -	\$ 38,210,078	\$ 40,365,658
Revenue bonds	16,440,000	16,745,000	6,532,992	7,143,851	22,972,992	23,888,851
Literary loans	715,000	895,000	-	-	715,000	895,000
Capital leases	5,236,000	-	606,418	643,359	5,842,418	643,359
Compensated absences	385,243	369,100	24,516	37,691	409,759	406,791
Net pension liability	2,789,724	4,201,458	166,001	374,033	2,955,725	4,575,491
Net OPEB liability	630,572	672,274	32,919	35,230	663,491	707,504
Landfill closure liability	-	-	5,195,580	1,839,711	5,195,580	1,839,711
Total long-term obligations	\$ 64,406,617	\$ 63,248,490	\$ 12,558,426	\$ 10,073,875	\$ 76,965,043	\$ 73,322,365

The County's total long-term debt includes the Rockbridge County School Board debt and the business-type activities debt. For the year, the total, combined long-term debt increased by \$3,642,678. The Board approved a \$5,236,000 equipment lease-purchase financing of energy-efficiency projects at the School Division high school and vocational buildings; improvements primarily involved upgrading the 25-year old HVAC system. The governmental and business-type activities' compensated absences, net pension liability, and net OPEB liability and are included in the long-term debt to meet GASB requirements. These categories changed as follows: 1) compensated absences (rose \$2,968); 2) net pension liability (decreased \$1,619,766); and 3) net OPEB liability (down \$44,013). Lastly, the landfill's closure/post-closure liability (\$5,195,580) increased by \$3,355,869 from FY 2017 levels as result of the latest engineering cost-estimate for the full system, to include the opening of the first of five lateral-expansion cells. Cell 1's life-cycle estimate is approximately seven years. The additional, long-term liability includes cost estimates for an interim cap and thirty years of post-closure monitoring. The BRRA is currently setting aside \$171,028 each fiscal year to meet the projected liability of a combined system that approaches a 60-year life cycle.

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

Economic Factors and Next Year's Budgets and Rates

- The Rockbridge County population was 22,307 as of the April 1, 2010 U.S. Census. The Weldon Cooper Institute's July 1, 2017 population estimate reflects 22,596, an increase of 289 (up 1.30%). Minimal change in population has occurred over the past two decades and no substantial change is anticipated in the next fiscal year.
- For the fiscal year ending June 30, 2018, the unemployment rate for the Commonwealth and Rockbridge County were 3.3% and 3.4% respectively. During the progress of this management discussion and analysis report, the September 2018 unemployment rate dropped to 2.7% for the state and 2.4% in the County. Overall, local efforts by the Board of Supervisors to fund a variety of economic development initiatives continue in an effort to generate new business inquiries and interest.
- The Board of Supervisors fiscal year 2018 budget priorities include limiting overall expenditures in all areas except education, "safety net" programs, public safety, solid waste management, emergency communications, and economic development. These activities may require increased funding compared to prior years. Additionally, and primarily, the Board's goals include meeting all mandates, debt services, and legal obligations.
- The Board approved a real property tax rate of \$0.70 per \$100.00 of assessed valuation for tax year 2018. This rate reflects no change from calendar year 2017. With the latest assessed values, the County's penny rate is \$254,000, up from \$252,000. The personal property rate of \$4.25 remained unchanged from the prior year.

- In FY 2018 the Board of Supervisors continued its annual support of the School Division. The Board committed to increase the local School Fund transfer for debt by \$245,591. The School Fund operational transfer was passed in May 2018 at the FY 2017 level. However, the Board pledged to support the School Division's local operating request, an increase of \$285,488, should state revenues fall short of the overall revenue gap their FY 2019 budget. In June 2018, the School Division calculated that the Commonwealth's adopted FY 2019 budget was \$92,118 higher than the School's revenue estimate. The County will make up \$193,370 of funding if not ultimately realized from the state. The Rockbridge County Public Schools' student population rose to approximately 2,700 (up 100, or 3.85%). The school division oversees four elementary schools, one middle school, and one high school (this includes students from Lexington City).
- When compared to FY 2018, other notable increases realized in the FY 2019 budget cycle include: PSA debt-payment funding (+\$208,937); regional jail operational cost-share (+\$204,599); welfare, includes CSA and DSS programs (+\$170,199); County debt service (+\$113,589); and the Lexington City modified voluntary settlement of annexation and immunity payment (+\$111,590).
- The County continues to manage facility projects through long-term planning and funding, to include transferring \$260,896 to the Construction Projects Fund in FY 2019. Projects in 2019 include development of additional staffed collection center sites, the roof replacement at the County's administration building, phase 2 of electrical upgrades to the Lake Robertson campground, the renovation of the Blue Ridge Recreation Area pools, and energy-efficiency improvements to the County courthouse.
- The Board approved transferring \$310,000 (up \$74,320) to the Capital Purchases Fund. This funding will support the procurement of Sheriff Office, Fire and EMS, and County vehicles along with replacing capital equipment at the County courthouse and administration buildings.
- The Board of Supervisors selected to use \$896,978 in restricted accounts to fund the following efforts: the County's transition to cross-trained fire and EMS career staff, to include the outfitting members, will be funded at \$157,000 from the EMS revenue recovery account. This funding mechanism mirrors the action begun in FY 2015 for the previously contracted ambulance service. In addition, EMS revenue recovery will source the County's payment to a third-party vendor (\$13,440), which bills and collects this revenue stream. Furthermore, this account will fund the annual stipend for the Operational Medical Director (\$10,000). Lastly, the EMS revenue recovery will source the funding methodology for fire and EMS agencies (\$100,000) as an ongoing pilot program from FY 2018. Other activities from restricted accounts involve: managing the \$4 for Life reserves to fund the procurement of training, equipment, and supplies for approved volunteer EMS squads (\$35,000). Additional use of restricted accounts involves: 1) sourcing capital improvement plan efforts totaling \$370,896 in one-time projects; and 2) funding the PSA's Route 60 East infrastructure debt-service payments (\$210,642) from sale of property accounts.

All of these factors were considered in preparing the County's budget for the 2019 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

County of Rockbridge, Virginia
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 24,137,114	\$ 1,908,520	\$ 26,045,634
Investments	-	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	10,349,806	-	10,349,806
Accounts receivable	674,332	355,042	1,029,374
Due from component units	1,866,077	-	1,866,077
Due from other governmental units	928,456	-	928,456
Inventories	134,527	-	134,527
Advances to other entities	3,661,058	-	3,661,058
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	-	4,710,411	4,710,411
Net pension asset	-	-	-
Capital assets (net of accumulated depreciation):			
Land	1,790,211	531,037	2,321,248
Buildings and improvements	63,301,251	6,993,490	70,294,741
Machinery and equipment	1,066,204	1,189,581	2,255,785
Utility plant and equipment	-	-	-
Construction in progress	5,582,389	-	5,582,389
Total assets	\$ 113,491,425	\$ 15,688,081	\$ 129,179,506
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 1,286,286	\$ -	\$ 1,286,286
Pension related items	654,042	47,061	701,103
OPEB related items	31,300	1,861	33,161
Total deferred outflows of resources	\$ 1,971,628	\$ 48,922	\$ 2,020,550
LIABILITIES			
Accounts payable	\$ 1,621,563	\$ 25,293	\$ 1,646,856
Capital advances from Rockbridge County	-	350,000	350,000
Accrued interest payable	831,383	66,552	897,935
Due to primary government	-	-	-
Performance deposits	28,580	-	28,580
Due to other governments	768,031	-	768,031
Unearned revenue	1,957	-	1,957
Deposits payable	-	-	-
Long-term liabilities:			
Due within one year	3,160,735	845,692	4,006,427
Due in more than one year	61,245,882	11,712,734	72,958,616
Total liabilities	\$ 67,658,131	\$ 13,000,271	\$ 80,658,402
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 9,175,924	\$ -	\$ 9,175,924
Pension related items	746,623	44,284	790,907
OPEB related items	42,681	2,537	45,218
Total deferred inflows of resources	\$ 9,965,228	\$ 46,821	\$ 10,012,049
NET POSITION			
Net investment in capital assets	\$ 12,425,263	\$ 2,579,553	\$ 15,004,816
Restricted			
Fire funds	53,912	-	53,912
Rental assistance	18,856	-	18,856
Four for life	66,746	-	66,746
Virginia Horse Center debt service	135,366	-	135,366
Debt service	-	1,004,855	1,004,855
Unrestricted	25,139,551	(894,497)	24,245,054
Total net position	\$ 37,839,694	\$ 2,689,911	\$ 40,529,605

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

Exhibit 1

Component Unit School Board	Component Unit Rockbridge Area Social Services	Component Unit Rockbridge Regional Jail Commission	Component Unit Rockbridge Public Service Authority
\$ 28,100	\$ 402,227	\$ 200	\$ 5,920,106
-	-	-	2,413,651
-	-	-	-
49,285	87,643	12,264	537,089
-	-	-	-
652,199	1,334,597	437,236	-
35,069	-	-	59,131
-	-	-	-
627,476	-	28,793	100
-	-	-	65,695
-	248,916	-	57,593
117,555	-	-	410,596
19,768,902	-	2,854,960	58,277
2,112,104	17,883	98,042	22,080,938
-	-	-	104,702
251,104	-	-	165,001
<u>\$ 23,641,794</u>	<u>\$ 2,091,266</u>	<u>\$ 3,431,495</u>	<u>\$ 31,872,879</u>
\$ -	\$ -	\$ -	\$ -
3,107,502	76,618	188,023	36,122
295,107	5,090	10,107	2,089
<u>\$ 3,402,609</u>	<u>\$ 81,708</u>	<u>\$ 198,130</u>	<u>\$ 38,211</u>
\$ 90,567	\$ 890,080	\$ 142,692	\$ 367,791
-	-	-	-
-	-	-	24,088
1,239,370	471,514	155,193	-
-	-	-	-
-	462,873	-	-
-	-	-	-
-	-	-	65,695
55,920	24,765	41,807	966,966
35,094,057	147,294	1,264,638	12,544,886
<u>\$ 36,479,914</u>	<u>\$ 1,996,526</u>	<u>\$ 1,604,330</u>	<u>\$ 13,969,426</u>
\$ -	\$ -	\$ -	\$ -
3,624,487	239,558	250,910	48,686
227,000	8,000	13,782	4,000
<u>\$ 3,851,487</u>	<u>\$ 247,558</u>	<u>\$ 264,692</u>	<u>\$ 52,686</u>
\$ 22,249,665	\$ 17,883	\$ 2,953,002	\$ 9,402,655
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(35,536,663)	(88,993)	(1,192,399)	8,486,323
<u>\$ (13,286,998)</u>	<u>\$ (71,110)</u>	<u>\$ 1,760,603</u>	<u>\$ 17,888,978</u>

County of Rockbridge, Virginia
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,921,147	\$ -	\$ 246,091	\$ -
Judicial administration	1,498,614	877,266	686,388	-
Public safety	9,210,516	76,224	1,350,053	-
Public works	3,508,528	1,006,611	4,023	-
Health and welfare	1,723,940	-	1,035	-
Education	16,750,090	-	-	-
Parks, recreation, and cultural	1,502,900	88,254	-	-
Community development	3,106,501	348,692	238,403	38,569
Nondepartmental	1,856,695	-	-	-
Interest on long-term debt	2,207,499	-	-	-
Total governmental activities	<u>\$ 44,286,430</u>	<u>\$ 2,397,047</u>	<u>\$ 2,525,993</u>	<u>\$ 38,569</u>
Business-type activities:				
Blue Ridge Resource Authority	\$ 4,942,934	\$ 2,108,888	\$ 21,966	\$ -
Total business-type activities	<u>\$ 4,942,934</u>	<u>\$ 2,108,888</u>	<u>\$ 21,966</u>	<u>\$ -</u>
Total primary government	<u>\$ 49,229,364</u>	<u>\$ 4,505,935</u>	<u>\$ 2,547,959</u>	<u>\$ 38,569</u>
COMPONENT UNITS:				
Governmental activities:				
School Board	\$ 33,763,754	\$ 1,893,984	\$ 17,217,890	\$ -
Rockbridge Area Social Services Board	8,532,413	-	8,680,276	-
Rockbridge Regional Jail Commission	3,722,362	1,922,664	1,767,256	-
Business-type activities:				
Rockbridge Public Service Authority	3,340,174	3,086,869	-	342,500
Total component units	<u>\$ 49,358,703</u>	<u>\$ 6,903,517</u>	<u>\$ 27,665,422</u>	<u>\$ 342,500</u>
General revenues:				
General property taxes				
Local sales tax				
Consumers utility tax				
Business license tax				
Meals tax				
Motor vehicle licenses				
Lodging tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position						
Primary Government			Component Unit	Component Unit	Component Unit	Component Unit
Governmental Activities	Business-type Activities	Total	School Board	Rockbridge Area Social Services	Rockbridge Regional Jail Commission	Rockbridge Public Service Authority
\$ (2,675,056)	\$ -	\$ (2,675,056)	\$ -	\$ -	\$ -	\$ -
65,040	-	65,040	-	-	-	-
(7,784,239)	-	(7,784,239)	-	-	-	-
(2,497,894)	-	(2,497,894)	-	-	-	-
(1,722,905)	-	(1,722,905)	-	-	-	-
(16,750,090)	-	(16,750,090)	-	-	-	-
(1,414,646)	-	(1,414,646)	-	-	-	-
(2,480,837)	-	(2,480,837)	-	-	-	-
(1,856,695)	-	(1,856,695)	-	-	-	-
(2,207,499)	-	(2,207,499)	-	-	-	-
<u>\$ (39,324,821)</u>	<u>\$ -</u>	<u>\$ (39,324,821)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (2,812,080)	\$ (2,812,080)	\$ -	\$ -	\$ -	\$ -
\$ -	\$ (2,812,080)	\$ (2,812,080)	\$ -	\$ -	\$ -	\$ -
<u>\$ (39,324,821)</u>	<u>\$ (2,812,080)</u>	<u>\$ (42,136,901)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (14,651,880)	\$ -	\$ -	\$ -
-	-	-	-	147,863	-	-
-	-	-	-	-	(32,442)	-
-	-	-	-	-	-	89,195
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,651,880)</u>	<u>\$ 147,863</u>	<u>\$ (32,442)</u>	<u>\$ 89,195</u>
\$ 26,107,887	\$ -	\$ 26,107,887	\$ -	\$ -	\$ -	\$ -
2,674,023	-	2,674,023	-	-	-	-
1,444,055	-	1,444,055	-	-	-	-
882,385	-	882,385	-	-	-	-
1,511,192	-	1,511,192	-	-	-	-
538,941	-	538,941	-	-	-	-
1,628,051	-	1,628,051	-	-	-	-
405,554	-	405,554	-	-	-	-
253,575	63,798	317,373	17	-	156	60,353
1,216,150	13,587	1,229,737	128,323	-	3,861	12,448
2,764,409	-	2,764,409	16,660,074	-	-	27,500
28,204	(28,204)	-	-	-	-	-
<u>\$ 39,454,426</u>	<u>\$ 49,181</u>	<u>\$ 39,503,607</u>	<u>\$ 16,788,414</u>	<u>\$ -</u>	<u>\$ 4,017</u>	<u>\$ 100,301</u>
129,605	(2,762,899)	(2,633,294)	2,136,534	147,863	(28,425)	189,496
37,710,089	5,452,810	43,162,899	(15,423,532)	(218,973)	1,789,028	17,699,482
<u>\$ 37,839,694</u>	<u>\$ 2,689,911</u>	<u>\$ 40,529,605</u>	<u>\$ (13,286,998)</u>	<u>\$ (71,110)</u>	<u>\$ 1,760,603</u>	<u>\$ 17,888,978</u>

FUND FINANCIAL STATEMENTS

County of Rockbridge, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

Exhibit 3

	General Fund	County Capital Projects Fund	School Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	\$ 18,460,125	\$ 1,755,265	\$ 3,921,724	\$ 24,137,114
Receivables (net of allowance for uncollectibles):				
Taxes receivable	10,349,806	-	-	10,349,806
Accounts receivable	674,332	-	-	674,332
Advances to other entities	3,661,058	-	-	3,661,058
Due from other funds	1,481,341	-	-	1,481,341
Due from component units	1,866,077	-	-	1,866,077
Due from other governmental units	928,456	-	-	928,456
Inventories	134,527	-	-	134,527
Total assets	<u>\$ 37,555,722</u>	<u>\$ 1,755,265</u>	<u>\$ 3,921,724</u>	<u>\$ 43,232,711</u>
LIABILITIES				
Accounts payable	\$ 322,520	\$ 142,294	\$ 1,156,749	\$ 1,621,563
Due to other governments	768,031	-	-	768,031
Due to other funds	-	-	1,481,341	1,481,341
Performance deposits	28,580	-	-	28,580
Unearned revenue	1,957	-	-	1,957
Total liabilities	<u>\$ 1,121,088</u>	<u>\$ 142,294</u>	<u>\$ 2,638,090</u>	<u>\$ 3,901,472</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 10,573,073	\$ -	\$ -	\$ 10,573,073
FUND BALANCES				
Nonspendable:				
Inventories	\$ 134,527	\$ -	\$ -	\$ 134,527
Total nonspendable	<u>\$ 134,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,527</u>
Restricted:				
Virginia Horse Center debt service	\$ 135,366	\$ -	\$ -	\$ 135,366
Rental assistance	18,856	-	-	18,856
Four for life	66,746	-	-	66,746
Fire program	53,912	-	-	53,912
Total restricted	<u>\$ 274,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,880</u>
Committed:				
Virginia Horse Center debt service	\$ 17,535	\$ -	\$ -	\$ 17,535
Total committed	<u>\$ 17,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,535</u>
Assigned:				
Garage	\$ 149,969	\$ -	\$ -	\$ 149,969
Industrial property	381,840	-	-	381,840
School carryover	566,072	-	-	566,072
Convenience centers	12,075	-	-	12,075
Partnership	82,097	-	-	82,097
Recreation	20,000	-	-	20,000
Revenue recovery	931,673	-	-	931,673
Economic development	761,953	-	-	761,953
Reassessment	100,000	-	-	100,000
Capital projects funds	607,773	1,612,971	1,283,634	3,504,378
Total assigned	<u>\$ 3,613,452</u>	<u>\$ 1,612,971</u>	<u>\$ 1,283,634</u>	<u>\$ 6,510,057</u>
Unassigned	\$ 21,821,167	\$ -	\$ -	\$ 21,821,167
Total unassigned	<u>\$ 21,821,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,821,167</u>
Total fund balances	<u>\$ 25,861,561</u>	<u>\$ 1,612,971</u>	<u>\$ 1,283,634</u>	<u>\$ 28,758,166</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 37,555,722</u>	<u>\$ 1,755,265</u>	<u>\$ 3,921,724</u>	<u>\$ 43,232,711</u>

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

County of Rockbridge, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2018

Exhibit 4

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 28,758,166
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 1,790,211	
Buildings and improvements	63,301,251	
Machinery and equipment	1,066,204	
Construction in progress	<u>5,582,389</u>	
		71,740,055

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes	\$ <u>1,397,149</u>	
		1,397,149

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Deferred charge on refunding	\$ 1,286,286	
Pension related items	654,042	
OPEB related items	<u>31,300</u>	
		1,971,628

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (35,158,352)	
Revenue bonds	(16,440,000)	
Capital leases	(5,236,000)	
Bond premium	(3,051,726)	
Literary loan funds	(715,000)	
Compensated absences	(385,243)	
Net pension liability	(2,789,724)	
Net OPEB liability	(630,572)	
Accrued interest payable	<u>(831,383)</u>	
		(65,238,000)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (746,623)	
OPEB related items	<u>(42,681)</u>	
		<u>(789,304)</u>

Net position of governmental activities	\$ <u><u>37,839,694</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Rockbridge, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

Exhibit 5

	General Fund	County Capital Projects Fund	School Capital Projects Fund	Total
REVENUES				
General property taxes	\$ 26,131,707	\$ -	\$ -	\$ 26,131,707
Other local taxes	9,084,201	-	-	9,084,201
Permits, privilege fees, and regulatory licenses	283,671	-	-	283,671
Fines and forfeitures	626,580	-	-	626,580
Revenue from the use of money and property	244,947	-	8,628	253,575
Charges for services	1,486,796	-	-	1,486,796
Miscellaneous	1,204,399	11,751	-	1,216,150
Recovered costs	387,604	-	-	387,604
Intergovernmental:				
Commonwealth	5,012,009	-	-	5,012,009
Federal	316,962	-	-	316,962
Total revenues	<u>\$ 44,778,876</u>	<u>\$ 11,751</u>	<u>\$ 8,628</u>	<u>\$ 44,799,255</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,963,707	\$ -	\$ -	\$ 1,963,707
Judicial administration	1,537,279	-	-	1,537,279
Public safety	9,256,857	-	-	9,256,857
Public works	3,532,420	-	-	3,532,420
Health and welfare	1,731,697	-	-	1,731,697
Education	14,478,618	-	-	14,478,618
Parks, recreation, and cultural	1,471,789	-	-	1,471,789
Community development	3,222,033	-	-	3,222,033
Nondepartmental	1,856,695	-	-	1,856,695
Capital projects	-	702,592	5,087,485	5,790,077
Debt service:				
Principal retirement	2,437,709	-	-	2,437,709
Interest and other fiscal charges	2,291,692	-	-	2,291,692
Total expenditures	<u>\$ 43,780,496</u>	<u>\$ 702,592</u>	<u>\$ 5,087,485</u>	<u>\$ 49,570,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 998,380</u>	<u>\$ (690,841)</u>	<u>\$ (5,078,857)</u>	<u>\$ (4,771,318)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 28,204	\$ 251,181	\$ 932,288	\$ 1,211,673
Transfers out	(1,183,469)	-	-	(1,183,469)
Issuance of capital leases	-	-	5,236,000	5,236,000
Total other financing sources (uses)	<u>\$ (1,155,265)</u>	<u>\$ 251,181</u>	<u>\$ 6,168,288</u>	<u>\$ 5,264,204</u>
Net change in fund balances	\$ (156,885)	\$ (439,660)	\$ 1,089,431	\$ 492,886
Fund balances - beginning	26,018,446	2,052,631	194,203	28,265,280
Fund balances - ending	<u>\$ 25,861,561</u>	<u>\$ 1,612,971</u>	<u>\$ 1,283,634</u>	<u>\$ 28,758,166</u>

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

County of Rockbridge, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Exhibit 6

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

Net change in fund balances - total governmental funds	\$ 492,886
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 5,989,841	
Depreciation expense	(1,386,887)	
Allocation of debt financed school assets based on current year repayments	(2,588,017)	
Transfer of assets from component unit Blue Ridge Resource Authority	<u>139,677</u>	
		2,154,614

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ <u>(23,820)</u>	(23,820)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of capital leases	\$ (5,236,000)	
Principal repayments	2,437,709	
Amortization of deferred charge on refunding	(69,189)	
Amortization of premium on general obligation bonds	202,871	
Accrued interest	<u>(49,489)</u>	
		(2,714,098)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (16,143)	
Pension expense	230,421	
OPEB expense	<u>5,745</u>	
		<u>220,023</u>

Change in net position of governmental activities	\$ <u><u>129,605</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Rockbridge, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2018

