Rockbridge County Public Service Authority

(A Component Unit of Rockbridge County, Virginia)

Financial Report
Year Ended June 30, 2018

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

(A Component Unit of Rockbridge County, Virginia)

(A governmental organization formed October 10, 1966

under the Water and Sewer Authorities Act, Chapter 51,

Title 15.2 of the Code of Virginia, as amended)

MEMBERS

Albert W. Lewis, Jr. Mast

Joe Sokolowski

Dr. Grigg Mullen

Jay Melvin

David Hinty, Jr.

OFFICIALS

Grigg Mullen, Chairman

Joe Sokolowski, Vice-Chairman

Melissa Alexander, Executive Director and Secretary

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Rockbridge County Public Service Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rockbridge County Public Service Authority, as of June 30, 2018, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 10 to the financial statements, in 2018, the Authority 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 the matter.

Restatement of Beginning Balances

As described in Note 10 to the financial statements, in 2018, the Authority 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 on pages 4-8 and schedules related to pension and OPEB funding progress on page 60-68 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.

Supplementary and Other Information

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

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

Report on Summarized Comparative Information

We have previously audited the Rockbridge County Public Service Authority's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by ***Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the Rockbridge County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rockbridge County Public Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rockbridge County Public Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 31, 2018

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

As management of the Rockbridge County Public Service Authority, (the "Authority"), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements section of this report.

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $17,888,978 (net position). Of this amount $8,510,411 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.

- The Authority's total net position increased by $189,497.

- The Authority's total long-term obligations increased by $1,896,737 during the current fiscal year, largely due to issuance of revenue bonds.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Service Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $17,888,978 at the close of the most recent fiscal year.

The largest portion of the Authority's net position (52%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	2018	2017
Current and other assets	$ 9,053,365	$ 5,943,020
Capital assets	22,819,514	23,749,789
Total assets	$ 31,872,879	$ 29,692,809
Deferred outflow of resources	$ 38,211	$ 55,167
Long-term liabilities outstanding	$ 12,544,886	$ 10,748,457
Other Liabilities	1,424,540	1,246,150
Total Liabilities	$ 13,969,426	$ 11,994,607
Deferred inflow of resources	$ 52,686	$ 22,887
Net position:		
Net investment in capital assets	$ 9,378,567	$ 12,236,279
Unrestricted	8,510,411	5,494,203
Total net position	$ 17,888,978	$ 17,730,482

Financial Analysis (continued)

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

	Change in Net Position	
	2018	2017
Revenues:		
Operating Revenues	$ 3,099,317	$ 3,067,361
Operating contributions-Rockbridge County	27,500	110,292
Other Revenue	60,353	39,307
Total revenues	$ 3,187,170	$ 3,216,960
Expenses:		
Operating Expenses	$ 2,171,318	$ 2,118,731
Depreciation Expense	958,082	959,701
Interest Expense	76,157	75,168
Bond Issuance Expense	90,094	-
Other Expense	44,522	26,713
Total expenses	$ 3,340,173	$ 3,180,313
Decrease in net position before capital contributions	$ (153,003)	$ 36,647
Capital Contributions	342,500	165,337
Increase in net position	$ 189,497	$ 201,984
Net position—July 1	17,699,481	17,528,498
Net position—June 30	$ 17,888,978	$ 17,730,482

The Service Authority's net position increased by $189,497 during the current year. Total revenues increased $31,956 (excluding capital contributions) while total expenses increased $50,967 from FY2017 totals. Capital contributions decreased by $82,792 from 2017 amounts.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2018 amounts to $22,819,514 (net of accumulated depreciation). Investment in Capital Assets decreased 4% during the year. Below is a comparison of the items that makeup Capital Assets as of June 30, 2018 with that of June 30, 2017.

	2018	2017
Land and Land Rights	$ 410,596	$ 410,596
Buildings	58,277	62,699
Water structures, lines and equipment	8,472,107	8,819,999
Sewer structures, lines and equipment	13,608,832	14,145,325
Office equipment	104,701	173,976
Construction in Progress	165,001	137,194
Total Capital Assets	$ 22,819,514	$ 23,749,789

Capital Asset and Debt Administration (Continued)

Major capital asset activity for the current fiscal year included:

Projects:		
Long Hollow Water Project	$	26,181

Long-Term Debt - At the end of the fiscal year, the Authority had $13,416,859 in bonds and notes outstanding versus $11,513,508 last year, an increase of 17%.

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

Operating Revenues – Water operating revenues increased by .10% from last year's levels while sewer operating revenues increased 2.12%. Total water and sewer fund revenues increased 1.04%.

Operating Expenses – Operating expenses (excluding depreciation) increased by $52,586 (2.48%) over the prior year. Water operating expenses increased by $10,342 (1.32%) and sewer expenses increased by $36,641 (5.13%). Administrative expenses increased by $5,603 (.91%).

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

The Authority received operating contributions from Rockbridge County in the form of debt service payments of $27,500 this year as compared to $110,292 in the previous year.

Long Term Trends in Operations:

The PSA continued to work on the sewer capacity issues along Route 60 east of Lexington. The preliminary engineering report (PER) by Anderson & Associates, looked at both correcting the current deficiencies and extending both water and sewer to the I-81/Rt. 60 interchange. The PER broke the project into phases. Phase 1 focused on increasing capacity in the existing service area and Phase 2 extended water and sewer to the interchange. Rockbridge County assisted the PSA in the hiring of a consulting firm to determine the best course of action. In March, a loan was obtained for $2,461,000 to complete Phase 1 with Rockbridge County agreeing to reimburse the PSA for the payments. Hurt & Proffitt was hired to design the project. It is currently estimated to be complete in the fall of 2019.

