

COUNTY OF ROCKBRIDGE VIRGINIA



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

COUNTY OF ROCKBRIDGE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared by

Steven Bolster, Director of Fiscal Services

County of Rockbridge, Virginia

COUNTY OF ROCKBRIDGE, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017

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INTRODUCTORY SECTION



www.co.rockbridge.va.us

SPENCER SUTER
County Administrator
Office: (540) 463-4361
Fax: (540) 463-4346
ssuter@rockbridgecountyva.gov

County of Rockbridge

150 South Main Street
Lexington, Virginia 24450

County Board of Supervisors

JOHN M. HIGGINS
Buffalo
Magisterial District

RUSSELL S. FORD
Kerrs Creek
Magisterial District

DAVID W. HINTY, JR.
Natural Bridge
Magisterial District

RONNIE R. CAMPBELL
South River
Magisterial District

ALBERT W. LEWIS, JR.
Walkers Creek
Magisterial District

November 30, 2017

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

Commonwealth of Virginia law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

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

Robinson, Farmer, Cox Associates, Certified Public Accountants, have issued an unmodified ("clean") opinion on the County of Rockbridge's financial statements for the year ended June 30, 2017. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. The independent auditor's report is located at the front of the financial section of this document.

In addition to meeting requirements set forth by state statutes, the independent audit was also designed to meet the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) to meet the special needs of federal grantor agencies. As a part of the County's single audit, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2017 provided no instances of material weaknesses in the system of internal control and no violations of applicable laws and regulations. The auditors' report related specifically to the single audit is included in the Compliance Section of this report.

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

Profile of Rockbridge County

The County of Rockbridge was formed in 1778 and named after the Natural Bridge of Virginia, a historic geological wonder located in the southern part of the County. Two-thirds of the County's 607 square miles came from Botetourt County to the south and the remainder from Augusta County to the north. Rockbridge County is located in the southern portion of the Shenandoah Valley between the Alleghany and Blue Ridge Mountain ranges. Two major interstates, I-81 and I-64, intersect near the geographical center of the County, creating a superb transportation corridor. In addition, thousands of tourists annually traverse the 17 miles of the Blue Ridge Parkway which lies along the County's eastern border. Additionally, the 361-acre Virginia Horse Center is located in the center of Rockbridge County, just north of the City of Lexington. The Center provides year-round activities including equine competition events, major horse sales, instructional classes, and recreation opportunities.

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

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

The County of Rockbridge provides a full range of services, including law enforcement protection; building inspections; licenses and permits; refuse and recycling collection centers; and recreational facilities. Local volunteer fire departments provide fire protection and volunteer rescue squads, supplemented by a paid emergency medical service, deliver emergency medical response and transport services. The County furnishes support to the volunteer agencies through cash contributions for operational and capital expenditures. Rockbridge County is financially accountable for a legally separate school division (education), a public service authority (water & sewer), and a solid waste authority (refuse & recycling). Each organization is a component unit or blended component unit within the County's financial statements.

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

Local Economy

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

Unemployment in the County of Rockbridge has been steadily decreasing since it hit a high of 8.7 percent in February 2010, and typically staying just slightly above the average of the Commonwealth of Virginia. In June of 2017, the unemployment rate for the County of Rockbridge was 4.6 percent and the Commonwealth of Virginia was at 3.9 percent, while the Nation was at 4.5 percent. A downward trend continued through September 2017 with the County of Rockbridge unemployment rate at 3.7 percent, the Commonwealth of Virginia at 3.6 percent, and the U.S. at 4.1 percent. Based on economic forecasts, subsequent employment rates are anticipated to remain positive.

Median household incomes within Rockbridge County are lower than the state as a whole. In 2016, the median household income in Rockbridge County was \$48,901. That represents only a \$404 increase in the median household income or .83 percent increase. In the Commonwealth of Virginia, it increased by 2.06 percent to \$66,262. The Commonwealth of Virginia's population was 7,749,603 in 2007 and 8,411,808 in 2016. Rockbridge County's population was 22,313 in 2007, and 22,241 in 2016. Housing prices in the vicinity of Rockbridge County steadily increased beginning in 2005 until the Great Recession hit a few years later. Through September 2017, the average home sale price was \$185,700 in Rockbridge County while the median listing price equaled \$299,000.

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

In the fiscal year ending June 30, 2017, there were 532 building permits issued in Rockbridge County totaling \$31,738,129. This figure is a \$20M drop from FYE 2016. However, this can be attributed to a \$58M Washington and Lee University campus development project on property in Rockbridge County in 2016. Notable developments in FYE 2017 included: 1) Devils Backbone Brewery packaging and bottling facility construction project at \$6.6M; 2) Centra Health's \$1.3M renovation of the former Rockbridge Middle School; 3) August Health's \$1.0M repurposing of a former organic-food store; 4) Walmart's \$750K investment in building upgrades; 5) the Boy Scouts of America dining hall construction project at \$700K; 6) Raphine-I81, LLC truck center expansion project at \$397K; and 7) Lee-Hi Travel Center's restaurant conversion to IHOP for \$350K. Stable development, access to major interstates and highways, a vast array of outdoor recreation, and historical tourist sites, as well as the proximity to four higher education institutes, makes Rockbridge County a prime location for business and travel.