Exhibit 7

	Enterprise Fund Landfill Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,908,520
Accounts receivable	355,042
Total current assets	<u>\$ 2,263,562</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	\$ 4,710,411
Total restricted assets	<u>\$ 4,710,411</u>
Capital assets, net of accumulated depreciation:	
Land	\$ 531,037
Buildings and improvements	6,993,490
Machinery and equipment	1,189,581
Total capital assets	<u>\$ 8,714,108</u>
Total noncurrent assets	<u>\$ 13,424,519</u>
Total assets	<u>\$ 15,688,081</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 47,061
OPEB related items	1,861
Total deferred outflows of resources	<u>\$ 48,922</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 25,293
Capital advances from Rockbridge County	350,000
Accrued interest payable	66,552
Bonds payable - current portion	624,778
Capital lease payable - current portion	214,785
Compensated absences-current portion	6,129
Total current liabilities	<u>\$ 1,287,537</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 18,387
Net OPEB liability	32,919
Net pension liability	166,001
Closure and post-closure liability	5,195,580
Bonds payable - net of current portion	5,908,214
Capital lease payable - net of current portion	391,633
Total noncurrent liabilities	<u>\$ 11,712,734</u>
Total liabilities	<u>\$ 13,000,271</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 44,284
OPEB related items	2,537
Total deferred intflows of resources	<u>\$ 46,821</u>
NET POSITION	
Net investment in capital assets	\$ 2,579,553
Restricted for debt service	1,004,855
Unrestricted	(894,497)
Total net position	<u>\$ 2,689,911</u>

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

County of Rockbridge, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit 8

	Enterprise Fund Landfill Fund	Enterprise Fund Recycling Fund	Total
OPERATING REVENUES			
Charges for services:			
Landfill Rockbridge County	\$ 1,229,844	\$ -	\$ 1,229,844
Landfill City of Lexington	244,538	-	244,538
Landfill City of Buena Vista	252,510	-	252,510
Commercial and noncommercial customers	381,996	-	381,996
Miscellaneous	13,587	-	13,587
Total operating revenues	<u>\$ 2,122,475</u>	<u>\$ -</u>	<u>\$ 2,122,475</u>
OPERATING EXPENSES			
Personal services	\$ 370,592	\$ -	\$ 370,592
Fringe benefits	114,411	-	114,411
Contractual services	350,100	-	350,100
Other charges	263,855	-	263,855
Rent	4,450	-	4,450
Depreciation	374,453	-	374,453
Total operating expenses	<u>\$ 1,477,861</u>	<u>\$ -</u>	<u>\$ 1,477,861</u>
Operating income (loss)	<u>\$ 644,614</u>	<u>\$ -</u>	<u>\$ 644,614</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 63,798	\$ -	\$ 63,798
Commonwealth of Virginia-litter control grant	21,966	-	21,966
Interest expense	(109,204)	-	(109,204)
Landfill closure costs and post-closure liability	(3,355,869)	-	(3,355,869)
Total nonoperating revenues (expenses)	<u>\$ (3,379,309)</u>	<u>\$ -</u>	<u>\$ (3,379,309)</u>
Income before transfers	<u>\$ (2,734,695)</u>	<u>\$ -</u>	<u>\$ (2,734,695)</u>
Transfers out	<u>\$ -</u>	<u>\$ (28,204)</u>	<u>\$ (28,204)</u>
Change in net position	<u>\$ (2,734,695)</u>	<u>\$ (28,204)</u>	<u>\$ (2,762,899)</u>
Total net position - beginning, as restated	5,424,606	28,204	5,452,810
Total net position - ending	<u>\$ 2,689,911</u>	<u>\$ -</u>	<u>\$ 2,689,911</u>

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

County of Rockbridge, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit 9

	Enterprise Fund Landfill Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,078,142
Payments to suppliers	(652,364)
Payments to employees	(505,350)
Net cash provided by (used for) operating activities	\$ 920,428
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Commonwealth of Virginia-litter control grant	\$ 21,966
Net cash provided by (used for) noncapital financing activities	\$ 21,966
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (520,441)
Proceeds from capital leases issue	259,100
Principal paid on capital debt	(906,900)
Interest expense	(115,002)
Net cash provided by (used for) capital and related financing activities	\$ (1,283,243)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 63,798
Net increase (decrease) in cash and cash equivalents	\$ (277,051)
Cash and cash equivalents - beginning - including restricted	6,895,982
Cash and cash equivalents - ending - including restricted	\$ 6,618,931
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 644,614
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	374,453
(Increase) decrease in accounts receivable	(232,607)
(Increase) decrease in due from other funds	188,274
(Increase) decrease in deferred outflows of resources	28,612
Increase (decrease) in accounts payable	(33,959)
Increase (decrease) in compensated absences	(373)
Increase (decrease) in net OPEB liability	(2,311)
Increase (decrease) in net pension liability	(89,917)
Increase (decrease) in deferred inflows of resources	43,642
Net cash provided by (used for) operating activities	\$ 920,428
Schedule of non-cash capital and related financing activities:	
Landfill closure and post-closure costs	\$ 3,355,869
Total non-cash capital and related financing activities	\$ 3,355,869

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

County of Rockbridge, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

Exhibit 10

	Primary Government Agency Funds
ASSETS	
Cash and cash equivalents	\$ 104,543
Accounts receivable	2,301
Total assets	\$ <u>106,844</u>
LIABILITIES	
Accounts payable	\$ 78,879
Amounts held for payroll deductions	(78,801)
Amounts held for veterans memorial	9,781
Amounts held for drug enforcement	80,663
Amounts held for employee benefits	2,164
Amounts held for commonwealth attorney forfeitures	14,158
Total liabilities	\$ <u>106,844</u>

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial Reporting Entity

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

Blended component units - The Blue Ridge Resource Authority has been determined to be a component unit of Rockbridge County in accordance with Governmental Accounting Standards Board Statement 14. The Authority is a legally separate organization whose Board members are composed of 5 members appointed by the Rockbridge County Board of Supervisors and 2 appointed members from the Lexington City Council. The primary government has a financial benefit and burden relationship with the Authority and is able to impose its will on the Authority. Complete financial statements for the Authority may be obtained at the Authority's administrative office at 225 Landfill Road, Buena Vista, Virginia 24416.

Discretely Presented Component Units:

Rockbridge County School Board:

The School Board members are elected and are responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary local sources of funding are from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2018.

Rockbridge County Regional Jail Commission:

The Rockbridge County Regional Jail Commission is a regional board organized to manage and confine prisoners from the localities of Lexington City, Buena Vista City and Rockbridge County. The Rockbridge County Board of Supervisors appoints two (2) members to the Commission, while the City of Lexington and the City of Buena Vista each appoint one member respectively. The County of Rockbridge serves as the fiscal agent for the Jail Commission. The Jail Commission is included in these financial statements because of the County's ability to designate the management and exercise significant control over the operations of the entity. The financial statements of the Commission are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2018. Complete financial statements of the Rockbridge County Regional Jail Commission are available at the Rockbridge County Jail, 258 Greenhouse Road, Lexington, Virginia 24450.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

A. Financial Reporting Entity (continued)

Discretely Presented Component Units: (continued)

Rockbridge County Public Service Authority:

The Rockbridge County Public Service Authority is organized to provide water and sewer services to customers located in the County. The Authority is a legally separate entity from the County. The County is financially accountable for the Authority in that the County appoints the Authority's five member Board of Directors and has a financial indebtedness burden related to the Authority. The financial statements of the Authority are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2018. Complete financial statements of the Rockbridge County Public Service Authority are available at the Authority's office: 150 South Main Street, Lexington, Virginia 24450.

Rockbridge Area Social Services Board:

The Rockbridge Area Social Services Board is a regional board organized to provide social services to Rockbridge County, and the Cities of Lexington and Buena Vista. All three participating entities appoint members of the Board. The Rockbridge County Treasurer serves as the fiscal agent for the Comprehensive Services Act programs administered by the Rockbridge Area Department of Social Services operation. The Board is a legally separate organization, however the Board is included in the reporting entity because of the nature and significance of its relationship with the County of Rockbridge, Virginia. The financial statements of the Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2018. Complete financial statements of the Rockbridge Area Social Services Board are available at the Rockbridge Area Social Services office: 20 East Preston Street, Lexington, Virginia 24450.

B. Other Organizations

Included in the County's Financial Report: None

Excluded from the County's Financial Report:

Rockbridge County Economic Development Authority:

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

Rockbridge Area Community Services Board:

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

B. Other Organizations (continued)

Maury Service Authority:

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

Rockbridge Regional Public Safety Communications Center:

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

In addition, the Rockbridge Regional Industrial Development Authority, Rockbridge Regional Library, Rockbridge Area Network Authority, Rockbridge Area Recreation Organization, Regional Tourism Board, Regional Transit System Board, and Shenandoah Valley Detention Home Commission are considered intergovernmental (joint) ventures; therefore, their operations are not included in the County's financial report. Rockbridge County and the Cities of Lexington and Buena Vista provide financial support and appoint members to their governing bodies, in which is vested the administration and control over operations.

C. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

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

The government reports the following major governmental funds:

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

Special revenue funds account for and report the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The County does not have any special revenue funds to report for fiscal year 2018.

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

The government reports the following major proprietary funds:

The *landfill and recycling funds* account for and report the activities of the Blue Ridge Resource Authority, a blended component unit of the government.

Additionally, the government reports the following fund types:

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

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

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

1. *Cash and cash equivalents*

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

2. *Receivables and payables*

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

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

3. *Inventories and prepaid items*

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

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

4. *Property taxes*

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property taxes are due and collectible annually on October 5th. The County bills and collects its own property taxes. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$369,465 at June 30, 2018 and is comprised solely of property taxes.

5. *Restricted assets*

The governmental funds maintain restricted cash for debt service, garage, fire funds, industrial property, and the discretely presented component unit-school board. The Landfill fund maintains restricted assets invested in the Local Government Investment Pool. \$3,705,556 is restricted for the payment of future closure and post-closure costs associated with the County's landfill. Additionally, the Landfill fund has restricted unspent bond proceeds of \$1,004,855. The Discretely Presented Component Unit Rockbridge Public Service Authority maintains restricted assets that are limited by applicable bond covenants.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

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

6. *Capital assets*

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$85,233 in interest was capitalized in the Landfill fund. During the previous year \$187,515 was capitalized in the landfill fund.

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

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

7. *Compensated absences*

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

8. *Long-term obligations*

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

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

9. *Fund equity*

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

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

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

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

10. *Net position*

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

11. *Net position flow assumption*

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

12. *Reclassifications*

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

F. Investments

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

G. Use of Estimates

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The Primary Government has two items that qualify for reporting in this category. The Primary Government shows a deferred charge on refunding reported in to government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability 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 Primary Government has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

I. Pensions

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

J. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's 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.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Medical, Dental, and Prescription Insurance – Pay as You Go Program

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined based on an actuarial valuation. Benefit payments are recognized when due and payable in accordance with the benefit terms.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 2— ADOPTION OF ACCOUNTING PRINCIPLES:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit School Board	Component Unit Rockbridge Area Social Services	Component Unit Rockbridge Regional Jail	Component Unit Rockbridge Public Service Authority
Net Position as reported at June 30, 2017	\$ 38,176,787	\$ 5,482,579	\$ 43,659,366	\$ (7,769,794)	\$ (137,629)	\$ 1,961,588	\$ 17,730,482
Implementation of GASB 75:							
To remove OPEB health insurance obligation as reported under GASB 45:							
Net OPEB obligation for health insurance as reported at June 30, 2017	181,000	4,000	185,000	1,833,000	-	70,000	19,000
To increase the net OPEB liability for health insurance based on revised actuarial valuation:							
Net OPEB liability for health insurance as of June 30, 2017 per revised actuarial valuation	(231,000)	(9,000)	(240,000)	(5,470,000)	-	(108,000)	(15,000)
To record the Group Life Insurance (GLI) net OPEB liability and related deferred outflow of resources as of June 30, 2017:							
GLI net OPEB liability at June 30, 2017, as restated	(441,274)	(26,230)	(467,504)	(1,680,000)	(86,000)	(142,496)	(36,000)
Deferred outflow of resources related to GLI net OPEB Liability at June 30, 2017, as restated	24,576	1,461	26,037	90,883	4,656	7,936	1,000
To record the Teacher Health Insurance Credit (HIC) Program net OPEB liability and related deferred outflow of resources as of June 30, 2017:							
HIC net OPEB liability at June 30, 2017, as restated	-	-	-	(2,606,000)	-	-	-
Deferred outflow of resources related to HIC net OPEB liability at June 30, 2017, as restated	-	-	-	178,379	-	-	-
Net Position as restated at June 30, 2017	\$ 37,710,089	\$ 5,452,810	\$ 43,162,899	\$ (15,423,532)	\$ (218,973)	\$ 1,789,028	\$ 17,699,482

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

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

B. Excess of expenditures over appropriations:

For the year ended June 30, 2018, the following funds that had expenditures exceeding appropriations.

<u>Fund</u>	<u>Excess of Expenditures over Appropriations</u>
Component Unit School Cafeteria	\$ 5,921
Total	<u>\$ 5,921</u>

C. Deficit fund equity

At June 30, 2018, there were no funds that showed deficit equity.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 4—JOINT VENTURES:

As described in Note 1-B, the following boards are construed as operating as joint ventures between the Cities of Lexington and Buena Vista, and the County of Rockbridge. Summary financial information for the Boards at June 30, 2018 is provided below:

	Maury Service Authority (1)	Rockbridge Area Community Services Board	Rockbridge Regional Public Safety Communications Center
Total assets and deferred outflows of resources	\$ 39,014,079	\$ 8,146,982	\$ 7,924,023
Total liabilities and deferred inflows of resources	13,813,532	6,105,297	7,630,050
Total net position	<u>\$ 25,200,547</u>	<u>\$ 2,041,685</u>	<u>\$ 293,973</u>
For the year ended June 30, 2018			
Operating revenue	\$ 2,916,462	\$ 4,244,891	\$ 273,685
Operating expenses	(3,232,335)	(8,346,399)	(1,749,170)
Nonoperating income (expense)	1,173,366	3,563,733	1,456,192
Change in net position	\$ 857,493	\$ (537,775)	\$ (19,293)
Net position at beginning of year, as restated	24,343,054	2,579,460	293,973
Net position at end of year	<u>\$ 25,200,547</u>	<u>\$ 2,041,685</u>	<u>\$ 274,680</u>

(1) Maury Service Authority June 30, 2018 summary financial data was not available at the time of report issuance. June 30, 2017 data is presented above.

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other governments consists of payments due from federal, state, and local governmental units at June 30, 2018 as follows:

	Governmental Activities	Component Unit School Board	Component Unit Jail Commission	Component Unit Rockbridge Area Social Services Board
Commonwealth of Virginia:				
State sales taxes	\$ -	\$ 373,245	\$ -	\$ -
Local sales taxes	519,478	-	-	-
Public assistance grants	-	-	-	62,367
Comprehensive services act	-	-	-	1,169,677
Communications tax	136,932	-	-	-
Shared expenses	171,916	-	136,681	-
Other	58,212	206,000	84,119	-
Federal Government:				
Violence against women	15,250	-	-	-
Victim witness	2,202	-	-	-
DHCD	14,750	-	-	-
Other	9,716	72,954	-	102,553
Other Governmental Units:				
City of Lexington	-	-	4,965	-
City of Buena Vista	-	-	86,178	-
County of Rockbridge	-	-	125,293	-
Totals	<u>\$ 928,456</u>	<u>\$ 652,199</u>	<u>\$ 437,236</u>	<u>\$ 1,334,597</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 6—INTERFUND OBLIGATIONS:

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

Fund	Due From Other Funds	Due To Other Funds	Due From Component Unit/Primary Government	Due To Component Unit/Primary Government
General	\$ 1,481,341	\$ -	\$ 1,866,077	\$ -
School Capital Projects Fund	-	1,481,341	-	-
Component Unit Rockbridge Regional Jail Commission	-	-	-	155,193
Component Unit Rockbridge Area Social Services	-	-	-	471,514
Component Unit School Board	-	-	-	1,239,370
Total	\$ 1,481,341	\$ 1,481,341	\$ 1,866,077	\$ 1,866,077

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government – Governmental Activities Indebtedness:

Changes in Long-Term Obligations:

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2018:

	Balance July 1, 2017, as restated	Additions/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Governmental Activities:				
General obligation bonds	\$ 37,111,061	\$ -	\$ 1,952,709	\$ 35,158,352
Revenue bonds	16,745,000	-	305,000	16,440,000
Capital leases	-	5,236,000	-	5,236,000
Bond premium	3,254,597	-	202,871	3,051,726
Literary loan funds	895,000	-	180,000	715,000
Compensated absences	369,100	292,968	276,825	385,243
Net pension liabilities	4,201,458	2,402,264	3,813,998	2,789,724
Net OPEB liability	672,274	33,851	75,553	630,572
Total Governmental Activities	\$ 63,248,490	\$ 7,965,083	\$ 6,806,956	\$ 64,406,617
Business-type Activities:				
Revenue bonds	\$ 6,280,000	\$ -	\$ 515,000	\$ 5,765,000
Bond premium	863,851	-	95,859	767,992
Capital leases	643,359	259,100	296,041	606,418
Compensated absences	37,691	15,093	28,268	24,516
Net OPEB liabilities	35,230	1,645	3,956	32,919
Net pension liability	374,033	137,032	345,064	166,001
Landfill closure and post-closure care	1,839,711	3,355,869	-	5,195,580
Total Business-type Activities	\$ 10,073,875	\$ 3,768,739	\$ 1,284,188	\$ 12,558,426
Total Long-Term Obligations	\$ 73,322,365	\$ 11,733,822	\$ 8,091,144	\$ 76,965,043

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

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

Year Ending June 30,	Revenue Bonds		General Obligation Bonds		Literary Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 435,000	\$ 709,908	\$ 2,015,553	\$ 1,444,548	\$ 175,000	\$ 30,814	\$ 236,000	\$ 93,601
2020	585,000	686,871	2,082,446	1,368,716	180,000	22,725	276,000	118,300
2021	650,000	657,024	2,154,438	1,286,916	180,000	13,635	294,000	111,770
2022	675,000	629,695	2,227,270	1,195,869	180,000	4,545	309,000	104,814
2023	705,000	601,008	2,195,254	1,106,851	-	-	325,000	97,503
2024	735,000	565,683	2,183,391	1,025,326	-	-	316,000	89,813
2025	775,000	530,233	1,950,000	957,604	-	-	324,000	82,337
2026	805,000	494,946	2,005,000	899,189	-	-	340,000	74,671
2027	840,000	458,236	1,780,000	844,779	-	-	357,000	66,627
2028	880,000	419,599	1,835,000	787,088	-	-	375,000	58,180
2029	925,000	379,421	1,895,000	723,456	-	-	382,000	49,307
2030	960,000	337,817	1,160,000	681,125	-	-	396,000	40,269
2031	1,010,000	293,811	1,185,000	498,036	-	-	415,000	30,900
2032	1,055,000	247,152	815,000	314,185	-	-	435,000	21,081
2033	1,095,000	199,370	840,000	288,946	-	-	456,000	10,789
2034	1,145,000	151,894	865,000	262,945	-	-	-	-
2035	1,190,000	103,741	890,000	236,181	-	-	-	-
2036	1,240,000	53,574	920,000	208,579	-	-	-	-
2037	360,000	21,119	950,000	180,061	-	-	-	-
2038	375,000	7,134	980,000	150,629	-	-	-	-
2039	-	-	1,010,000	119,650	-	-	-	-
2040	-	-	1,040,000	87,106	-	-	-	-
2041	-	-	1,075,000	53,531	-	-	-	-
2042	-	-	1,105,000	18,233	-	-	-	-
Total	<u>\$ 16,440,000</u>	<u>\$ 7,548,236</u>	<u>\$ 35,158,352</u>	<u>\$ 14,739,549</u>	<u>\$ 715,000</u>	<u>\$ 71,719</u>	<u>\$ 5,236,000</u>	<u>\$ 1,049,962</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue bonds:		
\$11,760,000, issued June 5, 2013 at a premium of \$1,771,014, payable in semi-annual installments of principal and interest on October 1, and April 1, variable interest at 4.261%-4.823% through April 1, 2036	\$ 11,455,000	\$ 435,000
\$4,985,000, issued May 25, 2016 at a premium of \$835,950, payable in semi-annual installments of principal and interest on October 1, and April 1, variable interest at 3.796%-5.125%, through April 1, 2038	<u>4,985,000</u>	<u>-</u>
Total revenue bonds	\$ <u>16,440,000</u>	\$ <u>435,000</u>
General obligation bonds:		
\$1,500,000 issue dated May 17, 2001, payable in various annual principal installments, interest payable semi-annually at 4.79% on January 15, and July 15, through January 2022	\$ 430,000	\$ 100,000
\$1,000,000 issue dated October 1, 2002 due in various annual principal installments, interest payable semi-annually at rates varying from 2.6% to 4.95% through January 15, 2023	335,000	60,000
\$10,625,000 issued October 6, 2003 at a premium of \$378,615, due in various annual principal installments, interest payable semi-annually at interest rates varying from 3.1% to 5.35% through July 15, 2028	6,605,000	460,000
\$5,514,484 issued October 6, 2003 at a premium of \$360,006 due in various annual principal installments, interest payable semi-annually at interest rates varying from 3.1% to 5.35% through January 15, 2024	1,748,352	285,553

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General obligation bonds: (continued)		
\$3,590,000 issued May 12, 2005 at a premium of \$213,677 due in various annual principal installments, interest payable semi-annually at interest rates varying from 3.1% to 5.1% through July 15, 2025	\$ 1,870,000	\$ 195,000
\$7,500,000 School tax credit bonds issued December 15, 2011 due in various annual principal installments, interest payable semi-annually at an interest rate of 4.25% through June 30, 2031	5,135,000	395,000
\$20,460,000 VPSA bonds issued November 15, 2012 at a premium of \$540,453, due in various annual principal installments, interest payable semi-annually at variable interest rates through November 15, 2042	19,035,000	520,000
Total general obligation bonds	\$ 35,158,352	\$ 2,015,553
Literary loans:		
\$1,435,000 issue dated May 9, 2013, payable in various annual principal and interest installments, interest rates varying from 3.05%-4% through January 15, 2021	\$ 715,000	\$ 175,000
Total literary loans	\$ 715,000	\$ 175,000
Capital leases:		
\$5,236,000 in lease revenue bonds issued September 29, 2017 payable in annual installments ranging from \$329,601 to \$466,789, with interest at 2.366%, through June 30, 2033	\$ 5,236,000	\$ 236,000
Total capital lease obligations	\$ 5,236,000	\$ 236,000
Unamortized bond premium	\$ 3,051,726	\$ 202,871
Net pension liability (payable from the General Fund)	\$ 2,789,724	\$ -
Net OPEB liabilities (payable from the General Fund)	\$ 630,572	\$ -
Compensated absences (payable from the General Fund)	\$ 385,243	\$ 96,311
Total long-term obligations	\$ 64,406,617	\$ 3,160,735

The County had no outstanding in-substance defeased debt as of June 30, 2018.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