The Long Hollow Project was put out to bid and the bids came in higher than expected. Staff is working with Rural Development for some additional grant funds. The Rural Development loan will most likely close in the fall of 2018. Construction should begin by the beginning of 2019.

Long Term Trends in Operations: (Continued)

Electronic billing and payments continue to grow. Staff continue to notify all new customers and walk-ins of the emailed bills, ACH service and payments through Paymntus. Payment options are also printed on the bill and posted on the website.

Devils Backbone recently completed an expansion that included a larger updated bottling facility and a restaurant. Most of the new connections have been in the Ponds and Greenhouse Village subdivisions. The Raphine area around the truck stop continues to grow with several new businesses planned for 2019.

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

Requests for Information

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

Financial Statements

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Net Position
June 30, 2018
(With Comparative Amounts for 2017)

	At June 30, 2018			Totals for June 30, 2017
	Water	Sewer	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,650,677	$ 2,269,429	$ 5,920,106	$ 4,088,924
Investments	-	2,413,651	2,413,651	1,201,241
Accounts receivable - customers, net of allowance	252,886	284,203	537,089	527,287
Prepaid items	58	42	100	-
Inventory of maintenance supplies	50,960	8,171	59,131	60,098
Restricted current assets:				
Customer deposits -- cash	$ 35,445	$ 30,250	$ 65,695	$ 65,470
Total Current Assets	$ 3,990,026	$ 5,005,746	$ 8,995,772	$ 5,943,020
Noncurrent Assets:				
Other assets:				
Net pension asset	$ 30,524	$ 27,069	$ 57,593	$ -
Capital Assets:				
Land	$ 194,893	$ 215,703	$ 410,596	$ 410,596
Buildings	99,951	76,915	176,866	176,866
Utility plant and equipment	16,112,226	20,882,916	36,995,142	36,995,142
Vehicles and equipment	438,086	320,291	758,377	781,331
	$ 16,845,156	$ 21,495,825	$ 38,340,981	$ 38,363,935
Accumulated depreciation	(8,096,676)	(7,589,792)	(15,686,468)	(14,751,340)
Sub-total	$ 8,748,480	$ 13,906,033	$ 22,654,513	$ 23,612,595
Construction work in progress	163,374	1,627	165,001	137,194
Total net capital assets	$ 8,911,854	$ 13,907,660	$ 22,819,514	$ 23,749,789
Total Noncurrent Assets	$ 8,942,378	$ 13,934,729	$ 22,877,107	$ 23,749,789
Total assets	$ 12,932,404	$ 18,940,475	$ 31,872,879	$ 29,692,809
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 18,980	$ 17,142	$ 36,122	$ 55,167
OPEB related items	1,107	982	2,089	-
Total deferred outflows of resources	$ 20,087	$ 18,124	$ 38,211	$ 55,167

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Net Position
June 30, 2018 (Continued)
(With Comparative Amounts for 2017)

	At June 30, 2018			Totals for June 30, 2017
	Water	Sewer	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	$ 194,249	$ 173,542	$ 367,791	$ 346,022
Compensated absences	23,916	22,077	45,993	43,513
Accrued interest payable	3,509	20,579	24,088	-
Bonds payable - current portion	101,856	819,117	920,973	791,145
Total current liabilities	$ 323,530	$ 1,035,315	$ 1,358,845	$ 1,180,680
Current liabilities payable from restricted assets:				
Customer deposits	$ 35,445	$ 30,250	$ 65,695	$ 65,470
Noncurrent liabilities:				
Loan from Rockbridge County	$ -	$ 3,057,273	$ 3,057,273	$ 2,823,785
Net pension liability	-	-	-	7,092
Net OPEB liability	25,970	23,030	49,000	19,000
Bonds payable - net of current portion	1,930,737	7,507,876	9,438,613	7,898,580
Total noncurrent liabilities	$ 1,956,707	$ 10,588,179	$ 12,544,886	$ 10,748,457
Total liabilities	$ 2,315,682	$ 11,653,744	$ 13,969,426	$ 11,994,607
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 25,803	$ 22,883	$ 48,686	$ 22,887
OPEB related items	2,120	1,880	4,000	-
Total deferred inflows of resources	$ 27,923	$ 24,763	$ 52,686	$ 22,887
NET POSITION				
Net investment in capital assets	$ 6,879,261	$ 2,523,394	$ 9,378,567	$ 12,236,279
Unrestricted	3,729,625	4,756,698	8,510,411	5,494,203
Total Net Position	$ 10,608,886	$ 7,280,092	$ 17,888,978	$ 17,730,482

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018
(With Comparative Amounts for 2017)