The top five industries by employment in Rockbridge County are retail trade (1,813 reported), manufacturing (1,014 reported), local government (884 reported), accommodations and food services (627 reported), and health care and social assistance (547 reported). Employment in retail trade, manufacturing and local government realized an increase in employment while accommodations and food service and health care and social assistance saw a decrease in employment. The top five average weekly wages were in the following industries: information (\$1,005), finance and insurance (\$848), state government (\$831), transportation and warehousing (\$797), and construction (\$753).

Public School System

The Rockbridge County Public School (RCPS) system currently serves approximately 2,600 students in kindergarten through 12th grade. RCPS operates four elementary schools for kindergarten through fifth grade, one middle school for grades six through eight, and one high school (shared with the City of Lexington) for grades nine through twelve. All of the County schools, with the exception of our high school and the Floyd S. Kay Technical Education Center (VoTech Center), have been completely renovated within the past 18 years. As the oldest school facilities in the system, the high school and VoTech Center are expected to receive the highest priority for capital improvements in future years. All schools are accredited by the State Department of Education.

RCPS serves a diverse student population and takes pride in meeting the educational needs of all students. To this end, it continues a transformation of Career & Technical Education (CTE) offerings at both the middle school (four programs) and high school level (eighteen programs) to 21st century programs. RCPS's goal is for interested students to begin their CTE educational experience at the middle school so they may earn industry certifications earlier during their high school career. These early certifications will in turn lead to internship and work experience opportunities prior to high school graduation, creating a more prepared work force for business and industry. Rigorous academic expectations are a standard of RCPS. In Spring 2017, 93% of the 287 RCPS students who took an Advanced Placement exam scored a three or higher. Comparing this level of success to the Virginia average of 68% meeting this same standard, we are proud to say that RCPS always puts learning first for our students.

Higher Education

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

Long-term financial planning and major initiatives

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

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

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

In accordance with Section 15.2-2239 of the *Code of Virginia*, Rockbridge County prepares and annually updates a Capital Improvement Program (CIP). The CIP is intended to guide the acquisition and construction of the County's capital improvement plans by identifying needed capital projects, estimating their costs, listing the fiscal year each should begin, and determining the optimum method of funding them within our fiscal capabilities. The County of Rockbridge CIP for fiscal year ending (FYE) 2018 reflects \$825,680 in capital procurements. Capital improvements approved for FYE 2018 include: 1) constructing/upgrading two staffed collection centers - \$286,000; 2) replacing seven law enforcement vehicles - \$235,000; 3) procuring two pre-

crushers for staffed collection centers - \$100,000; 4) improvements to the Rockbridge County Administration Building - \$65,000; 5) infrastructure and facility upgrades at Lake A. Willis Robertson Recreation Area - \$58,000; 8) complete phase 2 construction of law enforcement shooting range - \$35,000.

Mountain View Brewery, LLC (DBA “Devils Backbone Brewery”) acquired one of the two county-owned parcels adjacent to its current operations in November 2016. Devils Backbone Brewery is nearing completion of its production and bottling facility and is now planning to expand the outdoor seating and tap room. In its eight years in the County, Devils Backbone Brewery has experienced rapid growth in production and employment. The facility currently employs 74 and will add additional employees once the bottle facility is complete.

Rockbridge County efforts to re-purpose one surplus school facility resulted in the conveyance of the property to Centra Health in October 2016. During FY 2017, Centra Health invested \$1.3 million to make substantial improvements to the building and septic treatment plant before moving their special-needs school for children to the newly renovated school. The remaining acreage surrounding the building has been retained by the County with plans to develop additional athletic fields to support local youth-sport programs.

The County designated the James River as a Virginia Scenic River in July 2017 after receiving approval through the Commonwealth’s General Assembly. The designation by the Virginia Department of Conservation and Recreation (VDCR) is displayed on a plaque located at the Town of Glasgow canoe launch. The VDCR states, “The Virginia Scenic Rivers Program’s intent is to identify, designate, and help protect rivers and streams that possess outstanding scenic, recreational, historic and natural characteristics of statewide significance for future generations.”

A continued joint effort between the County, the Cities of Lexington and Buena Vista, and community partners is targeting improvements to the Chessie Trail in the coming years. Trail upgrades include connections at Woods Creek Trail and the Buena Vista Riverwalk. Buena Vista recently received a \$200,000 federal grant to facilitate improvements at the city’s end of the Chessie Trail. In addition, the Virginia Military Institute (VMI) is facilitating a grant to fund a new bridge at the South River intersection of the Chessie Trail. The combined efforts of the government partners, VMI, and Friends of the Chessie Trail will result in a connected trail (Wood Creek Trail, Chessie Trail, & the Buena Vista Riverwalk) within the next few years.