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

Year Ending June 30,	Landfill Fund			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2019	\$ 535,000	\$ 254,172	\$ 214,785	\$ 14,397
2020	560,000	228,638	192,746	8,898
2021	590,000	200,019	112,790	3,979
2022	625,000	168,959	54,275	1,870
2023	655,000	136,259	31,822	931
2024	120,000	116,425	-	-
2025	130,000	110,019	-	-
2026	135,000	103,378	-	-
2027	140,000	96,731	-	-
2028	150,000	90,000	-	-
2029	155,000	83,359	-	-
2030	160,000	76,338	-	-
2031	170,000	68,756	-	-
2032	180,000	60,537	-	-
2033	185,000	52,484	-	-
2034	140,000	45,957	-	-
2035	145,000	40,503	-	-
2036	150,000	34,868	-	-
2037	155,000	29,053	-	-
2038	160,000	23,056	-	-
2039	170,000	16,775	-	-
2040	175,000	10,209	-	-
2041	180,000	3,439	-	-
Total	<u>\$ 5,765,000</u>	<u>\$ 2,049,934</u>	<u>\$ 606,418</u>	<u>\$ 30,075</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue bonds:		
VRA 2012A Revenue Bond totaling \$655,000. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.625% to 5.125% beginning October 1, 2012 through April 1, 2033.	\$ 545,000	\$ 25,000
VRA 2016A Revenue Bond totaling \$5,710,000, issued at a premium of \$856,329. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.792% to 5.125% beginning October 1, 2017 through April 1, 2041.	<u>5,220,000</u>	<u>510,000</u>
Total revenue bonds	\$ <u>5,765,000</u>	\$ <u>535,000</u>
Capital leases:		
\$381,677 Issued August 15, 2013 for a compactor, due in monthly payments of \$6,899 through November 15, 2018, interest at 2.89%	\$ 27,374	\$ 27,374
\$681,832 issued December 15, 2015 for a vehicle and an excavator, due in monthly payments of \$12,125 through November 25, 2020, interest at 2.67%.	340,152	138,099
\$259,100 issued December 15, 2017 for the purchase of a bulldozer, due in monthly payments of \$4,679 through November 20, 2022, interest at 3.2%.	<u>238,892</u>	<u>49,312</u>
Total capital leases	\$ <u>606,418</u>	\$ <u>214,785</u>
Unamortized bond premium	\$ <u>767,992</u>	\$ <u>89,778</u>
Landfill closure and post-closure liability	\$ <u>5,195,580</u>	\$ <u>-</u>
Net pension liability	\$ <u>166,001</u>	\$ <u>-</u>
Net OPEB liabilities	\$ <u>32,919</u>	\$ <u>-</u>
Compensated absences	\$ <u>24,516</u>	\$ <u>6,129</u>
Total long-term obligations	<u>\$ 12,558,426</u>	<u>\$ 845,692</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

	Balance 7/1/2017, as restated	Additions/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Water Fund:				
Revenue bonds	\$ 320,000	\$ -	\$ 60,000	\$ 260,000
Rural development bond	1,813,615	-	41,022	1,772,593
Net OPEB liabilities	27,030	1,590	2,650	25,970
Compensated Absences	23,062	23,916	23,062	23,916
Total water fund	\$ 2,183,707	\$ 25,506	\$ 126,734	\$ 2,082,479
Sewer Fund:				
Revenue bonds	\$ 6,556,110	\$ 2,461,000	\$ 690,117	\$ 8,326,993
Advances	2,823,785	233,488	-	3,057,273
Net OPEB liabilities	23,970	1,410	2,350	23,030
Compensated absences	20,451	22,077	20,451	22,077
Total sewer fund	\$ 9,424,316	\$ 2,717,975	\$ 712,918	\$ 11,429,373
Totals	\$ 11,608,023	\$ 2,743,481	\$ 839,652	\$ 13,511,852

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2019	\$ 920,973	\$ 129,966
2020	931,818	121,142
2021	936,680	112,556
2022	947,559	103,822
2023	883,456	94,650
2024-2028	3,469,207	383,051
2029-2033	1,222,100	214,897
2034-2038	294,062	90,538
2039-2043	324,962	59,278
2044-2048	359,108	25,492
2049	69,661	692
Total	\$ 10,359,586	\$ 1,336,084

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Water Fund:		
Revenue Bonds:		
\$940,000 Infrastructure Revenue Bonds (Series 2002A) issued through the Virginia Resources Authority, dated June 6, 2002, payable annually through April 1, 2022, interest payable semi-annually at rates ranging from 3.1% to 5.35%.	\$ 260,000	\$ 60,000
\$2,081,000 Water System Revenue Bonds (Series 2012) issued through the United States Department of Agriculture, dated June 28, 2012, payable annually through June 28, 2052, stated interest rate of 2.0%.	1,772,593	41,856
Total Bonds	\$ 2,032,593	\$ 101,856
Compensated absences	\$ 23,916	\$ 23,916
Net OPEB liabilities	25,970	-
Total Water Fund	\$ 2,082,479	\$ 125,772
Sewer Fund:		
Revenue Bonds:		
\$2,461,000 Bank Qualified Sewer System Revenue Bonds, Series 2018 payable through April 1, 2033, with interest at .290% payable in semi-annual installments.	\$ 2,461,000	\$ 129,000
\$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.	5,865,993	690,117
Total Bonds	\$ 8,326,993	\$ 819,117
Advances:		
Loan from Rockbridge County, dated September 1, 2010. No agreed upon repayment terms.	3,057,273	-
Compensated absences	22,077	22,077
Net OPEB liabilities	23,030	-
Total Sewer Fund	\$ 11,429,373	\$ 841,194
Total long-term obligations	\$ 13,511,852	\$ 966,966

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

	Balance July 1, 2017, as restated	Additions/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Net OPEB liability (payable from Rockbridge County Regional Jail Commission)	\$ 250,496	\$ 14,504	\$ 26,491	\$ 238,509
Net pension liability (payable from Rockbridge County Regional Jail Commission)	1,389,947	742,173	1,231,412	900,708
Compensated Absences (payable from Rockbridge County Regional Jail Commission)	161,963	45,755	40,491	167,228
Total Long-Term Obligations	<u>\$ 1,802,406</u>	<u>\$ 802,432</u>	<u>\$ 1,298,394</u>	<u>\$ 1,306,445</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Net pension liability	\$ 900,708	\$ -
Net OPEB liability	\$ 238,509	\$ -
Compensated absences	\$ 167,228	\$ 41,807
Total obligations	<u>\$ 1,306,445</u>	<u>\$ 41,807</u>

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

	Balance July 1, 2017, as restated	Additions/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Net OPEB liability (payable from Rockbridge Regional Social Services Board)	\$ 86,000	\$ (1,000)	\$ 12,000	\$ 73,000
Compensated Absences (payable from Rockbridge Area Social Services Board)	\$ 95,523	\$ 75,178	\$ 71,642	\$ 99,059
Total Long-Term Obligations	<u>\$ 181,523</u>	<u>\$ 74,178</u>	<u>\$ 83,642</u>	<u>\$ 172,059</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

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

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Net OPEB liability	\$ 73,000	\$ -
Compensated absences	99,059	24,765
Total obligations	<u>\$ 172,059</u>	<u>\$ 24,765</u>

Component Unit-School Board:

The following is a summary of long-term obligation transactions of the School Board Component Unit for the year ended June 30, 2018:

	Balance July 1, 2017, as restated	Additions/ Issuances	Deductions/ Retirements	Balance June 30, 2018
Net pension liability	\$ 29,391,068	\$ 4,404,530	\$ 8,595,301	\$ 25,200,297
Net OPEB liabilities	9,756,000	645,000	675,000	9,726,000
Compensated absences	127,980	172,488	76,788	223,680
Total	<u>\$ 39,275,048</u>	<u>\$ 5,222,018</u>	<u>\$ 9,347,089</u>	<u>\$ 35,149,977</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Net pension liability (payable from the School Fund)	\$ 25,200,297	\$ -
Net OPEB liabilities	9,726,000	-
Compensated absences (payable from the School Fund)	223,680	55,920
Total long-term obligations	<u>\$ 35,149,977</u>	<u>\$ 55,920</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none">• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)***Plan Description (Continued)***

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	97	102
Inactive members:		
Vested inactive members	21	18
Non-vested inactive members	31	27
Inactive members active elsewhere in VRS	43	19
Total inactive members	95	64
Active members	145	77
Total covered employees	337	243

Contributions

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

The Primary Government's contractually required employer contribution rate for the year ended June 30, 2018 was 12.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$679,019 and \$641,341 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Contributions (continued)

The Component Unit Rockbridge Regional Jail Commission's contractually required employer contribution rate for the year ended June 30, 2018 was 12.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit Rockbridge Regional Jail Commission were \$183,844 and \$194,797 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 6.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$82,774 and \$83,249 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The Primary Government's, Component Unit Rockbridge Regional Jail Commission's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Primary Government's, Component Unit Rockbridge Regional Jail Commission's, and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (continued)

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% 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.

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 ages 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – 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% to 20%

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (continued)

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% to 15%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Primary Government's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Hazardous Duty: 70% 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 90% of rates; females set forward 1 year.

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 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

Post-Disablement:

RP-20104 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Hazardous Duty: 45% 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 90% of rates; females set forward 1 year.

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 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – 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	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County, Component Unit Rockbridge Regional Jail Commission, and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 25,665,740	\$ 21,090,249	\$ 4,575,491
Changes for the year:			
Service cost	\$ 654,412	\$ -	\$ 654,412
Interest	1,753,002	-	1,753,002
Differences between expected and actual experience	(437,725)	-	(437,725)
Assumption changes	(147,979)	-	(147,979)
Impact of change in proportion	(18,739)	(15,398)	(3,341)
Contributions - employer	-	638,526	(638,526)
Contributions - employee	-	251,702	(251,702)
Net investment income	-	2,565,014	(2,565,014)
Benefit payments, including refunds	(1,208,237)	(1,208,237)	-
Administrative expenses	-	(14,829)	14,829
Other changes	-	(2,278)	2,278
Net changes	\$ 594,734	\$ 2,214,500	\$ (1,619,766)
Balances at June 30, 2017	\$ 26,260,474	\$ 23,304,749	\$ 2,955,725
Component Unit Rockbridge Regional Jail Commission			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 7,796,763	\$ 6,406,816	\$ 1,389,947
Changes for the year:			
Service cost	\$ 199,421	\$ -	\$ 199,421
Interest	534,198	-	534,198
Differences between expected and actual experience	(133,390)	-	(133,390)
Assumption changes	(45,094)	-	(45,094)
Impact of change in proportion	18,739	15,398	3,341
Contributions - employer	-	194,580	(194,580)
Contributions - employee	-	76,702	(76,702)
Net investment income	-	781,646	(781,646)
Benefit payments, including refunds	(368,190)	(368,190)	-
Administrative expenses	-	(4,519)	4,519
Other changes	-	(694)	694
Net changes	\$ 205,684	\$ 694,923	\$ (489,239)
Balances at June 30, 2017	\$ 8,002,447	\$ 7,101,739	\$ 900,708

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Continued)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 7,555,485	\$ 6,954,417	\$ 601,068
Changes for the year:			
Service cost	\$ 143,236	\$ -	\$ 143,236
Interest	511,555	-	511,555
Differences between expected and actual experience	(192,440)	-	(192,440)
Assumption changes	(42,518)	-	(42,518)
Contributions - employer	-	86,267	(86,267)
Contributions - employee	-	65,822	(65,822)
Net investment income	-	827,254	(827,254)
Benefit payments, including refunds	(495,127)	(495,127)	-
Administrative expenses	-	(5,013)	5,013
Other changes	-	(726)	726
Net changes	\$ (75,294)	\$ 478,477	\$ (553,771)
Balances at June 30, 2017	\$ 7,480,191	\$ 7,432,894	\$ 47,297

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability	\$ 6,209,690	\$ 2,955,725	\$ 234,325
Component Unit Rockbridge Regional Jail Commission Net Pension Liability	\$ 1,892,300	\$ 900,708	\$ 71,407
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 825,102	\$ 47,297	\$ (612,451)

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2018, the Primary Government, Component Unit Rockbridge Regional Jail Commission and Component Unit School Board (nonprofessional) recognized pension expense of \$324,594, \$93,526 and (\$136,615), respectively. At June 30, 2018, the Primary Government, Component Unit Rockbridge Regional Jail Commission and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit Regional Jail Commission		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,453	\$ 347,276	\$ 4,179	\$ 105,792	-	\$ 105,415
Change in assumptions	-	104,836	-	31,947	-	20,488
Net difference between projected and actual earnings on pension plan investments	-	338,795	-	104,540	-	100,584
Impact of change in proportional allocation	8,631	-	-	8,631	-	-
Employer contributions subsequent to the measurement date	679,019	-	183,844	-	82,774	-
Total	\$ 701,103	\$ 790,907	\$ 188,023	\$ 250,910	\$ 82,774	\$ 226,487

\$679,019, \$183,844 and \$82,774 reported as deferred outflows of resources related to pensions resulting from the Primary Government's, Component Unit Regional Jail Commission's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2019. 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,	Primary Government	Component Unit Rockbridge Regional Jail Commission	Component Unit School Board (nonprofessional)
2019	\$ (385,730)	\$ (122,938)	\$ (197,837)
2020	(90,455)	(31,235)	37,989
2021	(71,670)	(26,094)	3,893
2022	(220,968)	(66,464)	(70,532)

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined 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 school division were \$2,649,728 and \$2,325,915 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$25,153,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was .20453% as compared to .20544% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$1,571,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)**Component Unit School Board (professional) (continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

At June 30, 2018, the school division 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	\$ -	\$ 1,781,000
Change in assumptions	367,000	-
Net difference between projected and actual earnings on pension plan investments	-	914,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,000	703,000
Employer contributions subsequent to the measurement date	2,649,728	-
Total	<u>\$ 3,024,728</u>	<u>\$ 3,398,000</u>

\$2,649,728 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. 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:

<u>Year Ended June 30,</u>	
2019	\$ (1,273,000)
2020	(278,000)
2021	(449,000)
2022	(916,000)
2023	(107,000)

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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	Adjusted rates to better match experience
Salary Scale	No change

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan are as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	45,417,520
Plan Fiduciary Net Position		33,119,545
Employers' Net Pension Liability (Asset)	\$	<u>12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		72.92%

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 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 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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one 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 6.83%, including expected inflation of 2.50%.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Rate		
1% Decrease	Current Discount	1% Increase
(6.00%)	(7.00%)	(8.00%)

School division's proportionate
share of the VRS Teacher
Employee Retirement Plan

Net Pension Liability (Asset)	\$	37,562,000	\$	25,153,000	\$	14,889,000
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Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. <ul style="list-style-type: none">• <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program 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.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program 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 Group Life Insurance Program 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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. Primary Government contributions to the Group Life Insurance Program were \$27,029 and \$26,037 for the years ended June 30, 2018 and June 30, 2017, respectively. Component Unit Rockbridge Regional Jail Commission contributions to the Group Life Insurance Program were \$8,239 and \$7,936 for the years ended June 30, 2018 and June 30, 2017, respectively. School Board contributions to the Group Life Insurance Program for nonprofessional employees were \$6,850 and \$7,085, for the years ended June 30, 2018 and June 30, 2017 respectively. School Board contributions to the Group Life Insurance Program for professional employees were \$86,143 and \$83,797, for the years ended June 30, 2018 and June 30, 2017 respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the Primary Government reported a liability of \$408,491 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .02715% as compared to 0.02674% at June 30, 2016.

At June 30, 2018, the Component Unit Rockbridge Regional Jail Commission reported a liability of \$124,508 for its proportionate share of the Net GLI OPEB Liability. At June 30, 2017, the participating employer's proportion was .00827% as compared to 0.00815% at June 30, 2016.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, the School Board reported liability of \$111,000 for nonprofessional employees and \$1,315,000 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2017 the participating employer's proportion for nonprofessional employees was 0.00739% as compared to 0.00805% at June 30, 2016. At June 30, 2017, the participating employer's proportion for School Board professional employees was 0.08737% as compared to 0.08796% at June 30, 2016.

For the year ended June 30, 2018, the Primary Government recognized GLI OPEB expense of \$5,365, while the Component Unit Rockbridge Regional Jail recognized GLI OPEB expense of \$1,635. The School Board recognized GLI OPEB expense of (\$1,000), and \$13,000 for nonprofessional and professional employees, respectively. 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, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit Rockbridge Regional Jail Commission	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,197	\$ -	\$ 2,803
Net difference between projected and actual earnings on GLI OPEB program investments	-	15,328	-	4,672
Change in assumptions	-	20,693	-	6,307
Changes in proportion	6,132	-	1,868	-
Employer contributions subsequent to the measurement date	27,029	-	8,239	-
Total	\$ 33,161	\$ 45,218	\$ 10,107	\$ 13,782

\$27,029 and \$8,239 for the Primary Government and Component Unit Rockbridge Regional Jail Commission, respectively were 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, 2019. 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:

Primary Government		Component Unit Rockbridge Regional Jail Commission	
Year Ended June 30,		Year Ended June 30,	
2019	\$ (8,430)	2019	\$ (2,570)
2020	(8,430)	2020	(2,570)
2021	(8,430)	2021	(2,570)
2022	(8,430)	2022	(2,570)
2023	(4,598)	2023	(1,402)
Thereafter	(768)	Thereafter	(232)

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

	Component Unit School Board			
	Nonprofessional Employees		Professional Employees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,000	\$ -	\$ 29,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,000	-	49,000
Change in assumptions	-	6,000	-	68,000
Changes in proportion	-	10,000	-	8,000
Employer contributions subsequent to the measurement date	6,850	-	86,143	-
Total	\$ 6,850	\$ 22,000	\$ 86,143	\$ 154,000

\$6,850 and \$86,143 for the School Board nonprofessional and professional employees, respectively were 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, 2019. 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:

Component Unit School Board			
Nonprofessional Employees		Professional Employees	
Year Ended June 30,		Year Ended June 30,	
2019	\$ (5,000)	2019	\$ (32,000)
2020	(5,000)	2020	(32,000)
2021	(5,000)	2021	(32,000)
2022	(5,000)	2022	(32,000)
2023	(2,000)	2023	(18,000)
Thereafter	-	Thereafter	(8,000)

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

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 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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	Adjusted rates to better match experience
Salary Scale	No change

Mortality Rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – SPORS Employees (continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

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 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality Rates – 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.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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% to 20%

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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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% to 15%

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS 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 ending 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. From July 1, 2019 on, employers are assumed 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.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Primary Government's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 528,816	\$ 408,491	\$ 311,158
Regional Jail's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 161,184	\$ 124,508	\$ 94,842
School Board's proportionate share of the Group Life Insurance Program Net OPEB Liability-nonprofessional employees	\$ 144,000	\$ 111,000	\$ 85,000
School Board's proportionate share of the Group Life Insurance Program Net OPEB Liability-professional employees	\$ 1,701,000	\$ 1,315,000	\$ 1,002,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 10—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.• <u>Disability Retirement</u> – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<ul style="list-style-type: none">○ \$4.00 per month, multiplied by twice the amount of service credit, or○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 10—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$202,114 and \$178,379 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of \$2,583,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .20363% as compared to 0.20543% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$207,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 5,000
Change in assumptions	-	26,000
Change in proportion	-	20,000
Employer contributions subsequent to the measurement date	202,114	-
Total	\$ 202,114	\$ 51,000

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 10—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

\$202,114 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,

2019	\$	(8,000)
2020		(8,000)
2021		(8,000)
2022		(8,000)
2023		(7,000)
Thereafter		(12,000)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 10—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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	Adjusted rates to better match experience
Salary Scale	No change

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 10—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,268,611</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%
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The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC 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 VRS 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 VRS 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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 10—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	2,883,000	\$ 2,583,000	\$ 2,328,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 11—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):

Plan Description

In addition to the pension benefits described in Note 8, the Primary Government administers a single-employer defined benefit healthcare plan, the County of Rockbridge OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

The School Board also administers a single-employer defined benefit healthcare plan, the Rockbridge County School Board OPEB Plan. Similar to the Rockbridge County OPEB Plan, this plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The School Board plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Prescription insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Primary Government who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits if they have at least 5 years of service with the Primary Government. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits if they have at least 10 years of services with the School Board.

Plan Membership

At July 1, 2017 (the measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit Rockbridge Regional Jail Commission	Component Unit Rockbridge Public Service Authority	Component Unit School Board
Total active employees with coverage	131	33	9	409
Total retirees with coverage	2	2	0	28
Total	133	35	9	437

Contributions

The County and School Board do 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. The funding requirements are established and may be amended by the County or the School board for the respective plans. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was \$9,000. The amount paid by the Component Unit Rockbridge Regional Jail Commission and Component Unit Rockbridge Public Service Authority during the year ended June 30, 2018 under the County plan were \$5,000 and \$0, respectively.

The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$179,000.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 11—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

Total OPEB Liability

The County's and School Board's total OPEB liabilities were measured as of July 1, 2017. The total OPEB liabilities were determined by actuarial valuations as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2016 actuarial valuations for the County and for the School Board were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Salary Increases	2.5% per year for general salary inflations
Discount Rate	The discount rate has been set to equal 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017
Investment Rate of Return	N/A

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate has been set to 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017. The final equivalent single discount rate used for this year's valuation is 3.56% as of the end of the fiscal year with the expectation that the County and School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit Rockbridge Regional Jail Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$ 240,000	\$ 108,000	\$ 5,470,000
Changes for the year:			
Service cost	15,000	7,000	226,000
Interest	9,000	4,000	200,000
Benefit payments	(9,000)	(5,000)	(179,000)
Net changes	15,000	6,000	247,000
Balances at June 30, 2018	\$ 255,000	\$ 114,000	\$ 5,717,000

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 11—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liabilities of the Primary Government, Component Unit Rockbridge Regional Jail Commission, and Component Unit School Board, as well as what the total OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

Rate			
1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)	
Primary Government			
\$ 282,759	\$ 255,000	\$ 230,468	
Component Unit Rockbridge Regional Jail Commission			
\$ 126,410	\$ 114,000	\$ 103,033	
Component Unit School Board			
\$ 6,233,000	\$ 5,717,000	\$ 5,240,000	

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liabilities of the Primary Government, Component Unit Rockbridge Regional Jail Commission, and Component Unit School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current healthcare cost trend rates:

Rates			
1% Decrease (6.5% decreasing to 4.00%)	Healthcare Cost Trend (7.50% decreasing to 5.00%)	1% Increase (8.5% decreasing to 6.00%)	
Primary Government			
\$ 224,013	\$ 255,000	\$ 292,443	
Component Unit Rockbridge Regional Jail Commission			
\$ 100,147	\$ 114,000	\$ 130,739	
Component Unit School Board			
\$ 5,008,000	\$ 5,717,000	\$ 6,547,000	

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Primary Government recognized OPEB expense in the amount of \$24,000. The Component Unit Rockbridge Regional Jail recognized OPEB expense in the amount of \$11,000. The School Board recognized OPEB expense in the amount of \$426,000. At June 30, 2018, the Primary Government, Rockbridge Regional Jail, and School Board did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found on the required supplementary information following the notes to the financial statements.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 12—DEFERRED/UNAVAILABLE REVENUE PROPERTY TAXES & INFLOWS/OUTFLOWS OF RESOURCES:

Deferred revenue / unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Deferred and unavailable revenue in the government-wide and fund financial statements totaling \$9,175,924 and \$10,573,073 respectively, is comprised of the following:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred/unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,397,149
2nd half assessments due in December	8,659,206	8,659,206
Prepaid property taxes due after June 30 but paid in advance by taxpayers	516,718	516,718
Total unavailable/deferred revenue	\$ 9,175,924	\$ 10,573,073

Unearned revenue of the Primary Government is comprised of prepaid Department of Motor Vehicle fees in the amount of \$1,957.