	Year Ended June 30, 2018			Totals for June 30, 2017
	Water	**Sewer**	**Totals**	
Operating Revenues:				
Water Sales	$ 1,341,025	$ -	$ 1,341,025	$ 1,353,032
Sewer Service Charges	-	1,490,640	1,490,640	1,475,063
Potential Demand Charge	71,680	76,301	147,981	131,695
Extra Service Units	22,026	22,957	44,983	41,870
Hookup fees	18,525	7,300	25,825	16,675
Late charges	14,260	10,229	24,489	17,961
Reconnection charges	3,658	688	4,346	6,600
Inspection Charge	-	200	200	320
Account Charge	4,890	2,490	7,380	7,620
Miscellaneous Revenue	9,472	2,976	12,448	16,525
Total Operating Revenues	$ 1,485,536	$ 1,613,781	$ 3,099,317	$ 3,067,361
Operating expenses:				
Water operating expenses	$ 796,800	$ -	$ 796,800	$ 786,458
Sewer operating expenses	-	751,134	751,134	714,493
Administrative and general expenses	328,884	294,500	623,384	617,780
Depreciation expense	391,435	566,647	958,082	959,701
Total Operating Expenses	$ 1,517,119	$ 1,612,281	$ 3,129,400	$ 3,078,432
Operating Income (Loss)	$ (31,583)	$ 1,500	$ (30,083)	$ (11,071)
Nonoperating Income (Expense):				
Interest income	$ 30,304	$ 30,049	$ 60,353	$ 39,307
Operating contributions - County (Note 5)	-	27,500	27,500	110,292
Interest expense	(55,578)	(20,579)	(76,157)	(75,168)
Bond issuance costs	-	(90,094)	(90,094)	-
Contribution to Maury Service Authority	(44,522)	-	(44,522)	(26,713)
Total Nonoperating Income (Expense)	$ (69,796)	$ (53,124)	$ (122,920)	$ 47,718
Income (loss) before contributions	$ (101,379)	$ (51,624)	$ (153,003)	$ 36,647
Capital contributions	176,000	166,500	342,500	165,337
Change in net position	$ 74,621	$ 114,876	$ 189,497	$ 201,984
Net Position, Beginning of Year, as restated	10,534,265	7,165,216	17,699,481	17,528,498
Net Position, End of Year	$ 10,608,886	$ 7,280,092	$ 17,888,978	$ 17,730,482

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Amounts for 2017)

	Year Ended June 30, 2018			Totals for June 30,
	Water	Sewer	Totals	2017
Cash flows from operating activities:				
Receipts from customers and users	$ 1,487,002	$ 1,602,738	$ 3,089,740	$ 2,975,283
Payments to suppliers	(851,425)	(781,329)	(1,632,754)	(1,610,654)
Payments to employees	(273,410)	(255,459)	(528,869)	(520,106)
Net cash provided by (used for) operating activities	$ 362,167	$ 565,950	$ 928,117	$ 844,523
Cash flows from noncapital financing activities:				
Operating grants received - County	$ -	$ 27,500	$ 27,500	$ 110,292
Contribution to Maury Service Authority	(44,522)	-	(44,522)	(26,713)
Net cash provided by (used for) noncapital financing activities	$ (44,522)	$ 27,500	$ (17,022)	$ 83,579
Cash flows from capital and related financing activities:				
Additions to utility plant	$ (26,180)	$ (1,627)	$ (27,807)	$ (228,692)
Principal payments on bonds	(101,022)	(690,117)	(791,139)	(875,997)
Interest paid	(55,578)	-	(55,578)	(75,168)
Proceeds from issuance of bonds	-	2,461,000	2,461,000	-
Bond issuance costs	-	(90,094)	(90,094)	-
Proceeds from loans from Rockbridge	-	233,488	233,488	278,974
Contributions in aid of construction	176,000	166,500	342,500	165,337
Net cash provided by (used for) financing activities	$ (6,780)	$ 2,079,150	$ 2,072,370	$ (735,546)
Cash flows from investing activities:				
Interest income	$ 30,303	$ 30,048	$ 60,351	$ 39,305
Increase (decrease) in cash and cash equivalents	**$ 341,168**	**$ 2,702,648**	**$ 3,043,816**	**$ 231,861**
Cash and cash equivalents at beginning of year (including $35,135 and $30,335 respectively reported in restricted accounts)	3,344,954	2,010,682	5,355,636	5,123,775
Cash and cash equivalents at end of year (including $35,445 and $30,250 respectively reported in restricted accounts)	**$ 3,686,122**	**$ 4,713,330**	**$ 8,399,452**	**$ 5,355,636**
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (31,583)	$ 1,500	$ (30,083)	$ (11,071)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	391,435	566,647	958,082	959,701
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	1,156	(10,958)	(9,802)	(97,628)
(Increase) decrease in inventories	621	346	967	(718)
Increase (decrease) in accounts payable	5,792	15,977	21,769	(2,695)
Increase (decrease) in compensated absences	854	1,626	2,480	968
Increase (decrease) in net OPEB liability	(1,060)	(940)	(2,000)	2,000
(Increase) decrease in net pension asset/liability	(34,283)	(30,402)	(64,685)	47,620
(Increase) decrease in deferred outflow of resources	13,132	8,233	21,365	(25,154)
Increase (decrease) in deferred inflow of resources	15,793	14,006	29,799	(34,050)
Increase (decrease) in customers deposits	310	(85)	225	5,550
Net cash provided by (used for) operating activities	$ 362,167	$ 565,950	$ 928,117	$ 844,523
Noncash investing, capital and financing activities:				
Contributions of capital assets	$ -	$ -	$ -	$ 21,337

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

- Management's discussion and analysis

- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
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  - Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
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<u>Basis of Accounting</u> - The Rockbridge County Public Service Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. The items are comprised of certain items related to the measurement of the pension and OPEB plan and contributions to the pension and OPEB plan made during the current year and subsequent to the net pension asset 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 Authority has one item that qualifies for reporting in this category. The items are comprised of certain items related to the measurement of the net pension asset and net OPEB liability. For more detailed information on these items, reference the related notes.

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

Pensions

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

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.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

The Authority has no formal deposit and investment policy.

Credit Risk of Debt Securities

The Authority's rated debt investments as of June 30, 2018 were rated by Standard & Poor's, and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

Authority's Rated Debt Investments' Values

		Fair Quality Ratings
		AAAm
State Non-Arbitrage Pool	$	2,413,651

External Investment Pools

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

NOTE 3—CAPITAL ASSETS:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water				
Capital assets not being depreciated:				
Land	$ 194,893	$ -	$ -	$ 194,893
Construction in progress	137,194	26,180	-	163,374
Total capital assets not being depreciated	$ 332,087	$ 26,180	$ -	$ 358,267
Other Capital Assets:				
Buildings	$ 99,951	$ -	$ -	$ 99,951
Accumulated depreciation	(66,803)	(2,499)	-	(69,302)
Total	$ 33,148	$ (2,499)	$ -	$ 30,649
Utility plant and equipment	$ 16,112,226	$ -	$ -	$ 16,112,226
Accumulated depreciation	(7,292,227)	(347,892)	-	(7,640,119)
Total	$ 8,819,999	$ (347,892)	$ -	$ 8,472,107
Office and general equipment	$ 453,558	$ -	$ 15,472	$ 438,086
Accumulated depreciation	(361,683)	(41,044)	(15,472)	(387,255)
Total	$ 91,875	$ (41,044)	$ -	$ 50,831
Other capital assets, net	$ 8,945,022	$ (391,435)	$ -	$ 8,553,587
Water capital assets, net	$ 9,277,109	$ (365,255)	$ -	$ 8,911,854
Sewer				
Capital assets not being depreciated:				
Land	$ 215,703	$ -	$ -	$ 215,703
Construction work in progress	-	1,627	-	1,627
Total capital assets not being depreciated	$ 215,703	$ 1,627	$ -	$ 217,330
Other Capital Assets:				
Buildings	$ 76,915	$ -	$ -	$ 76,915
Accumulated depreciation	(47,364)	(1,923)	-	(49,287)
Total	$ 29,551	$ (1,923)	$ -	$ 27,628
Utility plant and equipment	$ 20,882,916	$ -	$ -	$ 20,882,916
Accumulated depreciation	(6,737,591)	(536,493)	-	(7,274,084)
Total	$ 14,145,325	$ (536,493)	$ -	$ 13,608,832
Office and general equipment	$ 327,773	$ -	$ 7,482	$ 320,291
Accumulated depreciation	(245,672)	(28,231)	(7,482)	(266,421)
Total	$ 82,101	$ (28,231)	$ -	$ 53,870
Other capital assets, net	$ 14,256,977	$ (566,647)	$ -	$ 13,690,330
Sewer capital assets, net	$ 14,472,680	$ (565,020)	$ -	$ 13,907,660
Total capital assets, net	$ 23,749,789	$ (930,275)	$ -	$ 22,819,514

NOTE 4—PENSION PLAN:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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. • 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. • 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.

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>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.</td><td>Calculating the Benefit (Cont.)</td><td>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.</td></tr>
<tr><td>Average Final Compensation
A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</td><td>Average Final Compensation
A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</td><td>Average Final Compensation
Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</td></tr>
<tr><td>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.</td><td>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.</td><td>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.</td></tr>
</table>

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Normal Retirement Age
VRS: Age 65.

Political subdivisions hazardous duty employees: Age 60.</td><td>Normal Retirement Age
VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees: Same as Plan 1.</td><td>Normal Retirement Age
<u>Defined Benefit Component:</u>
VRS: Same as Plan 2.

Political subdivisions hazardous duty employees: Not applicable.

<u>Defined Contribution Component:</u>
Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td>Earliest Unreduced Retirement Eligibility
VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</td><td>Earliest Unreduced Retirement Eligibility
VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees: Same as Plan 1.</td><td>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.

Political subdivisions hazardous duty employees: Not applicable.

<u>Defined Contribution Component:</u>
Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td>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.</td><td>Earliest Reduced Retirement Eligibility
VRS: Age 60 with at least five years (60 months) of creditable service.</td><td>Earliest Reduced Retirement Eligibility
<u>Defined Benefit Component:</u>
VRS: Age 60 with at least five years (60 months) of creditable service.</td></tr>
</table>

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 4—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 4—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 (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** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

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.

NOTE 4—PENSION PLAN: (CONTINUED)

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:

	Number
Inactive members or their beneficiaries currently receiving benefits	4
Inactive members:	
Vested inactive members	2
Non-vested inactive members	2
Inactive members active elsewhere in VRS	2
Total inactive members	6
Active members	9
Total covered employees	19

Contributions

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

The Rockbridge County Public Service Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 4.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Rockbridge County Public Service Authority were $17,960 and $17,436 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 4—PENSION PLAN: (CONTINUED)

Net Pension Liability (Asset)

The Rockbridge County Public Service Authority's net pension liability (asset) was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability (asset) was 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 Rockbridge County Public Service Authority'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 – 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.

NOTE 4—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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%

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 20%

NOTE 4—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	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 Rockbridge County Public Service Authority Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 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.