NOTE 13—CONTINGENT LIABILITIES:

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

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

NOTE 14—DEPOSITS AND INVESTMENTS:

Deposits:

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 14—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

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

Credit Risk of Debt Securities

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

The County and its discretely presented component units rated debt investments as of June 30, 2018 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

County's Rated Debt Investments' Values		
Rated Debt Investments		Fair Quality Ratings
		AAAm
Local Government Investment Pool	\$	15,124,924
SNAP External Investment Pool		804,189
Total	\$	15,929,113

External Investment Pool

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

Interest Rate Risk

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

Investments	Fair Value		Maturity	
			Less than 1 year	
Local Government Investment Pool	\$	15,124,924	\$	15,124,924
SNAP External Investment Pool		804,189		804,189
Total	\$	15,929,113	\$	15,929,113

NOTE 15—RISK MANAGEMENT:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 16—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2018 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Transfers/ Reclassifications	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,790,211	\$ -	\$ -	\$ -	\$ 1,790,211
Construction in progress	1,339,954	5,762,993	(1,520,558)	-	5,582,389
Total capital assets not being depreciated	\$ 3,130,165	\$ 5,762,993	\$ (1,520,558)	\$ -	\$ 7,372,600
Capital assets being depreciated:					
Buildings and improvements	\$ 78,630,621	\$ 1,467,594	\$ (2,177,854)	\$ 408,748	\$ 78,329,109
Machinery and equipment	3,417,032	279,812	(76,219)	62,951	3,683,576
Total capital assets being depreciated	\$ 82,047,653	\$ 1,747,406	\$ (2,254,073)	\$ 471,699	\$ 82,012,685
Accumulated depreciation:					
Buildings and improvements	\$ (13,269,853)	\$ (1,447,391)	\$ -	\$ (310,614)	\$ (15,027,858)
Machinery and equipment	(2,322,524)	(349,659)	76,219	(21,408)	(2,617,372)
Total accumulated depreciation	\$ (15,592,377)	\$ (1,797,050)	\$ 76,219	\$ (332,022)	\$ (17,645,230)
Total capital assets being depreciated, net	\$ 66,455,276	\$ (49,644)	\$ (2,177,854)	\$ 139,677	\$ 64,367,455
Governmental activities capital assets, net	\$ 69,585,441	\$ 5,713,349	\$ (3,698,412)	\$ 139,677	\$ 71,740,055
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 531,037	\$ -	\$ -	\$ -	\$ 531,037
Construction in progress	4,776,676	198,626	(4,975,302)	-	-
Total capital assets not being depreciated	\$ 5,307,713	\$ 198,626	\$ (4,975,302)	\$ -	\$ 531,037
Capital assets being depreciated:					
Buildings and improvements	\$ 3,634,599	\$ 4,975,302	\$ -	\$ (408,748)	\$ 8,201,153
Machinery and equipment	1,859,510	321,816	(76,070)	(62,951)	2,042,305
Total capital assets being depreciated	\$ 5,494,109	\$ 5,297,118	\$ (76,070)	\$ (471,699)	\$ 10,243,458
Accumulated depreciation:					
Buildings and improvements	\$ (1,372,497)	\$ (145,780)	\$ -	\$ 310,614	\$ (1,207,663)
Machinery and equipment	(721,529)	(228,673)	76,070	21,408	(852,724)
Total accumulated depreciation	\$ (2,094,026)	\$ (374,453)	\$ 76,070	\$ 332,022	\$ (2,060,387)
Total capital assets being depreciated, net	\$ 3,400,083	\$ 4,922,665	\$ -	\$ (139,677)	\$ 8,183,071
Business-type activities capital assets, net	\$ 8,707,796	\$ 5,121,291	\$ (4,975,302)	\$ (139,677)	\$ 8,714,108

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 16—CAPITAL ASSETS: (CONTINUED)**Primary Government: (continued)**

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

Governmental activities:

General government administration	\$	1,120,828
Judicial administration		12,288
Public safety		190,294
Public works		53,957
Parks, recreation, and cultural		9,520
Education		410,163

Total depreciation expense-governmental activities	\$	<u>1,797,050</u>
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Business-type activities:

Blue Ridge Resource Authority	\$	<u>374,453</u>
Total depreciation expense-business-type activities	\$	<u>374,453</u>

Discretely Presented Component Unit-School Board:

Capital asset activity for the School Board for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 117,555	\$ -	\$ -	\$ 117,555
Construction in progress	<u>180,887</u>	<u>70,217</u>	<u>-</u>	<u>251,104</u>
Total capital assets not being depreciated	\$ <u>298,442</u>	\$ <u>70,217</u>	\$ <u>-</u>	\$ <u>368,659</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 38,820,848	\$ 2,256,241	\$ -	\$ 41,077,089
Machinery and equipment	<u>6,272,934</u>	<u>759,695</u>	<u>(20,025)</u>	<u>7,012,604</u>
Total capital assets being depreciated	\$ <u>45,093,782</u>	\$ <u>3,015,936</u>	\$ <u>(20,025)</u>	\$ <u>48,089,693</u>
Accumulated depreciation:				
Buildings and improvements	\$ (19,902,812)	\$ (1,405,375)	\$ -	\$ (21,308,187)
Machinery and equipment	<u>(4,353,584)</u>	<u>(566,941)</u>	<u>20,025</u>	<u>(4,900,500)</u>
Total accumulated depreciation	\$ <u>(24,256,396)</u>	\$ <u>(1,972,316)</u>	\$ <u>20,025</u>	\$ <u>(26,208,687)</u>
Total capital assets being depreciated, net	\$ <u>20,837,386</u>	\$ <u>1,043,620</u>	\$ <u>-</u>	\$ <u>21,881,006</u>
School Board capital assets, net	\$ <u>21,135,828</u>	\$ <u>1,113,837</u>	\$ <u>-</u>	\$ <u>22,249,665</u>

Depreciation expense for the year ended June 30, 2018 was \$1,972,316.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 16—CAPITAL ASSETS: (CONTINUED)

Discretely Presented Component Unit-School Board: (continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local government on-behalf of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a tenancy in common with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Rockbridge, Virginia for the year ended June 30, 2018, is that school financed assets in the amount of \$41,483,903 are reported in the Primary Government for financial reporting purposes.

Discretely Presented Component Unit—Rockbridge Area Social Services Board:

Capital asset activity for the Social Services Board for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Ending Balance
Capital assets being depreciated:			
Equipment	\$ 99,596	\$ -	\$ 99,596
Vehicle	94,873	-	94,873
Furniture and fixtures	8,857	-	8,857
Total capital assets being depreciated	\$ 203,326	\$ -	\$ 203,326
Accumulated depreciation:			
Equipment	\$ (80,474)	\$ (4,781)	\$ (85,255)
Vehicle	(86,964)	(4,367)	(91,331)
Furniture and fixtures	(8,857)	-	(8,857)
Total accumulated depreciation	\$ (176,295)	\$ (9,148)	\$ (185,443)
Net capital assets	\$ 27,031	\$ (9,148)	\$ 17,883

Depreciation expense for the year ended June 30, 2018 was \$9,148.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 16—CAPITAL ASSETS: (CONTINUED)**Component Unit—Rockbridge Regional Jail Commission:**

A summary of capital assets is summarized below:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	\$ 6,000,623	\$ -	\$ -	\$ 6,000,623
Machinery and equipment	525,065	78,553	-	603,618
Total capital assets being depreciated	\$ 6,525,688	\$ 78,553	\$ -	\$ 6,604,241
Accumulated depreciation:				
Buildings and improvements	\$ (2,995,648)	\$ (150,015)	\$ -	\$ (3,145,663)
Machinery and equipment	(494,254)	(11,322)	-	(505,576)
Total accumulated depreciation	\$ (3,489,902)	\$ (161,337)	\$ -	\$ (3,651,239)
Total capital assets being depreciated, net	\$ 3,035,786	\$ (82,784)	\$ -	\$ 2,953,002
Jail Commission capital assets, net	\$ 3,035,786	\$ (82,784)	\$ -	\$ 2,953,002

Depreciation expense for the year ended June 30, 2018 totaled \$161,337.

Component Unit—Rockbridge County Public Service Authority:

A summary of changes in capital assets for the year ended June 30, 2018 follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 410,596	\$ -	\$ -	\$ 410,596
Construction in progress	137,194	27,807	-	165,001
Total capital assets not being depreciated	\$ 547,790	\$ 27,807	\$ -	\$ 575,597
Capital assets being depreciated:				
Buildings and improvements	\$ 176,866	\$ -	\$ -	\$ 176,866
Machinery and equipment	781,331	-	(22,954)	758,377
Utility plant and equipment	36,995,142	-	-	36,995,142
Capital assets being depreciated	\$ 37,953,339	\$ -	\$ (22,954)	\$ 37,930,385
Accumulated depreciation				
Buildings and improvements	\$ (114,167)	\$ (4,422)	\$ -	\$ (118,589)
Machinery and equipment	(607,355)	(69,274)	22,954	(653,675)
Utility plant and equipment	(14,029,818)	(884,386)	-	(14,914,204)
Total accumulated depreciation	\$ (14,751,340)	\$ (958,082)	\$ 22,954	\$ (15,686,468)
Capital assets being depreciated, net	\$ 23,201,999	\$ (958,082)	\$ -	\$ 22,243,917
Capital assets, net Public Service Authority	\$ 23,749,789	\$ (930,275)	\$ -	\$ 22,819,514

Depreciation expense for the fiscal year totaled \$958,082.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 17—ADVANCES TO/FROM PARTICIPATING ENTITIES:

The general fund has established an asset for advances to other entities in the amount of \$3,661,058. This is comprised of advances to the component unit Rockbridge County Public Service Authority, Rockbridge Area Net Authority and the Blue Ridge Resource Authority in the amounts of \$3,057,273, \$253,785, and \$350,000, respectively.

The Blue Ridge Resource Authority has established a liability for advances from participating localities as follows:

	Balance July 1, 2017	Increase (Decrease)	Balance June 30, 2018
Rockbridge County	\$ 350,000	\$ -	\$ 350,000
Total	\$ 350,000	\$ -	\$ 350,000

NOTE 18—LANDFILL CLOSURE AND POST-CLOSURE CARE COST:

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

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

The landfill began operation during 1972 and reached capacity during fiscal year 2018. The Authority constructed a new landfill cell that began operations on July 1, 2017. The \$5,195,580 reported as accrued closure and post-closure liability at June 30, 2018 represents the cumulative amount reported for closure and post closure of the landfill which has reached full capacity, and the estimated closure and post closure liability for the new landfill cell based on the estimated use of capacity as of June 30, 2018 (approximately 15%). The estimated total current cost of the landfill closure and post-closure care of \$5,195,580 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Blue Ridge Resource Authority intends to fund these costs from tipping revenues and from any funds derived and accumulated for this purpose in the upcoming years.

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 19—DUE TO OTHER GOVERNMENTS:

During fiscal year 2013 the County entered into an agreement with the City of Buena Vista, Virginia and the City of Lexington, Virginia in order to fund certain renovation improvements to the Rockbridge County Regional Jail. The agreement stipulates that each locality shall be responsible for a portion of the debt issued to finance the project. The City of Lexington serves as fiscal agent for the project and as such, will pay the annual debt service through April 2028. The participating localities will reimburse the City of Lexington for the debt service. As of June 30, 2018 the portion of the debt allocable to the County of Rockbridge, Virginia amounted to \$768,031.

The Component Unit Rockbridge Area Social Services Board reported a balance due to the Cities of Buena Vista and Lexington of \$462,873 as of June 30, 2018, which represents the net balance owed to the two Cities. The balance due to the Cities consists of administrative costs due from the Cities of \$20,670 and CSA pool reimbursements due to the Cities of \$483,543.

NOTE 20—SURETY BONDS:

The County had the following surety bonds on hand at June 30, 2018:

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

NOTE 21—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 28,204	\$ 1,183,469
School Capital Projects Fund	932,288	-
County Capital Projects Fund	251,181	-
Recycling Fund	-	28,204
Total	\$ 1,211,673	\$ 1,211,673

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. The transfer from the recycling fund to the general fund was necessary to close the recycling fund. Historically the recycling fund has been reported as an enterprise fund of the county, however the activity in this fund has historically been subsidized by the general fund. As of July 1, 2017 the Recycling fund was closed to the general fund.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 22—SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES:

	Enterprise Fund Landfill Fund
Operating revenue	\$ 2,122,475
Depreciation and amortization	374,453
Operating income (loss)	644,614
Property, plant and equipment additions	520,441
Net working capital	976,025
Total assets	15,688,081
Long-term liabilities	11,712,734
Net position	2,689,911

NOTE 23—CAPITAL LEASES:

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Machinery and equipment	\$ -	\$ 1,322,609
Construction in progress-School energy project	5,236,000	-
Accumulated depreciation	-	(449,164)
Total	\$ 5,236,000	\$ 873,445

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018, are as follows:

Year Ended June 30,	Governmental Activities	Business-type Activities
2019	\$ 329,601	\$ 229,182
2020	394,300	201,644
2021	405,770	116,769
2022	413,814	56,145
2023	422,503	32,752
Thereafter	4,319,974	-
Amount representing interest	(1,049,962)	(30,074)
Present value of minimum lease payments	\$ 5,236,000	\$ 606,418

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 24—COMMITMENTS AND CONTINGENCIES:

The County and the City of Lexington entered into a modified voluntary settlement of Annexation and Immunity Agreement on May 6, 1986. This agreement is based on real estate assessed values and on non-property local taxes. The amount due the City of Lexington is payable on January 1 of each year. Included in these financial statements is the payment for the year ended June 30, 2017 in the amount of \$1,854,260. The amount to be paid on January 1, 2019, and which is not included in the financial statements, totals \$1,907,141 for the fiscal year ended June 30, 2018.

The County has guaranteed debt issued by the Maury Service Authority (MSA) for the construction and upgrades of its current wastewater treatment plant. The MSA's debt totaled \$4,522,120 as of June 30, 2018 and is scheduled to be completely retired by June 2031. The County paid \$704,330 to the MSA in fiscal year 2018 for half of the debt service, the City of Lexington pays an equal assessment. The annual assessment will be reduced to \$161,504 for fiscal years 2019 to 2031.

The County along with the Cities of Lexington and Buena Vista, have entered into an agreement with the Rockbridge Regional Public Safety Communications Center, for the purpose of providing contributions for the payment of debt associated with its radio upgrade project through June 30, 2030. Each locality will contribute a percentage of the total cost of the upgrade based upon its annual assessed value of real estate. The County of Rockbridge is serving as fiscal agent for the radio upgrade project. The amount owed by the Rockbridge Regional Public Safety Communications Center on the capital lease obligations at June 30, 2018 was \$6,812,423 and an annual payment of \$757,744 will be paid by the Center through June 2030.

NOTE 25—UPCOMING PRONOUNCEMENTS:

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2018

NOTE 25—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

NOTE 26—CONSTRUCTION CONTRACTS OUTSTANDING:

The Component Unit School Board had the following material construction contract outstanding as of June 30, 2018:

Project	Contractor	Original Contract Amount	Amount Spent to Date	Amount of Contract Remaining at Year End
Component units:				
School Board:				
Energy Performance Upgrades	Trane	\$ 6,267,102	\$ 5,007,455	\$ 1,259,647
Total School Board		<u>\$ 6,267,102</u>	<u>\$ 5,007,455</u>	<u>\$ 1,259,647</u>

NOTE 27—LITIGATION:

At June 30, 2018, there were no matters of litigation involving the County for which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with principles
generally accepted in the United States of America

General Fund

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

For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 25,392,935	\$ 25,392,717	\$ 26,131,707	\$ 738,990
Other local taxes	8,947,300	8,947,518	9,084,201	136,683
Permits, privilege fees, and regulatory licenses	175,830	175,830	283,671	107,841
Fines and forfeitures	450,685	450,685	626,580	175,895
Revenue from the use of money and property	85,357	85,357	244,947	159,590
Charges for services	783,770	783,770	1,486,796	703,026
Miscellaneous	1,086,291	1,086,291	1,204,399	118,108
Recovered costs	436,543	436,543	387,604	(48,939)
Intergovernmental:				
Commonwealth	5,084,976	5,084,976	5,012,009	(72,967)
Federal	134,498	134,498	316,962	182,464
Total revenues	<u>\$ 42,578,185</u>	<u>\$ 42,578,185</u>	<u>\$ 44,778,876</u>	<u>\$ 2,200,691</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,941,556	\$ 1,971,618	\$ 1,963,707	\$ 7,911
Judicial administration	1,538,221	1,587,574	1,537,279	50,295
Public safety	9,389,880	9,459,536	9,256,857	202,679
Public works	3,208,287	3,812,346	3,532,420	279,926
Health and welfare	1,355,818	1,361,415	1,731,697	(370,282)
Education	14,311,653	14,617,542	14,478,618	138,924
Parks, recreation, and cultural	1,467,563	1,500,063	1,471,789	28,274
Community development	3,141,758	3,876,695	3,222,033	654,662
Nondepartmental	1,907,625	1,892,087	1,856,695	35,392
Debt service:				
Principal retirement	2,437,169	2,437,709	2,437,709	-
Interest and other fiscal charges	2,295,505	2,295,379	2,291,692	3,687
Total expenditures	<u>\$ 42,995,035</u>	<u>\$ 44,811,964</u>	<u>\$ 43,780,496</u>	<u>\$ 1,031,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (416,850)</u>	<u>\$ (2,233,779)</u>	<u>\$ 998,380</u>	<u>\$ 3,232,159</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 652,530	\$ 652,530	\$ 28,204	\$ (624,326)
Transfers out	(235,680)	(1,183,469)	(1,183,469)	-
Total other financing sources (uses)	<u>\$ 416,850</u>	<u>\$ (530,939)</u>	<u>\$ (1,155,265)</u>	<u>\$ (624,326)</u>
Net change in fund balances	\$ -	\$ (2,764,718)	\$ (156,885)	\$ 2,607,833
Fund balances - beginning	-	2,764,718	26,018,446	23,253,728
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,861,561</u>	<u>\$ 25,861,561</u>

Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 654,412	\$ 619,348	\$ 621,092	\$ 574,316
Interest	1,753,002	1,679,621	1,589,147	1,511,082
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(437,725)	(76,498)	56,853	-
Impact of change in proportion	(18,739)	128,010	-	-
Changes in assumptions	(147,979)	-	-	-
Benefit payments, including refunds of employee contributions	(1,208,237)	(1,102,628)	(1,102,599)	(837,782)
Net change in total pension liability	\$ 594,734	\$ 1,247,853	\$ 1,164,493	\$ 1,247,616
Total pension liability - beginning	25,665,740	24,417,887	23,253,394	22,005,778
Total pension liability - ending (a)	\$ 26,260,474	\$ 25,665,740	\$ 24,417,887	\$ 23,253,394
Plan fiduciary net position				
Contributions - employer	\$ 638,526	\$ 671,338	\$ 646,121	\$ 615,640
Contributions - employee	251,702	237,691	229,869	230,640
Impact of change in proportion	(15,398)	109,171	-	-
Net investment income	2,565,014	363,336	921,330	2,750,491
Benefit payments, including refunds of employee contributions	(1,208,237)	(1,102,628)	(1,102,599)	(837,782)
Administrative expense	(14,829)	(12,951)	(12,651)	(14,663)
Other	(2,278)	(153)	(194)	145
Net change in plan fiduciary net position	\$ 2,214,500	\$ 265,804	\$ 681,876	\$ 2,744,471
Plan fiduciary net position - beginning	21,090,249	20,824,445	20,142,569	17,398,098
Plan fiduciary net position - ending (b)	\$ 23,304,749	\$ 21,090,249	\$ 20,824,445	\$ 20,142,569
County's net pension liability - ending (a) - (b)	\$ 2,955,725	\$ 4,575,491	\$ 3,593,442	\$ 3,110,825
Plan fiduciary net position as a percentage of the total pension liability	88.74%	82.17%	85.28%	86.62%
Covered payroll	\$ 5,026,772	\$ 4,811,564	\$ 4,611,013	\$ 4,613,775
County's net pension liability as a percentage of covered payroll	58.80%	95.09%	77.93%	67.42%

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 Changes in Net Pension Liability and Related Ratios
 Component Unit Rockbridge Regional Jail Commission
 For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 199,421	\$ 188,146	\$ 192,921	\$ 178,392
Interest	534,198	510,237	493,614	469,366
Differences between expected and actual experience	(133,390)	(23,239)	17,662	-
Impact of change in proportion	18,739	(128,010)	-	-
Changes in assumptions	(45,094)	-	-	-
Benefit payments, including refunds of employee contributions	(368,190)	(334,957)	(342,487)	(260,228)
Net change in total pension liability	\$ 205,684	\$ 212,177	\$ 361,710	\$ 387,530
Total pension liability - beginning	7,796,763	7,584,586	7,222,876	6,835,346
Total pension liability - ending (a)	\$ 8,002,447	\$ 7,796,763	\$ 7,584,586	\$ 7,222,876
Plan fiduciary net position				
Contributions - employer	\$ 194,580	\$ 203,940	\$ 200,696	\$ 191,228
Contributions - employee	76,702	72,206	71,401	71,641
Impact of change in proportion	15,398	(109,171)	-	-
Net investment income	781,646	110,374	286,180	854,346
Benefit payments, including refunds of employee contributions	(368,190)	(334,957)	(342,487)	(260,228)
Administrative expense	(4,519)	(3,934)	(3,929)	(4,555)
Other	(694)	(48)	(59)	45
Net change in plan fiduciary net position	\$ 694,923	\$ (61,590)	\$ 211,802	\$ 852,477
Plan fiduciary net position - beginning	6,406,816	6,468,406	6,256,604	5,404,127
Plan fiduciary net position - ending (b)	\$ 7,101,739	\$ 6,406,816	\$ 6,468,406	\$ 6,256,604
Commission's net pension liability - ending (a) - (b)	\$ 900,708	\$ 1,389,947	\$ 1,116,180	\$ 966,272
Plan fiduciary net position as a percentage of the total pension liability	88.74%	82.17%	85.28%	86.62%
Covered payroll	\$ 1,506,551	\$ 1,453,599	\$ 1,430,478	\$ 1,433,493
County's net pension liability as a percentage of covered payroll	59.79%	95.62%	78.03%	67.41%