NOTE 4—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 1,463,152	$ 1,456,060	$ 7,092
Changes for the year:			
Service cost	38,895	-	38,895
Interest	100,315	-	100,315
Changes of assumptions	(15,705)	-	(15,705)
Differences between expected and actual experience	24,257	-	24,257
Contributions - employer	-	17,436	(17,436)
Contributions - employee	-	19,504	(19,504)
Net investment income	-	176,686	(176,686)
Benefit payments, including refunds of employee contributions	(60,153)	(60,153)	-
Administrative expenses	-	(1,022)	1,022
Other changes	-	(157)	157
Net changes	$ 87,609	$ 152,294	$ (64,685)
Balances at June 30, 2017	$ 1,550,761	$ 1,608,354	$ (57,593)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net Pension Liability (Asset)	$ 147,886	$ (57,593)	$ (228,282)

NOTE 4—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 Rockbridge County Public Service Authority recognized pension expense of ($1,880). At June 30, 2018, the Rockbridge County Public Service Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,162	$ 13,773
Change in assumptions	-	11,758
Net difference between projected and actual earnings on pension plan investments	-	23,155
Employer contributions subsequent to the measurement date	17,960	-
Total	$ 36,122	$ 48,686

$17,960 reported as deferred outflows of resources related to pensions resulting from the Rockbridge County Public Service Authority's contributions subsequent to the measurement date will be recognized as a component of the Net Pension Liability in the year ended June 30, 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	
2019	$ (21,694)
2020	4,186
2021	2,107
2022	(15,123)
2023	-
Thereafter	-

NOTE 5—LONG-TERM OBLIGATIONS:

Details of long-term obligations:	Total Amount	Amount Due Within One Year
Water Fund:		
Revenue Bonds (payable from the Water Fund):		
$940,000 Infrastructure Revenue Bonds (Series 2002A) issued through the Virginia Resources Authority, dated June 6, 2002, payable annually in varying amounts through April 1, 2022, interest payable semi-annually at rates ranging from 3.1% to 5.35%.	$ 260,000	$ 60,000
Rural Development Bond:		
$2,081,000 Water System Revenue Bond (Series 2012) issued through the United States Department of Agriculture, dated June 28, 2012, payable annually in varying amounts through June 28, 2052, stated interest rate of 2.0%.	1,772,593	41,856
Total Revenue Bonds	$ 2,032,593	$ 101,856
Other Long-term Obligations:		
Compensated absences	23,916	23,916
Net OPEB liability	25,970	-
Total Water Fund	$ 2,082,479	$ 125,772

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

	Total Amount	Amount Due Within One Year
Sewer Fund:		
Revenue Bonds:		
$14,700,000 Sewer System Revenue Bonds, Series 2005 issued through the Virginia Revolving Loan Fund payable through December 31, 2027 in equal installments with no interest. Amount advanced and outstanding at year-end	$ 5,865,993	$ 690,117
$2,461,000 Sewer System Revenue Bonds, Series 2018 issued through the Virginia Revolving Loan Fund payable through December 31, 2033 in equal installments with interest at 3.29%. Amount advanced and outstanding at year-end	2,461,000	129,000
Advances:		
Loan from Rockbridge County, dated September 1, 2010. No agreed upon repayment terms.	3,057,273	-
Other Long-term Obligations:		
Compensated absences	22,077	22,077
Net OPEB liability	23,030	-
Total Sewer Fund	$ 11,429,373	$ 841,194
Grand total	$ 13,511,852	$ 966,966

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest
2019	$ 879,117	$ 94,902
2020	889,117	86,923
2021	893,117	79,199
2022	903,117	71,344
2023	838,117	63,069
2024	842,117	58,200
2025	847,117	53,199
2026	853,117	48,034
2027	513,058	42,671
2028	173,000	37,144
2029	179,000	31,452
2030	185,000	25,563
2031	191,000	19,477
2032	197,000	13,193
2033	203,999	6,712
Total	$ 8,586,993	$ 731,082

Changes in Long-Term Obligations:

	Restated Balance July 1, 2017	Issuances/ Additions	Retirement/ Reductions	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
Compensated Absences	23,062	854	-	23,916
Net OPEB liability	27,030	1,590	2,650	25,970
Total Water Fund	$ 2,183,707	$ 2,444	$ 103,672	$ 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
Compensated absences	20,451	1,626	-	22,077
Net OPEB liability	23,970	1,410	2,350	23,030
Total Sewer Fund	$ 9,424,316	$ 2,697,524	$ 692,467	$ 11,429,373
Totals	$ 11,608,023	$ 2,699,968	$ 796,139	$ 13,511,852

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Changes in Long-Term Obligations: (Continued)

Operating contributions from Rockbridge County consisted of the following:

Principal and interest payments on the 2001 Water Revenue Refunding Bonds	$	27,500
	$	27,500

Related Party Indebtedness:

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

Rockbridge County issued a loan to the Authority in 2010 in the amount of $2,823,785, with an additional issuance of $233,488 in 2018. The total amount outstanding at June 30, 2018 is $3,057,273. The loan has no agreed upon repayment terms.

NOTE 6—RISK MANAGEMENT:

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

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

Group Life Insurance (GLI) 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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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

Plan Description: (Continued)

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: • 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. • **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. • **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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. Contributions to the Group Life Insurance Program from the entity were $2,089 and $2,028 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 entity reported a liability of $32,000 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 .00211% as compared to .00207% at June 30, 2016.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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)

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $1,000. 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000
Change in assumptions	-	2,000
Employer contributions subsequent to the measurement date	2,089	-
Total	$ 2,089	$ 4,000

$2,089 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:

Year Ended June 30	
2019	$ (1,000)
2020	(1,000)
2021	(1,000)
2022	(1,000)
2023	-
Thereafter	-

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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

Actuarial Assumptions: (Continued)

Mortality Rates – General State 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 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%

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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (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 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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS 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 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%

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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS:

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

Actuarial Assumptions: (Continued)

Mortality Rates – JRS 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	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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (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 15%

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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates – 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	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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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%)
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 41,000	$ 32,000	$ 25,000

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.