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 Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 143,236	\$ 157,219	\$ 152,653	\$ 164,187
Interest	511,555	509,337	497,766	486,051
Differences between expected and actual experience	(192,440)	(139,545)	8,852	-
Changes in assumptions	(42,518)	-	-	-
Benefit payments, including refunds of employee contributions	(495,127)	(495,531)	(492,430)	(473,306)
Net change in total pension liability	\$ (75,294)	\$ 31,480	\$ 166,841	\$ 176,932
Total pension liability - beginning	7,555,485	7,524,005	7,357,164	7,180,232
Total pension liability - ending (a)	\$ 7,480,191	\$ 7,555,485	\$ 7,524,005	\$ 7,357,164
Plan fiduciary net position				
Contributions - employer	\$ 86,267	\$ 121,091	\$ 131,850	\$ 129,936
Contributions - employee	65,822	70,323	76,599	77,165
Net investment income	827,254	117,293	317,602	988,120
Benefit payments, including refunds of employee contributions	(495,127)	(495,531)	(492,430)	(473,306)
Administrative expense	(5,013)	(4,548)	(4,567)	(5,498)
Other	(726)	(51)	(65)	52
Net change in plan fiduciary net position	\$ 478,477	\$ (191,423)	\$ 28,989	\$ 716,469
Plan fiduciary net position - beginning	6,954,417	7,145,840	7,116,851	6,400,382
Plan fiduciary net position - ending (b)	\$ 7,432,894	\$ 6,954,417	\$ 7,145,840	\$ 7,116,851
School Division's net pension liability - ending (a) - (b)	\$ 47,297	\$ 601,068	\$ 378,165	\$ 240,313
Plan fiduciary net position as a percentage of the total pension liability	99.37%	92.04%	94.97%	96.73%
Covered payroll	\$ 1,362,550	\$ 1,446,451	\$ 1,574,193	\$ 1,544,639
School Division's net pension liability as a percentage of covered payroll	3.47%	41.55%	24.02%	15.56%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.20453%	0.20544%	0.20958%	0.20944%
Employer's Proportionate Share of the Net Pension Liability	\$ 25,153,000	\$ 28,790,000	\$ 26,379,000	\$ 25,310,000
Employer's Covered Payroll	\$ 15,627,937	\$ 15,676,290	\$ 15,582,993	\$ 15,316,106
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	161%	184%	169%	165%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

Schedule of Employer Contributions

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 679,019	\$ 679,019	\$ -	\$ 5,337,294	12.72%
2017	641,341	641,341	-	5,026,772	12.76%
2016	671,338	671,338	-	4,811,564	13.95%
2015	646,121	646,121	-	4,611,013	14.01%
2014	615,640	615,640	-	4,613,775	13.34%
2013	579,970	579,970	-	4,347,599	13.34%
2012	380,317	380,317	-	3,485,953	10.91%
2011	375,377	375,377	-	3,440,667	10.91%
2010	354,062	354,062	-	3,590,890	9.86%
2009	359,999	359,999	-	3,651,104	9.86%
Component Unit Rockbridge Regional Jail Commission					
2018	\$ 183,844	\$ 183,844	\$ -	\$ 1,445,076	12.72%
2017	194,797	194,797	-	1,506,551	12.93%
2016	203,940	203,940	-	1,453,599	14.03%
2015	200,696	200,696	-	1,430,478	14.03%
2014	191,228	191,228	-	1,433,493	13.34%
2013	182,280	182,280	-	1,366,417	13.34%
2012	200,659	200,659	-	1,839,221	10.91%
2011	213,292	213,292	-	1,955,014	10.91%
2010	201,864	201,864	-	2,047,302	9.86%
2009	201,402	201,402	-	2,042,617	9.86%
Component Unit School Board (nonprofessional)					
2018	\$ 82,774	\$ 82,774	\$ -	\$ 1,317,307	6.28%
2017	83,249	83,249	-	1,362,550	6.11%
2016	121,091	121,091	-	1,446,451	8.37%
2015	131,850	131,850	-	1,574,193	8.38%
2014	129,936	129,936	-	1,544,639	8.41%
2013	128,535	128,535	-	1,610,712	7.98%
2012	67,071	67,071	-	1,510,607	4.44%
2011	65,100	65,100	-	1,466,226	4.44%
2010	66,774	66,774	-	1,474,046	4.53%
2009	71,210	71,210	-	1,571,963	4.53%
Component Unit School Board (professional)					
2018	\$ 2,649,728	\$ 2,649,728	\$ -	\$ 16,565,935	16.00%
2017	2,325,915	2,325,915	-	15,627,937	14.88%
2016	2,202,239	2,202,239	-	15,676,290	14.05%
2015	2,259,447	2,259,447	-	15,582,993	14.50%
2014	1,785,858	1,785,858	-	15,316,106	11.66%
2013	1,807,378	1,807,378	-	15,500,669	11.66%
2012	943,498	943,498	-	14,905,182	6.33%
2011	577,090	577,090	-	14,684,224	3.93%
2010	976,426	976,426	-	14,777,541	6.61%
2009	1,364,997	1,364,997	-	15,493,723	8.81%

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – 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% to 20%

Largest 10 – 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 15%

All Others (Non 10 Largest) – 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	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional 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 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	Adjusted rates to better match experience
Salary Scale	No change

Schedule of County's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.02715%	\$ 408,491	\$ 5,007,139	8.16%	48.86%
Component Unit Rockbridge Regional Jail Commission					
2017	0.00827%	\$ 124,508	\$ 1,526,184	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.00739%	\$ 111,000	\$ 1,362,550	8.15%	48.86%
Component Unit School Board (professional)					
2017	0.08737%	\$ 1,315,000	\$ 16,114,873	8.16%	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 Program
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 27,029	\$ 27,029	\$ -	\$ 5,198,008	0.52%
2017	26,037	26,037	-	5,007,139	0.52%
2016	23,009	23,009	-	4,747,455	0.48%
2015	22,154	22,154	-	4,584,028	0.48%
2014	22,140	22,140	-	4,584,533	0.48%
2013	20,868	20,868	-	4,300,180	0.49%
2012	11,300	11,300	-	3,975,940	0.28%
2011	11,354	11,354	-	4,016,065	0.28%
2010	8,729	8,729	-	2,859,186	0.31%
2009	10,901	10,901	-	4,300,504	0.25%
Component Unit Rockbridge Regional Jail Commission					
2018	\$ 8,239	\$ 8,239	\$ -	\$ 1,584,362	0.52%
2017	7,936	7,936	-	1,526,184	0.52%
2016	7,087	7,087	-	1,522,515	0.47%
2015	6,893	6,893	-	1,467,340	0.47%
2014	6,887	6,887	-	1,462,735	0.47%
2013	6,559	6,559	-	1,413,836	0.46%
2012	3,610	3,610	-	1,349,234	0.27%
2011	3,754	3,754	-	1,379,616	0.27%
2010	2,754	2,754	-	1,393,773	0.20%
2009	4,472	4,472	-	1,393,217	0.32%
Component Unit School Board (nonprofessional)					
2018	\$ 6,850	\$ 6,850	\$ -	\$ 1,317,307	0.52%
2017	7,085	7,085	-	1,362,550	0.52%
2016	6,943	6,943	-	1,446,451	0.48%
2015	7,556	7,556	-	1,574,193	0.48%
2014	7,445	7,445	-	1,551,105	0.48%
2013	7,731	7,731	-	1,610,712	0.48%
2012	4,230	4,230	-	1,510,607	0.28%
2011	4,105	4,105	-	1,466,226	0.28%
2010	2,885	2,885	-	1,068,632	0.27%
2009	4,244	4,244	-	1,571,963	0.27%
Component Unit School Board (professional)					
2018	\$ 86,143	\$ 86,143	\$ -	\$ 16,565,935	0.52%
2017	83,797	83,797	-	16,114,873	0.52%
2016	75,872	75,872	-	15,806,765	0.48%
2015	74,962	74,962	-	15,617,116	0.48%
2014	74,052	74,052	-	15,427,427	0.48%
2013	74,403	74,403	-	15,500,666	0.48%
2012	41,781	41,781	-	14,921,938	0.28%
2011	41,116	41,116	-	14,684,232	0.28%
2010	29,925	29,925	-	15,593,526	0.19%
2009	41,833	41,833	-	15,493,725	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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% to 20%

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% to 15%

Largest Ten Locality Employers - Hazardous Duty 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.20363% \$	2,583,000 \$	16,070,160	16.07%	7.04%

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
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contributions in Relation to		Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution			
	(1)	(2)	(3)	(4)	(5)
2018	\$ 202,114	\$ 202,114	\$ -	\$ 16,431,998	1.23%
2017	178,379	178,379	-	16,070,160	1.11%
2016	166,037	166,037	-	15,663,859	1.06%
2015	165,173	165,173	-	15,582,395	1.06%
2014	170,009	170,009	-	15,316,109	1.11%
2013	172,132	172,132	-	15,507,352	1.11%
2012	89,491	89,491	-	14,915,188	0.60%
2011	88,105	88,105	-	14,684,232	0.60%
2010	115,265	115,265	-	15,596,723	0.74%
2009	167,332	167,332	-	15,493,725	1.08%

Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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	Adjusted rates to better match experience
Salary Scale	No change

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government
 For the Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 15,000
Interest	9,000
Benefit payments	(9,000)
Net change in total OPEB liability	\$ 15,000
Total OPEB liability - beginning	240,000
Total OPEB liability - ending	\$ 255,000
 Covered payroll	 \$ 4,685,340
 County's total OPEB liability (asset) as a percentage of covered payroll	 5.44%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit Rockbridge Regional Jail Commission
 For the Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 7,000
Interest	4,000
Benefit payments	(5,000)
Net change in total OPEB liability	\$ 6,000
Total OPEB liability - beginning	108,000
Total OPEB liability - ending	\$ 114,000
 Covered payroll	 \$ 2,191,530
 Commissions's total OPEB liability (asset) as a percentage of covered payroll	 5.20%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 226,000
Interest	200,000
Benefit payments	(179,000)
Net change in total OPEB liability	\$ 247,000
Total OPEB liability - beginning	5,470,000
Total OPEB liability - ending	\$ 5,717,000
 Covered payroll	 \$ 16,781,000
 School Board's total OPEB liability (asset) as a percentage of covered payroll	 34.07%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - OPEB
For the Year Ended June 30, 2018

Valuation Date: 7/1/2016
Measurement Date: 7/1/2017

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 normal level % of salary
Discount Rate	3.56% as of June 30, 2017
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.5% in 2018, gradually decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.5% annually
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

OTHER SUPPLEMENTARY INFORMATION

County Capital Projects Fund

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 11,751	\$ 11,751
Total revenues	\$ -	\$ -	\$ 11,751	\$ 11,751
EXPENDITURES				
Current:				
Capital projects	\$ 825,680	\$ 825,680	\$ 702,592	\$ 123,088
Total expenditures	\$ 825,680	\$ 825,680	\$ 702,592	\$ 123,088
Excess (deficiency) of revenues over (under) expenditures	\$ (825,680)	\$ (825,680)	\$ (690,841)	\$ 134,839
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 251,181	\$ 251,181
Total other financing sources (uses)	\$ -	\$ -	\$ 251,181	\$ 251,181
Net change in fund balances	\$ (825,680)	\$ (825,680)	\$ (439,660)	\$ 386,020
Fund balances - beginning	825,680	825,680	2,052,631	1,226,951
Fund balances - ending	\$ -	\$ -	\$ 1,612,971	\$ 1,612,971

County of Rockbridge, Virginia
School Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

Exhibit 29

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 8,628	\$ 8,628
Total revenues	\$ -	\$ -	\$ 8,628	\$ 8,628
EXPENDITURES				
Current:				
Capital projects	\$ -	\$ 6,362,103	\$ 5,087,485	\$ 1,274,618
Total expenditures	\$ -	\$ 6,362,103	\$ 5,087,485	\$ 1,274,618
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (6,362,103)	\$ (5,078,857)	\$ 1,283,246
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 932,288	\$ 932,288
Issuance of capital leases	-	-	5,236,000	5,236,000
Total other financing sources (uses)	\$ -	\$ -	\$ 6,168,288	\$ 6,168,288
Net change in fund balances	\$ -	\$ (6,362,103)	\$ 1,089,431	\$ 7,451,534
Fund balances - beginning	-	6,362,103	194,203	(6,167,900)
Fund balances - ending	\$ -	\$ -	\$ 1,283,634	\$ 1,283,634

County of Rockbridge, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

Exhibit 30

	Agency Funds					
	Payroll Deduction Fund	Drug Fund	Veterans Memorial Fund	Employee Benefit Fund	Commonwealth Attorney Forfeitures Fund	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ 80,663	\$ 9,781	\$ 2,164	\$ 11,935	\$ 104,543
Accounts receivable	-	-	-	-	2,301	2,301
Total assets	<u>\$ -</u>	<u>\$ 80,663</u>	<u>\$ 9,781</u>	<u>\$ 2,164</u>	<u>\$ 14,236</u>	<u>\$ 106,844</u>
LIABILITIES						
Accounts payable	\$ 78,801	\$ -	\$ -	\$ -	\$ 78	\$ 78,879
Amounts held for payroll deduction	(78,801)	-	-	-	-	(78,801)
Amounts held for veterans memorial	-	-	9,781	-	-	9,781
Amounts held for drug enforcement	-	80,663	-	-	-	80,663
Amounts held for employee benefits	-	-	-	2,164	-	2,164
Amounts held for commonwealth attorney forfeitures	-	-	-	-	14,158	14,158
Total liabilities	<u>\$ -</u>	<u>\$ 80,663</u>	<u>\$ 9,781</u>	<u>\$ 2,164</u>	<u>\$ 14,236</u>	<u>\$ 106,844</u>

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Payroll Deduction Fund:				
LIABILITIES				
Accounts payable	\$ 85,059	\$ 313,551	\$ 319,809	\$ 78,801
Amounts held for payroll deduction	(85,059)	(313,551)	(319,809)	(78,801)
Total liabilities	\$ -	\$ -	\$ -	\$ -
Drug Fund:				
ASSETS				
Cash and cash equivalents	\$ 65,248	\$ 22,329	\$ 6,914	\$ 80,663
Accounts receivable	2,752	-	2,752	-
Total assets	\$ 68,000	\$ 22,329	\$ 9,666	\$ 80,663
LIABILITIES				
Amounts held for drug enforcement	\$ 68,000	\$ 22,329	\$ 9,666	\$ 80,663
Total liabilities	\$ 68,000	\$ 22,329	\$ 9,666	\$ 80,663
Veterans Memorial Fund:				
ASSETS				
Cash and cash equivalents	\$ 9,781	\$ -	\$ -	\$ 9,781
Total assets	\$ 9,781	\$ -	\$ -	\$ 9,781
LIABILITIES				
Amounts held for veterans memorial	\$ 9,781	\$ -	\$ -	\$ 9,781
Total liabilities	\$ 9,781	\$ -	\$ -	\$ 9,781
Employee Benefit Fund:				
ASSETS				
Cash and cash equivalents	\$ 2,164	\$ -	\$ -	\$ 2,164
Total assets	\$ 2,164	\$ -	\$ -	\$ 2,164
LIABILITIES				
Amounts held for employee benefits	\$ 2,164	\$ -	\$ -	\$ 2,164
Total liabilities	\$ 2,164	\$ -	\$ -	\$ 2,164
Commonwealth Attorney Forfeitures Fund:				
ASSETS				
Cash and cash equivalents	\$ 10,022	\$ 3,580	\$ 1,667	\$ 11,935
Accounts receivable	1,981	2,301	1,981	2,301
Total assets	\$ 12,003	\$ 5,881	\$ 3,648	\$ 14,236
LIABILITIES				
Accounts payable	\$ 257	\$ 78	\$ 257	\$ 78
Amounts held for commonwelath's attorney forfeitures	11,746	5,803	3,391	14,158
Total liabilities	\$ 12,003	\$ 5,881	\$ 3,648	\$ 14,236
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 87,215	\$ 25,909	\$ 8,581	\$ 104,543
Accounts receivable	4,733	2,301	4,733	2,301
Total assets	\$ 91,948	\$ 28,210	\$ 13,314	\$ 106,844
LIABILITIES				
Accounts payable	\$ 85,316	\$ 313,629	\$ 320,066	\$ 78,879
Amounts held for payroll deduction	(85,059)	(313,551)	(319,809)	(78,801)
Amounts held for drug enforcement	68,000	22,329	9,666	80,663
Amounts held for veterans memorial	9,781	-	-	9,781
Amounts held for employee benefits	2,164	-	-	2,164
Amounts held for commonwelath's attorney forfeitures	11,746	5,803	3,391	14,158
Total liabilities	\$ 91,948	\$ 28,210	\$ 13,314	\$ 106,844

**DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD**

	School Operating Fund	School Cafeteria Fund	Permanent Scholarship Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 200	\$ 823	\$ 27,077	\$ 28,100
Receivables (net of allowance for uncollectibles):				
Accounts receivable	49,285	-	-	49,285
Due from other governmental units	652,199	-	-	652,199
Inventories	-	35,069	-	35,069
Prepaid items	627,476	-	-	627,476
Total assets	<u>\$ 1,329,160</u>	<u>\$ 35,892</u>	<u>\$ 27,077</u>	<u>\$ 1,392,129</u>
LIABILITIES				
Accounts payable	\$ 89,790	\$ 777	\$ -	\$ 90,567
Due to primary government	1,239,370	-	-	1,239,370
Total liabilities	<u>\$ 1,329,160</u>	<u>\$ 777</u>	<u>\$ -</u>	<u>\$ 1,329,937</u>
FUND BALANCES				
Nonspendable:				
Inventory	\$ -	\$ 35,069	\$ -	\$ 35,069
Prepaid items	627,476	-	-	627,476
Endowments	-	-	27,077	27,077
Committed:				
Special revenue funds	-	46	-	46
Unassigned	(627,476)	-	-	(627,476)
Total fund balances	<u>\$ -</u>	<u>\$ 35,115</u>	<u>\$ 27,077</u>	<u>\$ 62,192</u>
Total liabilities and fund balances	<u>\$ 1,329,160</u>	<u>\$ 35,892</u>	<u>\$ 27,077</u>	<u>\$ 1,392,129</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:				
Total fund balances per above			\$	62,192
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Land		\$	117,555	
Buildings and improvements			19,768,902	
Machinery and equipment			2,112,104	
Construction in progress			251,104	
				22,249,665
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds				
Pension related items		\$	3,107,502	
OPEB related items			295,107	
				3,402,609
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.				
Compensated absences		\$	(223,680)	
Net OPEB liabilities			(9,726,000)	
Net pension liability			(25,200,297)	
				(35,149,977)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.				
Pension related items		\$	(3,624,487)	
OPEB related items			(227,000)	
				(3,851,487)
Net position of governmental activities			\$	<u>(13,286,998)</u>

County of Rockbridge, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

Exhibit 33

	School Operating Fund	School Cafeteria Fund	Permanent Scholarship Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ -	\$ 1	\$ 16	\$ 17
Charges for services	1,491,492	402,492	-	1,893,984
Miscellaneous	128,323	-	-	128,323
Intergovernmental:				
Local government	14,388,602	-	-	14,388,602
Commonwealth	14,584,596	18,302	-	14,602,898
Federal	1,826,869	788,123	-	2,614,992
Total revenues	<u>\$ 32,419,882</u>	<u>\$ 1,208,918</u>	<u>\$ 16</u>	<u>\$ 33,628,816</u>

EXPENDITURES

Current:

Education	\$ 32,419,882	\$ 1,216,602	\$ 1,000	\$ 33,637,484
Total expenditures	<u>\$ 32,419,882</u>	<u>\$ 1,216,602</u>	<u>\$ 1,000</u>	<u>\$ 33,637,484</u>

Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (7,684)	\$ (984)	\$ (8,668)
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Net change in fund balances	\$ -	\$ (7,684)	\$ (984)	\$ (8,668)
Fund balances - beginning	-	42,799	28,061	70,860
Fund balances - ending	<u>\$ -</u>	<u>\$ 35,115</u>	<u>\$ 27,077</u>	<u>\$ 62,192</u>

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

Net change in fund balances - total governmental funds - per above	\$ (8,668)
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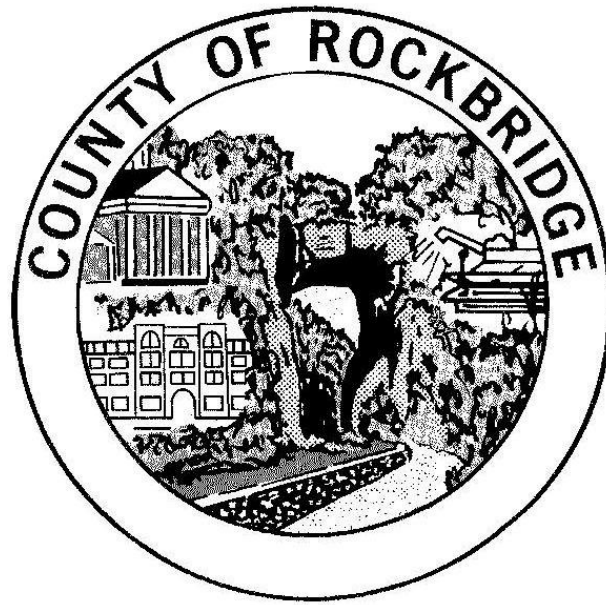
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 908,299	
Depreciation expense	(2,382,479)	
Allocation of debt financed school assets based on current year repayments	<u>2,588,017</u>	1,113,837

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (95,700)	
Pension expense	1,298,220	
OPEB expense	<u>(171,155)</u>	1,031,365

Change in net position of governmental activities	<u>\$ 2,136,534</u>
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County of Rockbridge, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	1,425,000	1,425,000	1,491,492	66,492
Miscellaneous	-	-	128,323	128,323
Intergovernmental:				
Local government	14,214,834	15,703,870	14,388,602	(1,315,268)
Commonwealth	14,503,524	14,503,524	14,584,596	81,072
Federal	-	1,900,000	1,826,869	(73,131)
Total revenues	\$ 30,143,358	\$ 33,532,394	\$ 32,419,882	\$ (1,112,512)
EXPENDITURES				
Current:				
Education	\$ 30,143,358	\$ 33,532,394	\$ 32,419,882	\$ 1,112,512
Total expenditures	\$ 30,143,358	\$ 33,532,394	\$ 32,419,882	\$ 1,112,512
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Exhibit 34

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 100	\$ 100	\$ 1	\$ (99)
615,785	615,785	402,492	(213,293)
-	-	-	-
-	-	-	-
19,258	19,258	18,302	(956)
575,538	575,538	788,123	212,585
<u>\$ 1,210,681</u>	<u>\$ 1,210,681</u>	<u>\$ 1,208,918</u>	<u>\$ (1,763)</u>
<u>\$ 1,210,681</u>	<u>\$ 1,210,681</u>	<u>\$ 1,216,602</u>	<u>\$ (5,921)</u>
<u>\$ 1,210,681</u>	<u>\$ 1,210,681</u>	<u>\$ 1,216,602</u>	<u>\$ (5,921)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,684)</u>	<u>\$ (7,684)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,684)</u>	<u>\$ (7,684)</u>
<u>-</u>	<u>-</u>	<u>42,799</u>	<u>42,799</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,115</u>	<u>\$ 35,115</u>

County of Rockbridge, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2018

	Scholarship Private-Purpose Trust
ASSETS	
Cash and cash equivalents	\$ 13,800
NET POSITION	
Held in trust for scholarships	\$ 13,800