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

Plan Description

In addition to the pension benefits described in Note 4, the Authority participates in a cost-sharing. single-employer defined benefit healthcare plan, the County of Rockbridge, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Rockbridge County Public Service Authority's pension plans.

Benefits Provided

Postemployment benefits are provided to eligible retirees include medical and dental 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 Rockbridge County Public Service Authority who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Plan Membership

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

Total active employees with coverage	9
Total active employees without coverage	-
Total retirees with coverage	-
Total retirees without coverage	-
Total	9

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Rockbridge County Public Service Authority's Board. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2018 was $0.

Total OPEB Liability

The Authority's total OPEB liability was measured as of July 1, 2017. The total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2017
Salary Increases	2.50% per year for general salary inflations as of July 1, 2016 and June 30, 2017
Discount Rate	3.56% for accounting and funding disclosures as of June 30, 2017

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.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Discount Rate

The discount rate has been set equal to 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.

Changes in Total OPEB Liability

		Total OPEB Liability
Balances at June 30, 2017	$	15,000
Changes for the year:		
Service cost		1,000
Interest		1,000
Net changes		2,000
Balances at June 30, 2018	$	17,000

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

The following amounts present the total OPEB liability of the Rockbridge County Public Service Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) 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%)
$	18,850	$	17,000	$	15,350

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

The following presents the total OPEB liability of the Rockbridge County Public Service Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50% decreasing by 0.50% annually to an ultimate rate of 4%) or one percentage point higher (8.50% decreasing by 0.50% annually to an ultimate rate of 6%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (6.50% decreasing to 4.00%)	Healthcare Cost Trend (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
$ 14,900	$ 17,000	$ 19,500

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

For the year ended June 30, 2018, the Authority recognized OPEB expense in the amount of $2,000.

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

NOTE 8—LITIGATION:

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

NOTE 9—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.

NOTE 9—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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.

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.

NOTE 9—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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 10—ADOPTION OF ACCOUNTING PRINCIPLE:

The Authority 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 Authority 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:

	Water Fund	Sewer Fund	Total
Net Position as reported at June 30, 2017	$ 10,550,696	$ 7,179,786	$ 17,730,482
Implementation of GASB 75	(16,431)	(14,570)	(31,001)
Net Position as restated at June 30, 2017	$ 10,534,265	$ 7,165,216	$ 17,699,481

Required Supplementary Information

Rockbridge County Public Service Authority

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

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 38,895	$ 36,790	$ 35,500	$ 42,889
Interest	100,315	96,238	93,316	88,171
Changes in assumptions	(15,705)	-	-	-
Differences between expected and actual experience	24,257	(12,565)	(25,361)	-
Benefit payments, including refunds of employee contributions	(60,153)	(64,284)	(59,123)	(55,998)
Net change in total pension liability	$ 87,609	$ 56,179	$ 44,332	$ 75,062
Total pension liability - beginning	1,463,152	1,406,973	1,362,641	1,287,579
Total pension liability - ending (a)	$ 1,550,761	$ 1,463,152	$ 1,406,973	$ 1,362,641
Plan fiduciary net position				
Contributions - employer	$ 17,436	$ 30,013	$ 28,320	$ 30,278
Contributions - employee	19,504	18,618	17,568	17,769
Net investment income	176,686	25,120	63,878	191,855
Benefit payments, including refunds of employee contributions	(60,153)	(64,284)	(59,123)	(55,998)
Administrative expense	(1,022)	(897)	(875)	(1,030)
Other	(157)	(11)	(14)	10
Net change in plan fiduciary net position	$ 152,294	$ 8,559	$ 49,754	$ 182,884
Plan fiduciary net position - beginning	1,456,060	1,447,501	1,397,747	1,214,863
Plan fiduciary net position - ending (b)	$ 1,608,354	$ 1,456,060	$ 1,447,501	$ 1,397,747
Authority's net pension liability (asset) - ending (a) - (b)	$ (57,593)	$ 7,092	$ (40,528)	$ (35,106)
Plan fiduciary net position as a percentage of the total pension liability	103.71%	99.52%	102.88%	102.58%
Covered payroll	$ 390,078	$ 372,358	$ 351,360	$ 362,539
Authority's net pension liability (asset) as a percentage of covered payroll	-14.76%	1.90%	-11.53%	-9.68%

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

Rockbridge County Public Service Authority

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)
2018	$ 17,960	$ 17,960	$ -	$ 401,781	4%
2017	17,436	17,436	-	390,078	4%
2016	30,013	30,013	-	372,358	8%
2015	28,320	28,320	-	351,360	8%
2014	30,515	30,515	-	362,539	8%
2013	30,417	30,417	-	326,909	9%
2012	29,625	29,625	-	304,331	10%
2011	27,440	27,440	-	301,331	9%
2010	26,457	26,457	-	301,331	9%
2009	25,207	25,207	-	290,862	9%

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

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%

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%

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

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

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
2017	0.0021%	$ 32,000	$ 390,078	8.20%	48.86%

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

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 and June 30, 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	$ 2,089	$ 2,089	$ -	$ 401,781	0.52%
2017	2,028	2,028	-	390,078	0.52%
2016	1,787	1,787	-	372,360	0.48%
2015	1,687	1,687	-	351,360	0.48%
2014	1,706	1,706	-	355,379	0.48%
2013	1,714	1,714	-	357,009	0.48%
2012	912	912	-	325,550	0.28%
2011	847	847	-	302,459	0.28%
2010	610	610	-	225,998	0.27%
2009	775	775	-	287,090	0.27%

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%

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%

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY

Schedule of Changes in Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	$	1,000
Interest		1,000
Net change in total OPEB liability	$	2,000
Total OPEB liability - beginning		15,000
Total OPEB liability - ending	$	17,000
Covered payroll	$	325,238
Authority's total OPEB liability (asset) as a percentage of covered payroll		5.23%

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

Notes to Required Supplementary Information - Authority 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, 2018
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 7.50% in 2017 and gradually declines to an ultimate rate of 5.00% by the year 2022
Salary Increase Rates	The salary increase rate is 2.50%
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 Mortality Table, fully generational with base year 2006, projected using two-demonsional mortality improvement scale MP-2017

Other Supplementary Information

Supporting Schedules

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
WATER FUND:			
Operating Revenues:			
Water Sales	$ 1,333,908	$ 1,341,025	$ 7,117
Potential Demand Charge	69,258	71,680	2,422
Extra Service Units	22,241	22,026	(215)
Hookup Fee-Water	6,475	18,525	12,050
Late charges	13,500	14,260	760
Reconnection charges	5,000	3,658	(1,342)
Trip charge	60	-	(60)
Inspection Charge	200	-	(200)
Account Charge	4,425	4,890	465
Miscellaneous Revenue	9,986	9,472	(514)
Total Operating Revenues	$ 1,465,053	$ 1,485,536	$ 20,483
Nonoperating Revenue and Capital Contributions:			
Interest Income	$ 20,000	$ 30,304	$ 10,304
Availability Fee - Water	80,000	176,000	96,000
Total Nonoperating Revenues and Contributions	$ 100,000	$ 206,304	$ 106,304
Total Water Revenues	$ 1,565,053	$ 1,691,840	$ 126,787
SEWER FUND:			
Operating Revenues:			
Sewer Service Charges	$ 1,472,139	$ 1,490,640	$ 18,501
Potential Demand Charge	73,700	76,301	2,601
Extra Service Units	23,161	22,957	(204)
Hookup Fee-Sewer	5,250	7,300	2,050
Late charges	9,000	10,229	1,229
Reconnection charges	750	688	(62)
Trip charge	20	-	(20)
Inspection Charge	50	200	150
Account Charge	2,175	2,490	315
Miscellaneous Revenue	150	2,976	2,826
Total Operating Revenues	$ 1,586,395	$ 1,613,781	$ 27,386
Nonoperating Revenue and Capital Contributions:			
Interest Income	$ 12,000	$ 30,049	$ 18,049
Availability Fee - Sewer	90,000	166,500	76,500
Operating contributions - County	-	27,500	27,500
Total Nonoperating Revenues and Contributions	$ 102,000	$ 224,049	$ 122,049
Total Sewer Revenues	$ 1,688,395	$ 1,837,830	$ 149,435

Schedule of Water Expenses - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:			
Water:			
Licenses & Permits	$ 7,110	$ 7,234	$ (124)
Maintenance of Source of Supply Plant	500	67	433
Purchased Water	662,300	669,868	(7,568)
O & M-Water Pumping Equipment	2,400	1,324	1,076
Power for Pumping Water	60,000	61,375	(1,375)
O & M-Water Pumping Station	600	370	230
O & M-Water Treatment Equipment	775	177	598
Water Treatment Supplies and Expense	4,500	4,107	393
Sampling and analysis	5,000	3,677	1,323
Maintenance of Water Tanks	1,500	1,187	313
Maintenance of Mains and Accessories	9,800	5,484	4,316
Water Services	10,500	10,846	(346)
Maintenance of Meters	3,725	2,157	1,568
Maintenance of Fire Hydrants and Accessories	1,000	1,329	(329)
Repair and replacement expense	112,400	27,598	84,802
Total Water Operating Expenses	$ 882,110	$ 796,800	$ 85,310
Administrative and General Expenses:			
Bank Service Charges	$ 52	$ 35	$ 17
Uncollected Expenses	2,400	2,396	4
Salaries	210,486	209,721	765
Office Supplies and Expenses	3,029	1,220	1,809
Outside Services Employed - Financial	6,760	6,606	154
Outside Services Employed - Legal	7,800	2,031	5,769
Outside Services - Software	3,025	2,100	925
Outside Services - General	780	-	780
Insurance Expense	8,201	8,227	(26)
Payroll contract	328	312	16
Employee Benefits-Medical Insurance	33,696	33,385	311
Employee Benefits - OPEB ARC	-	1,060	(1,060)
Employee Benefits-Retirement-VRS	19,933	(997)	20,930
Employee Benefits-Group Life-VRS	2,757	2,164	593