County of Rockbridge, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
For the Year Ended June 30, 2018

Exhibit 36

	Scholarship Private-Purpose Trust
ADDITIONS	
Investment earnings:	
Interest	\$ 8
Total additions	<u>\$ 8</u>
 Change in net position	 \$ 8
 Net position - beginning	 <u>13,792</u>
Net position - ending	<u><u>\$ 13,800</u></u>

SUPPORTING SCHEDULES

County of Rockbridge, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
Page 1 of 5

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 18,258,535	\$ 18,258,535	\$ 18,456,135	\$ 197,600
Real and personal public service corporation taxes	1,325,000	1,325,000	1,421,997	96,997
Personal property taxes	4,943,000	4,942,782	5,367,406	424,624
Mobile home taxes	38,400	38,400	42,406	4,006
Machinery and tools taxes	386,000	386,000	413,668	27,668
Penalties	282,000	282,000	290,496	8,496
Interest	160,000	160,000	139,599	(20,401)
Total general property taxes	<u>\$ 25,392,935</u>	<u>\$ 25,392,717</u>	<u>\$ 26,131,707</u>	<u>\$ 738,990</u>
Other local taxes:				
Local sales and use taxes	\$ 2,700,000	\$ 2,700,000	\$ 2,674,023	\$ (25,977)
Consumers' utility taxes	1,485,000	1,485,000	1,444,055	(40,945)
Business license taxes	870,000	870,000	882,385	12,385
Motor vehicle licenses	534,300	534,518	538,941	4,423
Bank stock taxes	125,000	125,000	180,651	55,651
Taxes on recordation and wills	178,000	178,000	224,903	46,903
Lodging tax	1,645,000	1,645,000	1,628,051	(16,949)
Meals tax	1,410,000	1,410,000	1,511,192	101,192
Total other local taxes	<u>\$ 8,947,300</u>	<u>\$ 8,947,518</u>	<u>\$ 9,084,201</u>	<u>\$ 136,683</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 11,500	\$ 11,500	\$ 11,676	\$ 176
Land use application fees	1,800	1,800	1,830	30
Transfer fees	730	730	828	98
Permits and other licenses	161,800	161,800	269,337	107,537
Total permits, privilege fees, and regulatory licenses	<u>\$ 175,830</u>	<u>\$ 175,830</u>	<u>\$ 283,671</u>	<u>\$ 107,841</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 450,685	\$ 450,685	\$ 626,580	\$ 175,895
Revenue from use of money and property:				
Revenue from use of money	\$ 60,357	\$ 60,357	\$ 222,644	\$ 162,287
Revenue from use of property	25,000	25,000	22,303	(2,697)
Total revenue from use of money and property	<u>\$ 85,357</u>	<u>\$ 85,357</u>	<u>\$ 244,947</u>	<u>\$ 159,590</u>
Charges for services:				
Sheriff's fees	\$ 10,000	\$ 10,000	\$ 63,511	\$ 53,511
Charges for courthouse maintenance	57,000	57,000	53,751	(3,249)
Courthouse security fees	205,000	205,000	190,872	(14,128)
Charges for Commonwealth's Attorney	4,700	4,700	6,063	1,363
Charges for garage services	388,000	388,000	595,675	207,675
Charges for sanitation and waste removal	10,355	10,355	410,936	400,581
Charges for parks and recreation	78,500	78,500	88,254	9,754
Erosion Sediment Control Fee	30,000	30,000	76,697	46,697
DNA Fee	215	215	1,037	822
Total charges for services	<u>\$ 783,770</u>	<u>\$ 783,770</u>	<u>\$ 1,486,796</u>	<u>\$ 703,026</u>

County of Rockbridge, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Schedule 1
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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 1,086,291	\$ 1,086,291	\$ 1,204,399	\$ 118,108
Total miscellaneous	\$ 1,086,291	\$ 1,086,291	\$ 1,204,399	\$ 118,108
Recovered costs:				
Lexington contribution-court building	\$ 8,700	\$ 8,700	\$ 3,351	\$ (5,349)
Joint services City of Lexington	225,000	225,000	69,712	(155,288)
Charges for hazard materials cleanup	5,000	5,000	1,484	(3,516)
Fiscal agent fees	50,888	50,888	50,888	-
Other recovered costs	146,955	146,955	262,169	115,214
Total recovered costs	\$ 436,543	\$ 436,543	\$ 387,604	\$ (48,939)
Total revenue from local sources	\$ 37,358,711	\$ 37,358,711	\$ 39,449,905	\$ 2,091,194
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 74,000	\$ 74,000	\$ 5,632	\$ (68,368)
Mobile home titling tax	22,000	22,000	15,414	(6,586)
Timber sales	1,500	1,500	788	(712)
Motor vehicle rental tax	47,000	47,000	55,821	8,821
State recordation tax	50,000	50,000	57,942	7,942
Personal property tax relief funds	2,449,624	2,449,624	2,449,624	-
Total noncategorical aid	\$ 2,644,124	\$ 2,644,124	\$ 2,585,221	\$ (58,903)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 359,671	\$ 359,671	\$ 371,217	\$ 11,546
Sheriff	1,162,456	1,162,456	1,179,593	17,137
Commissioner of revenue	107,611	107,611	107,189	(422)
Treasurer	88,039	88,039	96,297	8,258
Registrar/electoral board	46,000	46,000	37,399	(8,601)
Clerk of the Circuit Court	272,375	272,375	277,031	4,656
Total shared expenses	\$ 2,036,152	\$ 2,036,152	\$ 2,068,726	\$ 32,574
Other categorical aid:				
Emergency medical services	\$ 7,500	\$ 7,500	\$ 7,500	-
Victim-witness grant	28,480	28,480	22,811	(5,669)
Fire program	66,136	66,136	68,133	1,997
NBSWCD support	159,652	159,652	159,425	(227)
Four for life	24,375	24,375	-	(24,375)
Rental assistance	59,470	59,470	78,978	19,508
Other	59,087	59,087	21,215	(37,872)
Total other categorical aid	\$ 404,700	\$ 404,700	\$ 358,062	\$ (46,638)
Total categorical aid	\$ 2,440,852	\$ 2,440,852	\$ 2,426,788	\$ (14,064)
Total revenue from the Commonwealth	\$ 5,084,976	\$ 5,084,976	\$ 5,012,009	\$ (72,967)

County of Rockbridge, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Schedule 1
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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 89,000	\$ 89,000	\$ 179,188	\$ 90,188
Categorical aid:				
Ground transportation grant	\$ -	\$ -	\$ 17,987	\$ 17,987
Victim-witness grant	45,498	45,498	45,498	-
Domestic violence	-	-	29,977	29,977
Other	-	-	44,312	44,312
Total categorical aid	\$ 45,498	\$ 45,498	\$ 137,774	\$ 92,276
Total revenue from the federal government	\$ 134,498	\$ 134,498	\$ 316,962	\$ 182,464
Total General Fund	\$ 42,578,185	\$ 42,578,185	\$ 44,778,876	\$ 2,200,691
Capital Projects Funds:				
County Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 11,751	\$ 11,751
Total revenue from local sources	\$ -	\$ -	\$ 11,751	\$ 11,751
Total County Capital Projects Fund	\$ -	\$ -	\$ 11,751	\$ 11,751
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 8,628	\$ 8,628
Total School Capital Projects Fund	\$ -	\$ -	\$ 8,628	\$ 8,628
Total Primary Government	\$ 42,578,185	\$ 42,578,185	\$ 44,799,255	\$ 2,221,070

County of Rockbridge, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Schedule 1
Page 4 of 5

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition-private day school	\$ -	\$ -	\$ 11,000	\$ 11,000
Tuition-City of Lexington, Buena Vista	1,425,000	1,425,000	1,480,492	55,492
Total charges for services	\$ 1,425,000	\$ 1,425,000	\$ 1,491,492	\$ 66,492
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 128,323	\$ 128,323
Total revenue from local sources	\$ 1,425,000	\$ 1,425,000	\$ 1,619,815	\$ 194,815
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Rockbridge, Virginia	\$ 14,214,834	\$ 15,703,870	\$ 14,388,602	\$ (1,315,268)
Total revenues from local governments	\$ 14,214,834	\$ 15,703,870	\$ 14,388,602	\$ (1,315,268)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,107,969	\$ 3,107,969	\$ 2,873,096	\$ (234,873)
Basic school aid	7,215,585	7,215,585	7,321,590	106,005
Remedial summer education	-	-	10,429	10,429
Gifted and talented	68,045	68,045	69,108	1,063
Remedial education	220,799	220,799	224,247	3,448
Special education	937,354	937,354	951,993	14,639
Textbook payment	152,449	152,449	154,829	2,380
Vocational standards of quality payments	115,260	115,260	117,060	1,800
Social security fringe benefits	398,549	398,549	404,773	6,224
Retirement fringe benefits	915,136	915,136	929,428	14,292
Early reading intervention	35,774	35,774	46,506	10,732
Dropout prevention	-	-	4,291	4,291
Homebound education	11,723	11,723	8,474	(3,249)
Vocational education other	48,616	48,616	21,742	(26,874)
At risk payments	188,136	188,136	194,992	6,856
Mentor teacher	-	-	-	-
Standards of learning algebra readiness	27,087	27,087	27,183	96
Reduced class size	304,063	304,063	293,259	(10,804)
Group life insurance	27,773	27,773	28,207	434
Technology grant	206,000	206,000	206,000	-
At risk four-year olds	100,658	100,658	104,014	3,356
Compensation supplement	-	-	69,250	69,250
English as a second language	18,309	18,309	24,783	6,474
Lottery proceeds	380,663	380,663	386,961	6,298
Adult Ed GED	23,576	23,576	24,881	1,305
Other state funds	-	-	87,500	87,500
Total categorical aid	\$ 14,503,524	\$ 14,503,524	\$ 14,584,596	\$ 81,072
Total revenue from the Commonwealth	\$ 14,503,524	\$ 14,503,524	\$ 14,584,596	\$ 81,072

County of Rockbridge, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Schedule 1
Page 5 of 5

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ -	\$ 67,820	\$ 65,210	\$ (2,610)
Adult literacy	-	99,957	96,110	(3,847)
Title I	-	575,471	553,321	(22,150)
Title VI-B, special education flow-through	-	742,981	714,384	(28,597)
Vocational education	-	35,398	34,036	(1,362)
Title VI-B, special education pre-school	-	10,672	10,261	(411)
Title II, Part A	-	83,429	80,218	(3,211)
Title IV, Part A	-	3,213	3,089	(124)
Twenty-first century community learning centers	-	245,123	235,688	(9,435)
Total action against poverty	-	35,936	34,552	(1,384)
Total categorical aid	\$ -	\$ 1,900,000	\$ 1,826,869	\$ (73,131)
Total revenue from the federal government	\$ -	\$ 1,900,000	\$ 1,826,869	\$ (73,131)
Total School Operating Fund	\$ 30,143,358	\$ 33,532,394	\$ 32,419,882	\$ (1,112,512)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 1	\$ (99)
Charges for services:				
Cafeteria sales	\$ 615,785	\$ 615,785	\$ 402,492	\$ (213,293)
Total revenue from local sources	\$ 615,885	\$ 615,885	\$ 402,493	\$ (213,392)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 19,258	\$ 19,258	\$ 18,302	\$ (956)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 575,538	\$ 575,538	\$ 714,891	\$ 139,353
Commodities	-	-	73,232	73,232
Total categorical aid	\$ 575,538	\$ 575,538	\$ 788,123	\$ 212,585
Total revenue from the federal government	\$ 575,538	\$ 575,538	\$ 788,123	\$ 212,585
Total School Cafeteria Fund	\$ 1,210,681	\$ 1,210,681	\$ 1,208,918	\$ (1,763)
Total Discretely Presented Component Unit - School Board	\$ 31,354,039	\$ 34,743,075	\$ 33,628,800	\$ (1,114,275)

County of Rockbridge, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
Page 1 of 4

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 85,833	\$ 126,168	\$ 86,404	\$ 39,764
General and financial administration:				
County administrator	\$ 219,984	\$ 219,896	\$ 217,916	\$ 1,980
Legal services	182,097	178,949	177,043	1,906
Commissioner of the revenue	314,966	314,966	297,465	17,501
Reassessment	-	923	600	323
Land use	1,000	1,000	798	202
Treasurer	328,025	341,589	324,782	16,807
Central accounting	97,702	97,702	96,176	1,526
Human resources	120,148	120,235	112,125	8,110
Data processing	173,098	173,098	160,227	12,871
Director of fiscal services	258,119	231,705	234,406	(2,701)
Central stores	-	-	94,759	(94,759)
Total general and financial administration	\$ 1,695,139	\$ 1,680,063	\$ 1,716,297	\$ (36,234)
Board of elections:				
Electoral board and officials	\$ 160,584	\$ 165,387	\$ 161,006	\$ 4,381
Total board of elections	\$ 160,584	\$ 165,387	\$ 161,006	\$ 4,381
Total general government administration	\$ 1,941,556	\$ 1,971,618	\$ 1,963,707	\$ 7,911
Judicial administration:				
Courts:				
Circuit court	\$ 70,070	\$ 70,070	\$ 67,331	\$ 2,739
County court	22,100	23,330	21,837	1,493
Victim witness coordinator	101,213	101,213	98,128	3,085
Clerk of the circuit court	434,014	463,165	435,133	28,032
Courthouse security	419,186	419,186	408,500	10,686
Total courts	\$ 1,046,583	\$ 1,076,964	\$ 1,030,929	\$ 46,035
Commonwealth's attorney:				
Commonwealth's attorney	\$ 491,638	\$ 510,610	\$ 506,350	\$ 4,260
Total Commonwealth's attorney	\$ 491,638	\$ 510,610	\$ 506,350	\$ 4,260
Total judicial administration	\$ 1,538,221	\$ 1,587,574	\$ 1,537,279	\$ 50,295
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,723,562	\$ 2,768,425	\$ 2,779,396	\$ (10,971)
Fire and rescue services:				
Fire prevention	\$ 1,482,918	\$ 1,505,928	\$ 1,427,457	\$ 78,471
Rescue services	1,452,518	1,426,847	1,344,998	81,849
Consolidated dispatch	1,819,736	1,819,738	1,824,062	(4,324)
Total fire and rescue services	\$ 4,755,172	\$ 4,752,513	\$ 4,596,517	\$ 155,996
Correction and detention:				
Contribution to Component Unit Jail Commission	\$ 1,288,729	\$ 1,310,328	\$ 1,267,304	\$ 43,024
Probation office	6,000	6,170	5,909	261
Juvenile probation and detention	42,867	42,697	40,648	2,049
Total correction and detention	\$ 1,337,596	\$ 1,359,195	\$ 1,313,861	\$ 45,334

County of Rockbridge, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Schedule 2
Page 2 of 4

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 236,579	\$ 240,807	\$ 232,757	\$ 8,050
Other protection:				
Animal control	\$ 20,654	\$ 22,279	\$ 22,279	\$ -
Special enforcement	121,772	121,772	117,738	4,034
Other protective services	194,545	194,545	194,309	236
Total other protection	\$ 336,971	\$ 338,596	\$ 334,326	\$ 4,270
Total public safety	\$ 9,389,880	\$ 9,459,536	\$ 9,256,857	\$ 202,679
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Road maintenance	\$ 15,410	\$ 15,410	\$ 14,164	\$ 1,246
Total maintenance of highways, streets, bridges & sidewalks	\$ 15,410	\$ 15,410	\$ 14,164	\$ 1,246
Sanitation and waste removal:				
County pickup	\$ 1,885,886	\$ 2,363,882	\$ 2,198,851	\$ 165,031
Other sanitation	-	-	25,485	(25,485)
Total sanitation and waste removal	\$ 1,885,886	\$ 2,363,882	\$ 2,224,336	\$ 139,546
Maintenance of general buildings and grounds:				
General properties	\$ 544,076	\$ 564,226	\$ 481,289	\$ 82,937
Central garage	762,915	868,828	812,631	56,197
Total maintenance of general buildings and grounds	\$ 1,306,991	\$ 1,433,054	\$ 1,293,920	\$ 139,134
Total public works	\$ 3,208,287	\$ 3,812,346	\$ 3,532,420	\$ 279,926
Health and welfare:				
Health:				
Supplement of local health department	\$ 195,323	\$ 195,323	\$ 188,003	\$ 7,320
Other contributions	82,177	82,177	82,177	-
Total health	\$ 277,500	\$ 277,500	\$ 270,180	\$ 7,320
Mental health and mental retardation:				
Community services board	\$ 170,910	\$ 170,910	\$ 155,163	\$ 15,747
Welfare:				
Contribution to Rockbridge Area Social Services Board	\$ 853,658	\$ 859,255	\$ 1,019,930	\$ (160,675)
Other public assistance and welfare administration	53,750	53,750	53,701	49
Tax relief for the elderly	-	-	232,723	(232,723)
Total welfare	\$ 907,408	\$ 913,005	\$ 1,306,354	\$ (393,349)
Total health and welfare	\$ 1,355,818	\$ 1,361,415	\$ 1,731,697	\$ (370,282)
Education:				
Other instructional costs:				
Community colleges/other programs	\$ 96,819	\$ 96,819	\$ 90,016	\$ 6,803
Contribution to County School Board	14,214,834	14,520,723	14,388,602	132,121
Total education	\$ 14,311,653	\$ 14,617,542	\$ 14,478,618	\$ 138,924

County of Rockbridge, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Schedule 2
Page 3 of 4

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 727,050	\$ 759,550	\$ 733,965	\$ 25,585
Preschool	131,430	131,430	128,741	2,689
Total parks and recreation	<u>\$ 858,480</u>	<u>\$ 890,980</u>	<u>\$ 862,706</u>	<u>\$ 28,274</u>
Library:				
Contribution to county libraries	\$ 609,083	\$ 609,083	\$ 609,083	\$ -
Total parks, recreation, and cultural	<u>\$ 1,467,563</u>	<u>\$ 1,500,063</u>	<u>\$ 1,471,789</u>	<u>\$ 28,274</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 325,125	\$ 332,647	\$ 322,637	\$ 10,010
Geographic information system	187,745	187,745	172,074	15,671
Rental assistance	90,656	116,406	111,482	4,924
Economic development	1,174,645	1,881,062	1,477,334	403,728
Other community development	704,830	750,281	750,280	1
Contribution to Public Service Authority	291,705	241,502	27,500	214,002
Total planning and community development	<u>\$ 2,774,706</u>	<u>\$ 3,509,643</u>	<u>\$ 2,861,307</u>	<u>\$ 648,336</u>
Environmental management:				
NBSWCD support	\$ 177,391	\$ 177,391	\$ 176,515	\$ 876
Other environmental management	103,008	103,008	100,326	2,682
Total environmental management	<u>\$ 280,399</u>	<u>\$ 280,399</u>	<u>\$ 276,841</u>	<u>\$ 3,558</u>
Cooperative extension program:				
Extension office	\$ 86,653	\$ 86,653	\$ 83,885	\$ 2,768
Total community development	<u>\$ 3,141,758</u>	<u>\$ 3,876,695</u>	<u>\$ 3,222,033</u>	<u>\$ 654,662</u>
Nondepartmental:				
Miscellaneous	\$ 57,625	\$ 37,827	\$ 2,435	\$ 35,392
Annexation payment	1,850,000	1,854,260	1,854,260	-
Total nondepartmental	<u>\$ 1,907,625</u>	<u>\$ 1,892,087</u>	<u>\$ 1,856,695</u>	<u>\$ 35,392</u>
Debt service:				
Principal retirement	\$ 2,437,169	\$ 2,437,709	\$ 2,437,709	\$ -
Interest and other fiscal charges	2,295,505	2,295,379	2,291,692	3,687
Total debt service	<u>\$ 4,732,674</u>	<u>\$ 4,733,088</u>	<u>\$ 4,729,401</u>	<u>\$ 3,687</u>
Total General Fund	<u>\$ 42,995,035</u>	<u>\$ 44,811,964</u>	<u>\$ 43,780,496</u>	<u>\$ 1,031,468</u>
Capital Projects Funds:				
School Capital Projects Fund:				
Capital projects expenditures:				
Capital projects	\$ -	\$ 6,362,103	\$ 5,087,485	\$ 1,274,618
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ 6,362,103</u>	<u>\$ 5,087,485</u>	<u>\$ 1,274,618</u>
County Capital Projects Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ 825,680	\$ 825,680	\$ 702,592	\$ 123,088
Total capital projects	<u>\$ 825,680</u>	<u>\$ 825,680</u>	<u>\$ 702,592</u>	<u>\$ 123,088</u>
Total County Capital Projects Fund	<u>\$ 825,680</u>	<u>\$ 825,680</u>	<u>\$ 702,592</u>	<u>\$ 123,088</u>
Total Primary Government	<u>\$ 43,820,715</u>	<u>\$ 51,999,747</u>	<u>\$ 49,570,573</u>	<u>\$ 2,429,174</u>

County of Rockbridge, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Schedule 2
Page 4 of 4

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Instruction	\$ 21,915,353	\$ 24,938,047	\$ 24,142,203	\$ 795,844
Administration, attendance and health	1,587,612	1,644,232	1,623,321	20,911
Pupil transportation	2,315,124	2,331,764	2,217,935	113,829
Operation and maintenance	3,274,222	3,430,071	3,206,704	223,367
Facilities	1,051,047	1,188,280	1,229,719	(41,439)
Total School Operating Fund	<u>\$ 30,143,358</u>	<u>\$ 33,532,394</u>	<u>\$ 32,419,882</u>	<u>\$ 1,112,512</u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 1,210,681	\$ 1,210,681	\$ 1,216,602	\$ (5,921)
Total School Cafeteria Fund	<u>\$ 1,210,681</u>	<u>\$ 1,210,681</u>	<u>\$ 1,216,602</u>	<u>\$ (5,921)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 31,354,039</u>	<u>\$ 34,743,075</u>	<u>\$ 33,636,484</u>	<u>\$ 1,106,591</u>

STATISTICAL SECTION

STATISTICAL SECTION

Contents

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Financial Trends

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

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Operating Information

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

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Sources:

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

COUNTY OF ROCKBRIDGE, VIRGINIA

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 12,942,462	\$ 12,355,645	\$ 11,866,668	\$ 12,943,272
Restricted	935,021	935,021	960,040	1,002,603
Unrestricted	17,260,280	16,443,020	17,653,362	17,197,916
Total governmental activities net position	<u>\$ 31,137,763</u>	<u>\$ 29,733,686</u>	<u>\$ 30,480,070</u>	<u>\$ 31,143,791</u>
Business-type activities				
Net investment in capital assets	\$ 1,421,280	\$ 1,427,172	\$ 1,338,861	\$ 1,086,965
Restricted	-	-	-	1,176,854
Unrestricted	875,031	1,201,435	1,570,098	881,152
Total business-type activities net position	<u>\$ 2,296,311</u>	<u>\$ 2,628,607</u>	<u>\$ 2,908,959</u>	<u>\$ 3,144,971</u>
Primary government				
Net investment in capital assets	\$ 14,363,742	\$ 13,782,817	\$ 13,205,529	\$ 14,030,237
Restricted	935,021	935,021	960,040	2,179,457
Unrestricted	18,135,311	17,644,455	19,223,460	18,079,068
Total primary government net position	<u>\$ 33,434,074</u>	<u>\$ 32,362,293</u>	<u>\$ 33,389,029</u>	<u>\$ 34,288,762</u>

Table 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 10,937,946	\$ 14,100,533	\$ 14,218,888	\$ 13,222,296	\$ 12,935,258	\$ 12,425,263
5,459,836	1,332,295	1,190,894	232,779	451,921	274,880
21,297,930	21,113,574	20,308,715	23,911,471	24,789,608	25,139,551
\$ <u>37,695,712</u>	\$ <u>36,546,402</u>	\$ <u>35,718,497</u>	\$ <u>37,366,546</u>	\$ <u>38,176,787</u>	\$ <u>37,839,694</u>
\$ 1,397,575	\$ 1,712,920	\$ 2,166,784	\$ 2,592,481	\$ 2,096,784	\$ 2,579,553
1,002,249	1,002,249	1,210,738	1,423,596	1,682,097	1,004,855
924,040	642,159	733,351	366,856	1,703,698	(894,497)
\$ <u>3,323,864</u>	\$ <u>3,357,328</u>	\$ <u>4,110,873</u>	\$ <u>4,382,933</u>	\$ <u>5,482,579</u>	\$ <u>2,689,911</u>
\$ 12,335,521	\$ 15,813,453	\$ 16,385,672	\$ 15,814,777	\$ 15,032,042	\$ 15,004,816
6,462,085	2,334,544	2,401,632	1,656,375	2,134,018	1,279,735
22,221,970	21,755,733	21,042,066	24,278,327	26,493,306	24,245,054
\$ <u>41,019,576</u>	\$ <u>39,903,730</u>	\$ <u>39,829,370</u>	\$ <u>41,749,479</u>	\$ <u>43,659,366</u>	\$ <u>40,529,605</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

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

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government administration	\$ 2,170,904	\$ 2,332,278	\$ 2,333,275	\$ 2,335,818
Judicial administration	2,725,181	1,211,172	1,186,366	1,021,390
Public safety	4,926,453	5,364,665	5,160,253	5,406,165
Public works	2,856,775	3,040,215	2,824,461	2,949,751
Health and welfare	1,527,149	1,459,423	1,498,930	1,505,526
Education	14,178,044	14,437,698	13,085,583	16,631,591
Parks, recreation and cultural	1,358,529	1,361,665	1,267,868	1,299,526
Community development	1,831,694	2,109,085	2,585,270	2,369,189
Interest on long-term debt	1,733,021	1,932,209	1,862,608	1,730,059
Nondepartmental	2,060,962	1,944,765	1,747,190	1,969,401
Total governmental activities expenses	\$ 35,368,712	\$ 35,193,175	\$ 33,551,804	\$ 37,218,416
Business-type activities:				
Landfill	\$ 1,058,560	\$ 969,972	\$ 862,292	\$ 825,011
Recycling	1,001,618	954,393	983,111	1,159,742
Total business-type activities expenses	\$ 2,060,178	\$ 1,924,365	\$ 1,845,403	\$ 1,984,753
Total primary government expenses	\$ 37,428,890	\$ 37,117,540	\$ 35,397,207	\$ 39,203,169
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	\$ 35,100	\$ 11,700	\$ 23,400	\$ 23,400
Judicial administration	388,462	346,456	437,863	510,896
Public safety	16,838	15,584	5,840	6,317
Public works	1,028,928	1,154,832	958,805	1,236,913
Parks, recreation and cultural	84,892	90,891	96,748	95,487
Community development	190,262	204,569	181,875	192,207
Operating grants and contributions	2,398,519	2,165,017	2,426,783	2,257,672
Capital grants and contributions	4,260,000	-	303,653	1,993,245
Total governmental activities program revenues	\$ 8,403,001	\$ 3,989,049	\$ 4,434,967	\$ 6,316,137

Table 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 2,011,030	\$ 2,497,472	\$ 2,294,804	\$ 2,888,023	\$ 2,905,137	\$ 2,921,147
1,267,789	1,282,388	1,283,097	1,363,768	1,500,916	1,498,614
5,700,091	7,551,214	6,492,719	7,165,176	8,332,745	9,210,516
3,052,847	2,522,400	2,879,018	3,257,681	3,458,387	3,508,528
1,414,009	1,411,742	1,330,106	1,641,027	1,618,131	1,723,940
16,126,417	14,081,158	14,980,144	15,794,029	16,455,148	16,750,090
1,442,669	1,246,800	1,289,331	1,431,206	1,403,936	1,502,900
2,246,495	2,635,939	3,171,409	2,933,943	2,792,737	3,106,501
1,718,759	1,749,577	1,757,409	1,780,693	1,805,264	1,856,695
2,833,978	2,513,613	2,449,604	2,488,358	2,209,563	2,207,499
\$ 37,814,084	\$ 37,492,303	\$ 37,927,641	\$ 40,743,904	\$ 42,481,964	\$ 44,286,430
\$ 960,797	\$ 1,207,978	\$ 962,151	\$ 1,183,842	\$ 1,166,417	\$ 4,942,934
1,156,498	461,888	473,195	463,929	527,747	-
\$ 2,117,295	\$ 1,669,866	\$ 1,435,346	\$ 1,647,771	\$ 1,694,164	\$ 4,942,934
\$ 39,931,379	\$ 39,162,169	\$ 39,362,987	\$ 42,391,675	\$ 44,176,128	\$ 49,229,364
\$ 23,400	\$ -	\$ -	\$ -	\$ -	\$ -
457,916	709,282	765,411	707,067	867,615	877,266
22,078	10,282	21,465	23,841	71,543	76,224
1,122,809	1,180,837	1,043,742	1,052,048	1,166,521	1,006,611
85,038	84,607	80,237	90,846	93,890	88,254
178,734	236,124	493,599	291,216	291,872	348,692
2,412,618	2,438,107	2,424,462	2,381,742	2,460,447	2,525,993
5,816,685	598,412	273,913	41,945	21,545	38,569
\$ 10,119,278	\$ 5,257,651	\$ 5,102,829	\$ 4,588,705	\$ 4,973,433	\$ 4,961,609

COUNTY OF ROCKBRIDGE, VIRGINIA

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

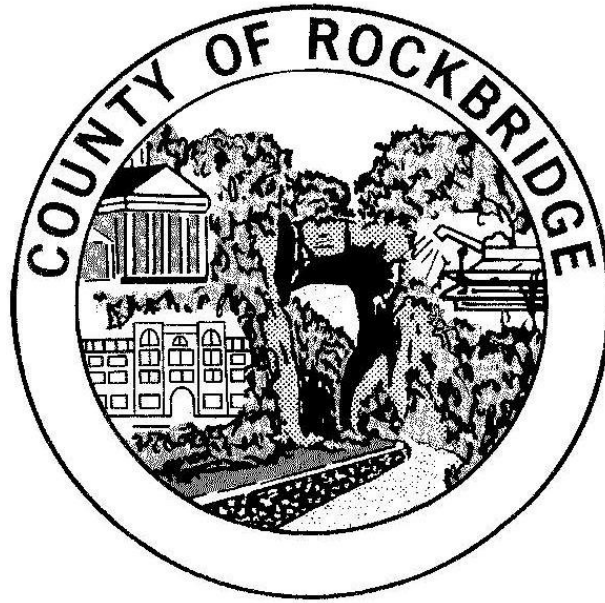
	Fiscal Year			
	2009	2010	2011	2012
Business-type activities:				
Charges for services:				
Landfill	\$ 1,266,573	\$ 1,213,411	\$ 1,116,260	\$ 1,063,507
Recycling	101,959	104,549	77,872	23,714
Operating grants and contributions	23,013	18,913	21,503	18,461
Total business-type activities program revenues	\$ 1,391,545	\$ 1,336,873	\$ 1,215,635	\$ 1,105,682
Total primary government program revenues	\$ 9,794,546	\$ 5,325,922	\$ 5,650,602	\$ 7,421,819
Net (expense) / revenue				
Governmental activities	\$ (26,965,711)	\$ (31,204,126)	\$ (29,116,837)	\$ (30,902,279)
Business-type activities	(668,633)	(587,492)	(629,768)	(879,071)
Total primary government net expense	\$ (27,634,344)	\$ (31,791,618)	\$ (29,746,605)	\$ (31,781,350)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 20,100,078	\$ 19,737,346	\$ 19,903,929	\$ 20,241,098
Local sales and use taxes	2,337,807	2,238,747	2,226,190	2,292,809
Motor vehicle licenses taxes	556,865	547,407	542,034	537,280
Consumer utility taxes	1,529,343	1,538,143	1,541,967	1,520,806
Business licenses taxes	855,953	723,687	775,021	851,571
Other local taxes	2,579,150	2,662,945	2,642,418	2,687,544
Unrestricted grants and contributions	2,895,242	2,766,489	2,706,042	2,761,428
Unrestricted revenues from use of money and property	462,662	240,641	145,518	74,448
Gain on sale of capital assets	-	-	-	-
Miscellaneous	3,643,804	272,957	239,873	1,710,031
Transfers	(981,659)	(948,313)	(859,771)	(1,111,015)
Total governmental activities	\$ 33,979,245	\$ 29,780,049	\$ 29,863,221	\$ 31,566,000
Business-type activities:				
Unrestricted revenues from use of money and property	\$ 32,743	\$ 6,505	\$ 4,938	\$ 4,000
Miscellaneous	1,166	117	10,264	68
Transfers	981,659	948,313	859,771	1,111,015
Total business-type activities	\$ 1,015,568	\$ 954,935	\$ 874,973	\$ 1,115,083
Total primary government	\$ 34,994,813	\$ 30,734,984	\$ 30,738,194	\$ 32,681,083
Change in Net Position				
Governmental activities	\$ 7,013,534	\$ (1,424,077)	\$ 746,384	\$ 663,721
Business-type activities	346,935	367,443	245,205	236,012
Total primary government	\$ 7,360,469	\$ (1,056,634)	\$ 991,589	\$ 899,733

Table 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 1,034,968	\$ 936,243	\$ 1,578,750	\$ 2,098,447	\$ 2,232,822	\$ 2,108,888
-	-	-	-	-	-
26,161	23,076	23,046	23,300	22,492	21,966
\$ 1,061,129	\$ 959,319	\$ 1,601,796	\$ 2,121,747	\$ 2,255,314	\$ 2,130,854
\$ 11,180,407	\$ 6,216,970	\$ 6,704,625	\$ 6,710,452	\$ 7,228,747	\$ 7,092,463
\$ (27,694,806)	\$ (32,234,652)	\$ (32,824,812)	\$ (36,155,199)	\$ (37,508,531)	\$ (39,324,821)
(1,056,166)	(710,547)	166,450	473,976	561,150	(2,812,080)
\$ (28,750,972)	\$ (32,945,199)	\$ (32,658,362)	\$ (35,681,223)	\$ (36,947,381)	\$ (42,136,901)
\$ 22,519,602	\$ 23,009,779	\$ 24,210,212	\$ 24,775,816	\$ 25,753,935	\$ 26,107,887
2,392,591	2,439,476	2,561,164	2,720,814	2,684,576	2,674,023
537,855	535,776	531,093	540,217	531,868	538,941
1,522,050	1,514,494	1,509,304	1,488,723	1,465,354	1,444,055
913,827	882,478	873,386	849,796	872,532	882,385
2,791,478	2,922,491	3,144,747	3,409,515	3,562,628	3,544,797
2,741,009	2,760,419	2,732,823	2,749,809	2,764,276	2,764,409
78,229	58,003	57,337	113,017	169,275	253,575
-	-	-	-	23,210	-
743,278	1,213,388	943,636	833,978	939,045	1,216,150
(1,234,972)	(735,930)	(909,606)	(449,951)	(447,927)	28,204
\$ 33,004,947	\$ 34,600,374	\$ 35,654,096	\$ 37,031,734	\$ 38,318,772	\$ 39,454,426
\$ 4,676	\$ 3,018	\$ 3,413	\$ 11,162	\$ 43,456	\$ 63,798
3,815	5,063	8,927	25,869	47,113	13,587
1,234,972	735,930	909,606	449,951	447,927	(28,204)
\$ 1,243,463	\$ 744,011	\$ 921,946	\$ 486,982	\$ 538,496	\$ 49,181
\$ 34,248,410	\$ 35,344,385	\$ 36,576,042	\$ 37,518,716	\$ 38,857,268	\$ 39,503,607
\$ 5,310,141	\$ 2,365,722	\$ 2,829,284	\$ 876,535	\$ 810,241	\$ 129,605
187,297	33,464	1,088,396	960,958	1,099,646	(2,762,899)
\$ 5,497,438	\$ 2,399,186	\$ 3,917,680	\$ 1,837,493	\$ 1,909,887	\$ (2,633,294)

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Business License Tax	Total
2018 \$	26,107,887 \$	2,674,023 \$	1,444,055 \$	538,941 \$	224,903 \$	882,385 \$	31,872,194
2017	25,753,935	2,684,576	1,465,354	531,868	203,536	872,532	31,511,801
2016	24,775,816	2,720,814	1,488,723	540,217	181,979	849,796	30,557,345
2015	24,210,212	2,561,164	1,509,304	531,093	184,098	873,386	29,869,257
2014	23,009,779	2,439,476	1,514,494	535,776	208,339	882,478	28,590,342
2013	22,519,602	2,392,591	1,522,050	537,855	191,861	913,827	28,077,786
2012	20,241,098	2,292,809	1,520,806	537,280	199,362	851,571	25,642,926
2011	19,903,929	2,226,190	1,541,967	542,034	182,274	775,021	25,171,415
2010	19,737,346	2,238,747	1,538,143	547,407	192,183	723,687	24,977,513
2009	20,100,078	2,337,807	1,529,343	556,865	208,782	855,953	25,588,828



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COUNTY OF ROCKBRIDGE, VIRGINIA

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

	Fiscal Year				
	2009	2010	2011 (1)	2012	2013
General fund					
Reserved	\$ 1,863,469	\$ 2,531,217	\$ -	\$ -	\$ -
Unreserved	15,037,799	13,602,863	-	-	-
Nonspendable	-	-	102,799	121,348	116,671
Restricted	-	-	1,018,434	1,002,603	1,075,361
Committed	-	-	856,172	646,172	707,419
Assigned	-	-	1,259,523	2,061,918	1,934,997
Unassigned	-	-	14,124,282	15,284,213	17,219,353
Total general fund	\$ <u>16,901,268</u>	\$ <u>16,134,080</u>	\$ <u>17,361,210</u>	\$ <u>19,116,254</u>	\$ <u>21,053,801</u>
All other governmental funds					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 4,384,475
Assigned, reported in:					
Capital projects funds	-	-	278,115	5,434,345	254,255
Unassigned, reported in:					
Special revenue funds	-	-	(90,345)	(947,976)	(229,603)
Capital projects funds	<u>535,995</u>	<u>314,661</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	\$ <u>535,995</u>	\$ <u>314,661</u>	\$ <u>187,770</u>	\$ <u>4,486,369</u>	\$ <u>4,409,127</u>

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

Table 4

Fiscal Year				
2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
112,861	111,886	104,915	97,188	134,527
1,000,439	988,933	63,889	281,823	274,880
385,973	175,973	-	78,036	17,535
2,194,043	2,004,485	2,021,502	3,673,682	3,613,452
<u>18,317,586</u>	<u>21,085,055</u>	<u>20,713,488</u>	<u>21,887,717</u>	<u>21,821,167</u>
\$ <u>22,010,902</u>	\$ <u>24,366,332</u>	\$ <u>22,903,794</u>	\$ <u>26,018,446</u>	\$ <u>25,861,561</u>
\$ 331,856	\$ 201,961	\$ 168,890	\$ 170,098	\$ -
260,564	232,578	4,119,737	2,076,736	2,896,605
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>592,420</u>	\$ <u>434,539</u>	\$ <u>4,288,627</u>	\$ <u>2,246,834</u>	\$ <u>2,896,605</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

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

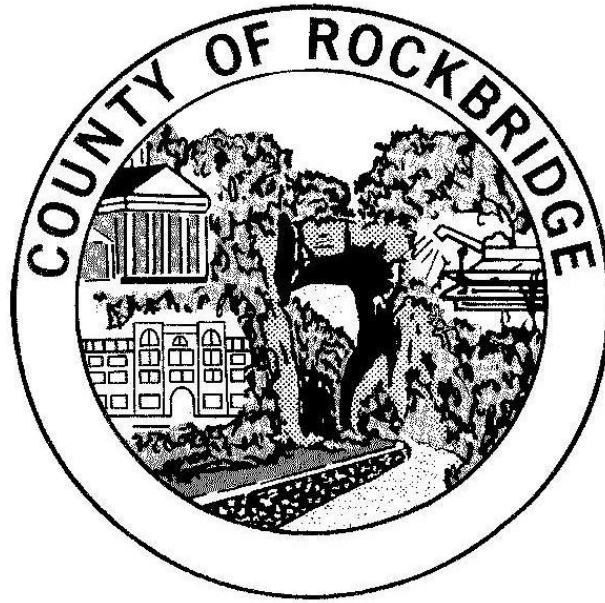
	Fiscal Year			
	2009	2010	2011	2012
Revenues				
General property taxes	\$ 19,905,850	\$ 19,568,375	\$ 19,778,269	\$ 20,928,182
Other local taxes	7,859,118	7,710,929	7,727,630	7,890,010
Permits, privilege fees and regulatory licenses	188,491	202,087	181,875	192,207
Fines and forfeitures	177,259	153,837	223,673	284,725
Revenue from use of money and property	462,662	240,641	145,518	74,448
Charges for services	1,378,732	1,468,108	1,298,983	1,588,288
Miscellaneous	363,416	257,616	239,873	2,150,539
Recovered costs	3,798,055	359,866	343,712	303,718
Intergovernmental:				
Commonwealth	4,686,608	4,652,229	4,935,567	4,733,732
Federal	607,153	299,277	500,911	2,278,613
Total revenues	\$ 39,427,344	\$ 34,912,965	\$ 35,376,011	\$ 40,424,462
Expenditures				
General government administration	\$ 1,592,002	\$ 1,774,607	\$ 1,642,181	\$ 1,612,340
Judicial administration	1,292,358	1,199,478	1,183,984	1,188,236
Public safety	5,144,522	5,334,327	5,198,378	5,535,432
Public works	2,709,261	2,911,708	2,944,557	2,956,944
Health and welfare	1,527,091	1,459,363	1,498,725	1,503,694
Education	12,259,269	12,565,769	11,514,555	12,848,581
Parks, recreation and cultural	1,248,904	1,257,674	1,170,665	1,197,527
Community development	1,838,680	2,101,876	2,998,230	6,177,505
Non-Departmental	1,733,021	1,932,209	1,747,190	1,730,059
Capital projects	9,482,489	62,263	36,677	2,335,173
Debt service:				
Principal	2,326,302	2,320,388	1,758,226	1,854,205
Interest and other fiscal charges	2,172,542	2,033,512	1,939,473	2,026,423
Bond issue costs	-	-	-	-
Total expenditures	\$ 43,326,441	\$ 34,953,174	\$ 33,632,841	\$ 40,966,119
Excess of revenues over (under) expenditures	\$ (3,899,097)	\$ (40,209)	\$ 1,743,170	\$ (541,657)
Other financing sources (uses)				
Transfers in	\$ -	\$ 175,135	\$ -	\$ 1,087,294
Transfers out	(981,659)	(1,123,448)	(859,771)	(2,198,309)
Issuance of refunding bonds	-	-	-	-
Bonds issued	-	-	-	7,500,000
Premium on bonds issued	-	-	-	-
Capital leases	-	-	216,840	206,315
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	\$ (981,659)	\$ (948,313)	\$ (642,931)	\$ 6,595,300
Net change in fund balances	\$ (4,880,756)	\$ (988,522)	\$ 1,100,239	\$ 6,053,643
Debt service as a percentage of noncapital expenditures	13.29%	12.48%	11.01%	10.05%

Table 5

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 22,414,930	\$ 23,372,482	\$ 24,016,493	\$ 24,843,541	\$ 25,725,668	\$ 26,131,707
8,157,801	8,294,715	8,619,694	9,009,065	9,116,958	9,084,201
172,766	210,464	432,008	275,060	255,426	283,671
235,024	451,140	521,412	445,370	601,336	626,580
78,229	58,003	57,337	113,017	169,275	253,575
1,482,185	1,559,528	1,451,034	1,444,588	1,634,679	1,486,796
2,471,378	1,213,388	943,636	833,978	1,514,145	1,216,150
350,799	272,277	317,364	469,735	460,945	387,604
4,847,109	4,910,801	4,955,261	4,965,583	4,993,539	5,012,009
4,416,673	886,137	475,937	207,913	252,729	316,962
\$ 44,626,894	\$ 41,228,935	\$ 41,790,176	\$ 42,607,850	\$ 44,724,700	\$ 44,799,255
\$ 1,588,585	\$ 1,667,257	\$ 1,586,194	\$ 2,117,583	\$ 2,023,012	\$ 1,963,707
1,278,954	1,295,768	1,381,899	1,472,432	1,497,223	1,537,279
5,784,020	7,683,885	6,492,485	7,403,041	8,292,069	9,256,857
3,082,574	2,506,757	2,893,763	3,312,600	3,377,393	3,532,420
1,413,425	1,412,588	1,329,207	1,639,246	1,617,640	1,731,697
14,216,366	13,747,740	13,829,192	13,082,282	13,875,717	14,478,618
1,345,586	1,243,472	1,442,883	1,427,654	1,389,469	1,471,789
7,337,211	2,633,159	3,185,514	2,808,451	2,791,218	3,222,033
1,723,096	1,749,577	1,757,409	1,780,693	1,805,264	1,856,695
21,849,069	4,579,992	130,640	486,825	2,098,566	5,790,077
3,674,994	2,107,993	2,053,317	2,502,118	2,064,665	2,437,709
2,311,965	2,724,423	2,600,518	2,746,012	2,371,678	2,291,692
287,772	-	-	-	-	-
\$ 65,893,617	\$ 43,352,611	\$ 38,683,021	\$ 40,778,937	\$ 43,203,914	\$ 49,570,573
\$ (21,266,723)	\$ (2,123,676)	\$ 3,107,155	\$ 1,828,913	\$ 1,520,786	\$ (4,771,318)
\$ -	\$ 28,328	\$ 27,786	\$ 4,575,622	\$ 61,675	\$ 1,211,673
(1,234,972)	(764,258)	(937,392)	(5,025,573)	(509,602)	(1,183,469)
11,760,000	-	-	4,985,000	-	-
21,895,000	-	-	-	-	-
2,533,876	-	-	835,950	-	-
-	-	-	-	-	5,236,000
(13,086,006)	-	-	(5,579,876)	-	-
\$ 21,867,898	\$ (735,930)	\$ (909,606)	\$ (208,877)	\$ (447,927)	\$ 5,264,204
\$ 601,175	\$ (2,859,606)	\$ 2,197,549	\$ 1,620,036	\$ 1,072,859	\$ 492,886
13.59%	12.59%	12.12%	13.15%	10.77%	10.85%