ROCKBRIDGE COUNTY PUBLIC SERVICE AUTHORITY **Schedule 2**

Schedule of Water Expenses - Budget and Actual
Year Ended June 30, 2018 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses: (Cont'd)			
Administrative and General Expenses: (Cont'd)			
Employee Benefits-Social Security	$ 13,050	$ 13,106	$ (56)
Virginia Unemployment Tax	54	44	10
Employee Benefits-Medicare	3,052	3,051	1
Workers compensation insurance	6,262	6,312	(50)
Transportation Expense	12,558	7,575	4,983
Board Members Compensation	2,109	1,770	339
Miscellaneous Expense	5,200	625	4,575
Uniform Rental	1,210	990	220
Dues and Subscriptions	1,100	1,130	(30)
Staff Development	2,569	674	1,895
Employee Appreciation	520	263	257
Operation and Maint.-General Equipment	9,061	6,193	2,868
Telephone Expense	3,276	2,816	460
Postage	4,285	3,451	834
Outside Services Employed - Non Construction	10,912	12,624	(1,712)
Engineering Services -Non Construction	7,800	-	7,800
Total Administrative and General Expenses	$ 382,265	$ 328,884	$ 53,381
Depreciation:			
Depreciation Expense	$ -	$ 391,435	$ (391,435)
Total Depreciation	$ -	$ 391,435	$ (391,435)
Interest and other nonoperating expenses:			
Interest expense	$ 55,578	$ 55,578	$ -
Contribution to Maury Service Authority	35,618	44,522	(8,904)
Total interest and other nonoperating expenses	$ 91,196	$ 100,100	$ (8,904)
TOTAL EXPENSES	$ 1,355,571	$ 1,617,219	$ (261,648)

Schedule of Sewer Expenses - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:			
Sewer:			
Licenses and Permits	$ 60	$ 399	$ (339)
Maintenance of Sewer Lines	4,000	4,963	(963)
Maintenance of Services-Sewer	2,100	2,098	2
Power for Pumping Sewer	15,000	16,931	(1,931)
Operation and Maintenance of Sewage Pumping Equipment	4,600	4,996	(396)
Sewage Treatment by Contract	780,168	679,964	100,204
Maintenance of Sewage Meters	4,725	3,395	1,330
Repair and Replacement Expense	156,375	5,388	150,987
Operations and Maintenance of Sewer Buildings	500	6,449	(5,949)
Sewage Chemical Supplies and Expense	3,500	3,222	278
Septage & Leachate Treatment Expense	32,310	23,329	8,981
Total Sewer Operating Expenses	$ 1,003,338	$ 751,134	$ 252,204
Administrative and General Expenses:			
Bank Service Charges	$ 48	$ 15	$ 33
Uncollected Expenses	600	188	412
Salaries	194,294	194,363	(69)
Office Supplies and Expenses	2,796	1,126	1,670
Outside Services Employed - Financial	6,240	6,098	142
Outside Services Employed - Legal	7,200	1,875	5,325
Outside Services - Software	2,793	1,938	855
Outside Services - General	720	-	720
Insurance Expense	7,571	7,606	(35)
Payroll contract	302	288	14
Employee Benefits-Medical Insurance	31,104	30,714	390
Employee Benefits - OPEB ARC	-	940	(940)
Employee Benefits-Retirement-VRS	18,400	(883)	19,283
Employee Benefits-Group Life-VRS	2,545	2,010	535
Employee Benefits-Social Security	12,046	12,157	(111)
Virginia Unemployment Tax	50	39	11
Employee Benefits-Medicare	2,817	2,816	1
Workers compensation insurance	5,781	5,826	(45)
Transportation Expense	11,592	7,159	4,433

Schedule of Sewer Expenses - Budget and Actual
Year Ended June 30, 2018 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses: (Cont'd)			
Administrative and General Expenses: (Cont'd)			
Board Members Compensation	$ 1,947	$ 1,634	$ 313
Miscellaneous Expense	4,800	947	3,853
Uniform Rental	1,116	914	202
Dues and Subscriptions	400	400	-
Staff Development	856	622	234
Employee Appreciation	480	243	237
Operation and Maintenance - General Equipment	8,364	5,585	2,779
Telephone Expense	3,024	2,601	423
Postage	3,955	3,186	769
Outside Services Employed - Non Construction	3,535	4,093	(558)
Engineering Services -Non Construction	7,200	-	7,200
Total Administrative and General Expenses	$ 342,576	$ 294,500	$ 48,076
Depreciation:			
Depreciation Expense	$ -	$ 566,647	$ (566,647)
Total Depreciation	$ -	$ 566,647	$ (566,647)
Interest and other non-operating expenses:			
Interest expense	$ -	$ 20,579	$ (20,579)
Bond issuance costs	-	90,094	(90,094)
Total interest and other non-operating expenses	$ -	$ 110,673	$ (110,673)
TOTAL EXPENSES	$ 1,345,914	$ 1,722,954	$ (377,040)

Schedule of Water and Sewer Rates
Year Ended June 30, 2018

	Water	Sewer
Number of Customers:		
Residential	2,046	937
Commercial	316	225
Basic rates per thousand gallons	$ 5.10	$ 8.50

Insurance Coverage
Year Ended June 30, 2018

Insurance Company	Certificate Number	Dates	Type	Policy Limits
Virginia Association of Counties Group Self Insurance Risk Pool	VA-RO-078A	7/1/17-7/1/18	Workmen's Compensation and Employer's Liability	Statutory
		7/1/17-7/1/18	Automobile Liability	2,000,000
			Values per policy	Replacement cost
			Fidelity/Crime Contribution	250,000
			Comprehensive general liability	2,000,000

Compliance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Rockbridge County Public Service Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Rockbridge County Public Service Authority and have issued our report thereon dated October 31, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 31, 2018