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Record- ation and Wills Tax	Business License Tax	Total
2018 \$	26,131,707 \$	2,674,023 \$	1,444,055 \$	538,941 \$	224,903 \$	882,385 \$	31,896,014
2017	25,725,668	2,684,576	1,465,354	531,868	203,536	872,532	31,483,534
2016	24,843,541	2,720,814	1,488,723	540,217	181,979	849,796	30,625,070
2015	24,016,493	2,561,164	1,509,304	531,093	184,098	873,386	29,675,538
2014	23,372,482	2,439,476	1,514,494	535,776	208,339	882,478	28,953,045
2013	22,414,930	2,392,591	1,522,050	537,855	191,861	913,827	27,973,114
2012	20,928,182	2,292,809	1,520,806	537,280	199,362	851,571	26,330,010
2011	19,778,269	2,226,190	1,541,967	542,034	182,274	775,021	25,045,755
2010	19,568,375	2,238,747	1,538,143	547,407	192,183	723,687	24,808,542
2009	19,905,850	2,337,807	1,529,343	556,865	208,782	855,953	25,394,600



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COUNTY OF ROCKBRIDGE, VIRGINIA

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

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Machinery and Tools	Public Service (2)	Total Taxable Assessed Value
2018	\$ 2,648,474,200	\$ 206,515,010	\$ 6,342,995	\$ 16,449,119	\$ 203,142,456	\$ 3,080,923,780
2017	2,631,621,600	201,464,825	6,550,990	15,378,673	184,195,145	3,039,211,233
2016	2,439,031,715	193,324,971	6,606,563	15,010,380	179,117,907	2,833,091,536
2015	2,427,102,558	185,452,684	6,526,117	14,293,472	158,517,874	2,791,892,705
2014	2,409,180,980	182,796,656	6,654,724	14,745,031	146,349,769	2,759,727,160
2013	2,406,225,814	181,627,780	6,529,754	14,352,182	130,966,279	2,739,701,809
2012	2,393,006,606	174,030,130	6,943,019	13,415,023	118,289,855	2,705,684,633
2011	2,381,260,966	168,167,630	9,112,766	10,822,737	113,384,467	2,682,748,566
2010	2,436,189,073	161,297,226	9,172,343	11,287,004	92,656,310	2,710,601,956
2009	2,403,426,774	185,101,529	9,042,587	11,098,157	85,950,278	2,694,619,325

Source: Commissioner of the Revenue

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

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

(3) Source: Virginia Department of Taxation

Table 7

	Estimated Actual Taxable Value	State Sales Assessment Ratio (3)	Total Direct Rate
\$	3,124,669,148	98.60%	\$ 8.20
	2,977,867,169	102.06%	8.20
	2,872,735,283	98.62%	8.27
	2,788,824,998	100.11%	8.23
	2,848,309,588	96.89%	8.23
	2,827,641,458	96.89%	8.14
	2,792,532,390	96.89%	8.08
	2,697,042,893	99.47%	8.02
	2,668,966,085	101.56%	7.98
	2,930,845,470	91.94%	7.98

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

Direct Rates						
Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Total Direct Rate	
2018	\$ 0.70	\$ 4.25	\$ 0.70	\$ 2.55	\$ 8.20	
2017	0.70	4.25	0.70	2.55	8.20	
2016	0.735	4.25	0.735	2.55	8.27	
2015	0.715	4.25	0.715	2.55	8.23	
2014	0.715	4.25	0.715	2.55	8.23	
2013	0.67	4.25	0.67	2.55	8.14	
2012	0.64	4.25	0.64	2.55	8.08	
2011	0.61	4.25	0.61	2.55	8.02	
2010	0.59	4.25	0.59	2.55	7.98	
2009	0.59	4.25	0.59	2.55	7.98	

Source: Commissioner of the Revenue

(1) Per \$100 of assessed value.

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2018	\$	28,195,589	\$ 27,044,729	95.92%	\$ -	\$ 27,044,729	95.92%
2017		27,587,034	26,685,209	96.73%	480,011	27,165,220	98.47%
2016		26,614,006	25,756,651	96.78%	646,286	26,402,937	99.21%
2015		25,839,111	24,786,530	95.93%	936,029	25,722,559	99.55%
2014		25,571,272	24,997,455	97.76%	485,873	25,483,328	99.66%
2013		23,894,710	23,332,287	97.65%	548,932	23,881,219	99.94%
2012		23,041,039	22,189,814	96.31%	836,416	23,026,230	99.94%
2011		21,983,597	21,203,088	96.45%	773,563	21,976,651	99.97%
2010		21,601,653	20,791,246	96.25%	804,182	21,595,428	99.97%
2009		22,272,956	21,510,651	96.58%	757,327	22,267,978	99.98%

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

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

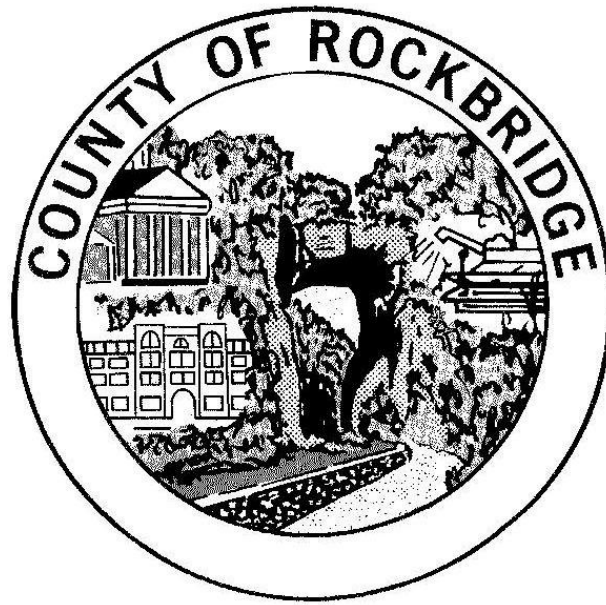
(2) Does not include land redemptions.

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2018		Fiscal Year 2009	
		2018 Assessed Valuation	% of Total Assessed Valuation	2009 Assessed Valuation	% of Total Assessed Valuation
Virginia Elec. & Power Company	Utility	\$ 130,410,089	4.924%	\$ n/a	n/a
Lexington Retirement Community, Inc.	Health Provider	31,700,300	1.197%	25,050,100	0.930%
BARC Electric	Utility	23,160,666	0.874%	n/a	n/a
Lowe's Home Center	Retail	10,870,100	0.410%	7,711,700	0.286%
BJB Properties LLC	Industry & Service	10,364,600	0.391%	n/a	n/a
Virginia Conservation Legacy*	Hospitality	9,969,300	0.376%	15,736,400	0.584%
Wal-Mart Real Estate Business Trust	Retail	9,934,500	0.375%	8,556,300	0.318%
White's Truck Stop	Industry & Service	9,727,400	0.367%	9,326,100	0.346%
Aladdin Manufacturing Corporation	Industry	9,096,516	0.343%	8,959,700	0.333%
Elmech, Inc.	Hospitality	8,607,200	0.325%	7,826,300	0.290%
		<u>\$ 253,840,671</u>	<u>9.584%</u>	<u>\$ 83,166,600</u>	<u>3.161%</u>

*Formerly associated with Natural Bridge of Virginia, LCC in FY 2009

Source: Commissioner of Revenue



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COUNTY OF ROCKBRIDGE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities	
	General Obligation Bonds	Revenue Bonds	Literary Fund Loans	Capital Leases	General Obligation Bonds	Capital Leases
2018	\$ 38,210,078	\$ 16,440,000	\$ 715,000	\$ 5,236,000	\$ 6,532,992	\$ 606,418
2017	40,365,658	16,745,000	895,000	-	7,143,851	643,359
2016	42,453,194	16,745,000	1,075,000	-	7,264,710	916,590
2015	43,604,236	17,390,000	1,255,000	-	724,462	449,111
2014	45,109,146	17,870,000	1,435,000	53,280	750,543	583,060
2013	46,590,095	18,359,697	1,635,000	173,515	776,624	317,405
2012	24,907,549	19,055,719	2,000,000	330,643	776,624	-
2011	18,537,312	19,523,530	2,200,000	226,105	-	-
2010	19,638,305	19,967,851	2,400,000	67,323	-	-
2009	21,079,658	20,474,555	2,600,000	284,800	-	-

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

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

Table 11

	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$	67,740,488	7.87%	\$ 2,990
	65,792,868	7.95%	2,958
	68,454,494	8.87%	3,089
	63,422,809	8.21%	2,862
	65,801,029	8.44%	2,939
	67,852,336	9.06%	3,038
	47,070,535	6.39%	2,131
	40,486,947	5.67%	1,827
	42,073,479	6.11%	1,886
	44,439,013	6.44%	1,975

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

Table 12

Fiscal Year	Population (1)	Assessed Value (2)	Gross and Net Bonded Debt (3)	Less: Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2018	22,659	\$ 2,648,474,200	\$ 38,925,078	\$ -	\$ 38,925,078	1.47%	\$ 1,718
2017	22,241	2,631,621,600	41,260,658	-	41,260,658	1.57%	1,855
2016	22,163	2,439,031,715	43,528,194	-	43,528,194	1.78%	1,964
2015	22,163	2,427,102,558	44,859,236	-	44,859,236	1.85%	2,024
2014	22,390	2,409,180,980	46,544,146	-	46,544,146	1.93%	2,079
2013	22,338	2,406,225,814	48,225,095	-	48,225,095	2.00%	2,159
2012	22,090	2,393,006,606	26,907,549	-	26,907,549	1.12%	1,218
2011	22,155	2,381,260,966	20,963,417	-	20,963,417	0.88%	946
2010	22,307	2,436,189,073	22,038,305	-	22,038,305	0.90%	988
2009	22,498	2,403,426,774	23,679,657	-	23,679,657	0.99%	1,053

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

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

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

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Landfill Revenue Bonds					
	Landfill Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2018	\$ 2,122,475	\$ 1,477,861	\$ 644,614	\$ 515,000	\$ 277,803	81.31%
2017	2,252,340	1,262,896	989,444	25,000	272,475	332.61%
2016	2,113,441	1,005,416	1,108,025	20,000	29,656	2231.40%
2015	1,583,311	892,831	690,480	20,000	40,173	1147.49%
2014	936,618	1,138,798	(202,180)	20,000	31,456	-392.92%
2013	1,035,112	892,364	142,748	-	28,107	507.87%
2012	1,063,575	825,011	238,564	-	-	N/A
2011	1,126,524	862,292	264,232	-	-	N/A
2010	1,213,528	969,972	243,556	-	-	N/A
2009	1,267,734	1,058,560	209,174	-	-	N/A

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

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
2018	22,659	\$860,792,751	\$37,989	47	2,740	3.40%
2017	22,241	\$827,587,610	\$37,210	47	2,737	4.60%
2016	22,163	\$772,070,268	\$34,836	47	2,755	4.40%
2015	22,163	\$772,070,268	\$34,836	47	2,613	5.80%
2014	22,390	\$779,978,040	\$34,836	47	2,604	5.40%
2013	22,338	\$748,859,112	\$33,524	47	2,594	6.00%
2012	22,090	\$736,767,770	\$33,353	47	2,546	5.60%
2011	22,155	\$714,232,890	\$32,238	47	2,499	5.90%
2010	22,307	\$688,327,099	\$30,857	47	2,505	6.30%
2009	22,498	\$690,306,134	\$30,683	40	2,677	6.70%

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

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

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2018			Fiscal Year 2009		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Mohawk Industries, Inc.	618	1	5.80%	940	1	13.37%
White's Travel Center	269	2	2.52%	400	3	5.69%
Walmart	228	3	2.14%	n/a	n/a	n/a
Kendall	166	4	1.56%	n/a	n/a	n/a
Vesuvius Corporation	155	5	1.45%	112	8	1.59%
Byers, Inc.	149	6	1.40%	120	7	1.71%
Lowes	87	7	0.82%	n/a	n/a	n/a
Up to Par Management	84	8	0.79%	75	10	1.07%
Raphine Pilot/Whilcohes	74	9	0.69%	n/a	n/a	n/a
Rockbridge Area Health Center	62	10	0.58%	n/a	n/a	n/a
Totals	1,892		17.75%	n/a		n/a

Businesses with 2009 employment figure marked 'n/a' do not maintain their records to this timeframe, were unable to provide requested information, or were not in business at that time.

Sources: Individual company human resource departments.

Note: Excludes local government, school division, and state agencies data.

COUNTY OF ROCKBRIDGE, VIRGINIA

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2009	2010	2011	2012	2013
General government	16	16	16	16	16
County Administration	2	2	2	2	2
County Attorney	1	1	1	1	1
Central Accounting	3	3	2	2	2
Information Technology	1	1	1	1	1
Human Resources	0	0	0	0	0
Commissioner of the Revenues	4	4	4	4	4
Treasurer	4	4	4	4	4
Fiscal Services	1	1	2	2	2
Registrar	1	1	1	1	1
Judicial administration	18	18	18	18	18
Clerk of Circuit Court	5	5	5	5	5
Circuit Court	1	1	1	1	1
Combined Court Security	6	6	6	6	6
Commonwealth's Attorney	5	5	5	5	5
Victim Witness Coordinator	1	1	1	1	1
Public safety	41	42	42	43	42
Sheriff Office	32	34	34	34	34
Fire, Rescue, & Emergency Mgmt.	1	1	1	1	1
Building inspections	5	4	4	4	4
E&S Control-Storm Water Mgmt.	1	1	1	2	1
Special Enforcement	2	2	2	2	2
Public works	19	18	18	18	18
Refuse & Recycling Collections	2	2	5	5	5
Landfill (Blue Ridge Resource Auth.)	10	10	7	7	7
Combined Courthouse Maint.	1	1	1	1	1
Engineering	1	0	0	0	0
Fleet Services	5	5	5	5	5
Health and welfare					
Department of Social Services	25	25	25	25	25
Culture and recreation	5	5	5	5	5
Parks and recreation	3	3	3	3	3
Preschool Program	2	2	2	2	2
Community development	6	6	6	6	6
Planning & Zoning	3	3	3	3	3
Geographic Information System	2	2	2	2	2
Rental Assistance	1	1	1	1	1
Totals	131	131	131	132	131

Source: Individual County departments

Table 16

Fiscal Year				
2014	2015	2016	2017	2018
16	16	16	17	17
2	2	2	2	2
1	1	1	1	1
2	1	1	1	1
1	1	1	1	1
0	1	1	1	1
4	4	4	5	5
4	4	4	4	4
2	2	2	2	2
1	1	1	1	1
18	18	19	19	20
5	5	6	6	6
1	1	1	1	1
6	6	6	6	7
5	5	5	5	5
1	1	1	1	1
43	43	43	43	41
35	35	35	35	33
2	2	2	2	2
3	3	3	3	3
1	1	1	1	1
2	2	2	2	2
18	18	18	17	20
5	5	5	4	3
7	7	7	7	9
1	1	1	1	2
0	0	0	0	0
5	5	5	5	6
23	26	26	28	33
5	5	6	6	6
3	3	4	4	4
2	2	2	2	2
6	6	6	6	6
3	3	3	3	3
2	2	2	2	2
1	1	1	1	1
130	133	135	137	144

COUNTY OF ROCKBRIDGE, VIRGINIA

Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year				
	2009	2010	2011	2012	2013
Public safety					
Fire and rescue:					
Number of calls answered	4,876	4,876	4,983	5,636	4,791
Building inspections:					
Permits issued	281	294	310	274	310
Public works					
Landfill:					
Refuse collected (tons/day)	110	97	138	138	141
Recycling (tons/day)	16	13	11	11	13
Health and welfare					
Department of Social Services:					
Caseload	2,931	3,622	6,714	6,714	6,366

*Calls dispatched; includes Lexington and Buena Vista Fire and Rescue calls into County

**Tons per day based on 306 work days

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

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

Table 17

Fiscal Year				
2014	2015	2016	2017	2018
5,582	5,475	5,580	5908*	5610*
522	529	535	533	503
141	141	144	141**	132**
15	17	13***	13***	10***
6,275	6,286	6,239	5,829	5804

COUNTY OF ROCKBRIDGE, VIRGINIA

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year				
	2009	2010	2011	2012	2013
General government					
Administration buildings	1	1	1	1	1
Judicial Administration					
Courthouse	1	1	1	1	1
Vehicles (Courthouse Security)	3	3	3	3	3
Public safety					
Sheriff (Law Enforcement):					
Vehicles	38	38	39	39	39
Fire, EMS & Emg. Mgmt.:					
Vehicles	1	1		2	2
Building inspections/maintenance:					
Vehicles	4	4	3	3	3
Animal control:					
Vehicles	2	2	2	2	2
Public works					
Collections:					
Vehicles	N/A	N/A	N/A	N/A	N/A
Sites	5	5	5	5	5
Landfill:					
Vehicles	N/A	N/A	N/A	N/A	N/A
Sites	1	1	1	1	1
Fleet Services:					
Vehicles	N/A	N/A	N/A	N/A	N/A
Facilities	1	1	1	1	1
Health and welfare					
Department of Social Services:					
Vehicles	1	1	4	4	4
Parks, culture and recreation					
Parks and recreation:					
Vehicles	3	3	3	3	3
Swimming pools	2	2	2	2	2
Community development					
Planning/GIS:					
Vehicles	3	3	3	3	3

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

Table 18

Fiscal Year				
2014	2015	2016	2017	2018
1	1	1	1	1
1 3	1 3	1 3	1 3	1 3
39	38	40	42	44
3	3	3	3	3
3	4	4	4	4
2	2	2	2	2
N/A 5	N/A 5	1 5	1 5	1 5
N/A 1	N/A 1	N/A 1	4 1	4 1
N/A 1	N/A 1	N/A 1	4 1	5 1
4	5	5	6	6
3 2	2 2	3 2	3 2	3 2
3	3	3	3	3

COUNTY OF ROCKBRIDGE, VIRGINIA

Schedule of the City of Lexington's and Buena Vista's Share of Certain General Government Expenditures
Year Ended June 30, 2018

Description	Total Cost to the County	State and Other Reimbursement	City of Lexington Share		
			Net County Cost	% Used	Total Cost
Clerk of the Circuit Court	\$ 435,133	\$ 277,031	\$ 158,102	24.95%	\$ 39,446
Circuit Court - Expenses	67,331	-	67,331	24.95%	16,799
General District and J&D Court	21,837	-	21,837	24.95%	5,448
Courthouse Maintenance	317,987	-	317,987	24.95%	79,338
25th Court Services Unit-Juvenile Probation	5,909	-	5,909	20.37%	1,204
Commonwealth's Attorney	506,350	371,217	135,133	24.95%	33,716
Sheriff's Salary	122,993	95,545	27,448	24.95%	6,848
Advancement of Agriculture (City Agent)	<u>83,885</u>	<u>-</u>	<u>83,885</u>	15.00%	<u>12,583</u>
Totals	\$ <u>1,561,425</u>	\$ <u>743,793</u>	\$ <u>817,632</u>		\$ <u>195,382</u>

Table 19

<u>City of Buena Vista Share</u>	
<u>% Used</u>	<u>Total Cost</u>
-	\$ -
-	-
-	-
-	-
18.34%	1,084
-	-
-	-
-	-
	<hr/>
\$	<u><u>1,084</u></u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Rockbridge, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Rockbridge, Virginia's basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Finner, Cox Associates

Staunton, Virginia
December 14, 2018

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Rockbridge, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Rockbridge, Virginia's major federal programs for the year ended June 30, 2018. County of Rockbridge, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Rockbridge, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 14, 2018

County of Rockbridge, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture: Pass Through Payments: Child Nutrition Cluster			
Department of Agriculture: Food Distribution	10.555	40623	\$ 73,232
Department of Education: National School Lunch Program	10.555	40254	543,516
Total School Lunch Program			<u>\$ 616,748</u>
School Breakfast Program	10.553	40253	<u>\$ 171,375</u>
Total Child Nutrition Cluster			<u>\$ 788,123</u>
Schools and Roads - Grants to States	10.665	43841	<u>65,210</u>
Total Department of Agriculture			<u>\$ 853,333</u>
Environmental Protection Agency: Pass Through Payments: Department of Environmental Quality: DEQ Royalty Grants	66.000	515002	<u>\$ 355</u>
Department of Housing and Urban Development: Pass Through Payments: Department of Housing and Community Development: Community Development Block Grants/State's Program and Non- Entitlement Grants in Hawaii	14.228	HCD50790	<u>\$ 38,569</u>
Department of Justice: Pass Through Payments: Department of Criminal Justice Service: Crime Victims Assistance	16.575	18-U9578VW16	\$ 45,498
Edward Byrne memorial justice assistance grant	16.738	17-S111L016	1,365
Violence Against Women Formula Grants	16.588	18-T9831VA16	<u>29,977</u>
Total Department of Justice			<u>\$ 76,840</u>
Department of Transportation: Pass Through Payments: Department of Motor Vehicles: Alcohol Open Container Requirements	20.607	154AL 18 58272	\$ 14,072
Highway Safety Cluster: National Priority Safety Programs	20.616	M2HVE 18 58222	4,023
State and Community Highway Safety	20.600	Not available	<u>3,915</u>
Subtotal Highway Safety Cluster			<u>\$ 7,938</u>
Total Department of Transportation			<u>\$ 22,010</u>

County of Rockbridge, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education-Basic Grants to States	84.002	42801	\$ 96,110
Title I: Grants to Local Educational Agencies	84.010	42901	553,321
Special Education Cluster:			
Special Education Grants to States	84.027	43071	714,384
Special Education Preschool Grants	84.173	62521	10,261
Total Special Education Cluster			\$ 724,645
Career and Technical Education - Basic Grants to States	84.048	61095	\$ 34,036
Supporting Effective Instruction State Grant	84.367	61480	80,218
Twenty-First Century Community Learning Centers	84.287	60565	235,688
Student Support and Academic Enrichment Program	84.424	60281	3,089
Action Against Poverty	84.000	Not available	34,552
Total Department of Education			\$ 1,761,659
Total Expenditures of Federal Awards			\$ 2,752,766

Notes to Schedule of Expenditures of Federal Awards:

NOTE 1-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Rockbridge, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Rockbridge, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Rockbridge, Virginia.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) County of Rockbridge, Virginia has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(3) Pass-through entity identifying numbers are presented where available.

NOTE 3-FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the County had food commodities totaling \$6,424 in inventory. The value of food commodities expended during the year ended June 30, 2018 amounted to \$73,232.

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 County's basic financial statements as follows:

NOTE 6 - LOANS

The County did not have any loans or loan guarantees which are subject to reporting requirements in the current year.

Intergovernmental federal revenues per the basic financial statements:

Primary government:

Governmental funds

General fund

Department of the Interior - Payment in Lieu of Taxes

Total primary government

\$ 316,962
 (179,188)
 \$ 137,774

Discretely presented component unit - School Board:

School operating fund

School cafeteria fund

Total discretely presented component unit - School Board

\$ 1,826,869
 788,123
 \$ 2,614,992

Total federal expenditures per the Schedule of Expenditures of
 Federal awards

\$ 2,752,766

COUNTY OF ROCKBRIDGE, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Distribution
	Special Education Cluster
84.027	Special Education Grants to States
84.173	Special Education Preschool Incentive Grants

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

Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

There are no financial statement findings to report.

Section III-Federal Award Findings and Questioned Costs

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

Section IV-Summary of Prior Year Findings

There were no prior year findings.