The Braiding the Way outdoor recreation plan has moved forward on several initiatives over the past year. The committee has established a logo, completed a community-needs assessment, inventoried the County’s outdoor recreation assets, and conducted public-outreach forums. The outdoor recreation plan’s goal continues toward developing a braided network of trails, blueways, bikeways, and parks that support community health and conservation goals, and link the region’s cultural, historic, and natural attractions. The efforts of this program are expected to bring a positive economic impact to the Rockbridge area.

The adopted FY 2018 budget includes an increase in funding for the provision of Fire and EMS services in the County. The increases are in two areas: 1) the Board concurred with and funded a proposal recommended by the regional Fire and Rescue Commission that incorporated additional funding support provided to volunteer agencies. Supported by the Rockbridge Firefighters Association and the Rockbridge Emergency Rescue Group, the proposal requested a \$237,056 overall increase in funding to volunteer fire and EMS agencies. The increase was tied to

performance factors with performance payout to each agency in the final quarter of FY 2018. 2) The Board added \$52,898 to complete funding for expansion in hours of service for contracted EMS response, moving from 12 hours-a-day/5 days-a-week, to 12 hours-a-day/7 days-a-week in the Village of Fairfield and the Town of Glasgow. The gradual increases in funding for the core services of fire and EMS are expected to continue into the future, as increased pressure on volunteers' time and training requirements necessitate supplemental, paid responder programs.

The County cost-share to the Rockbridge Regional Jail facility also saw a significant increase in FY 2018, with an additional \$199,974 dedicated to meet increasing operational needs resulting from a combination of increased jail population and provision of medical services. We expect this trend to continue into the future.

The Board of Supervisors, after more than 4 years of planning, took the final steps in moving ahead with a commitment to expand the regional landfill. Partnering with the City of Lexington, a revised, Blue Ridge Resource Authority (BRRA) is in the final stages of formation, and is expected to hold its first, organizational meeting in early 2018. The new BRRA board of directors will include all five members of the Board of Supervisors and two members of Lexington City Council. The first cell of the expanded landfill was opened on July 1, 2017, after the existing Rockbridge Regional Solid Waste Authority executed financing in the amount of \$5,710,000 to fund both the initial lined-landfill cell and the long-term infrastructure which will serve future cells as well. The combined life of the current and future cells is anticipated to exceed 50 years.

In a collaborative effort to more effectively plan for future capital expenditures necessary for the RCPS, the Board of Supervisors and the School Board are in the process of developing a long-range school capital improvement plan. In an initial step, the two bodies reviewed and approved an energy savings project in September 2017. The \$6,267,103 project will impact multiple school facilities, with the majority of the work concentrated on the Rockbridge County High School and VoTech Center facilities. An energy service company was contracted to manage the upgrade/replacement of many energy dependent appurtenances in the buildings. The resultant energy savings is expected to generate \$4,801,847, or 76%, of the initial project expenditures to the County over the course of 15 years. Current energy usage has been benchmarked and energy savings will be measured over time. The energy service company is responsible for refunding the County for any shortfalls in the contracted estimate.

The Board of Supervisors and the Rockbridge County Public Service Authority (RCPSA) are currently reviewing options to expand water and sewer service and capacity in the US Route 60 east corridor. The currently-served area, just east of Lexington City, is at capacity, with sewer throughput as the limiting factor. Preliminary engineering reports suggest a two-phased process for improving water/sewer service in the area: Phase 1 – increase capacity in currently-served area via installation of a new line and pumping station; simultaneously install piping which would serve a future phase 2. Estimated cost - \$2,400,000. Phase 2 – extend water and sewer service approximately 2 miles east along US Route 60, to and across Interstate 81, to allow for development of additional property zoned for business and commercial uses. Estimated cost - \$9,600,00.

Relevant financial policies

The County of Rockbridge Fund Balance and Reserve Policy includes the goal to maintain a fund balance for cash liquidity purposes that will provide sufficient cash flow to minimize the possibility of short-term revenue anticipation borrowing. At the close of each fiscal year, the County's unassigned General Fund balance should be equal to at least 20% of the County's total General Fund expenditures. If the County does not meet its target, it will develop a plan during the annual budget adoption process to replenish the unassigned fund balance to the 20% target level over a period of not more than three (3) years. The County's unassigned fund balance in the General Fund is 30.05% for fiscal ended June 30, 2017.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Rockbridge for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the third year that the County of Rockbridge has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Spencer H. Suter, County Administrator



Steven J. Bolster, Fiscal Services Director



Government Finance Officers Association

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

Presented to

**County of Rockbridge
Virginia**

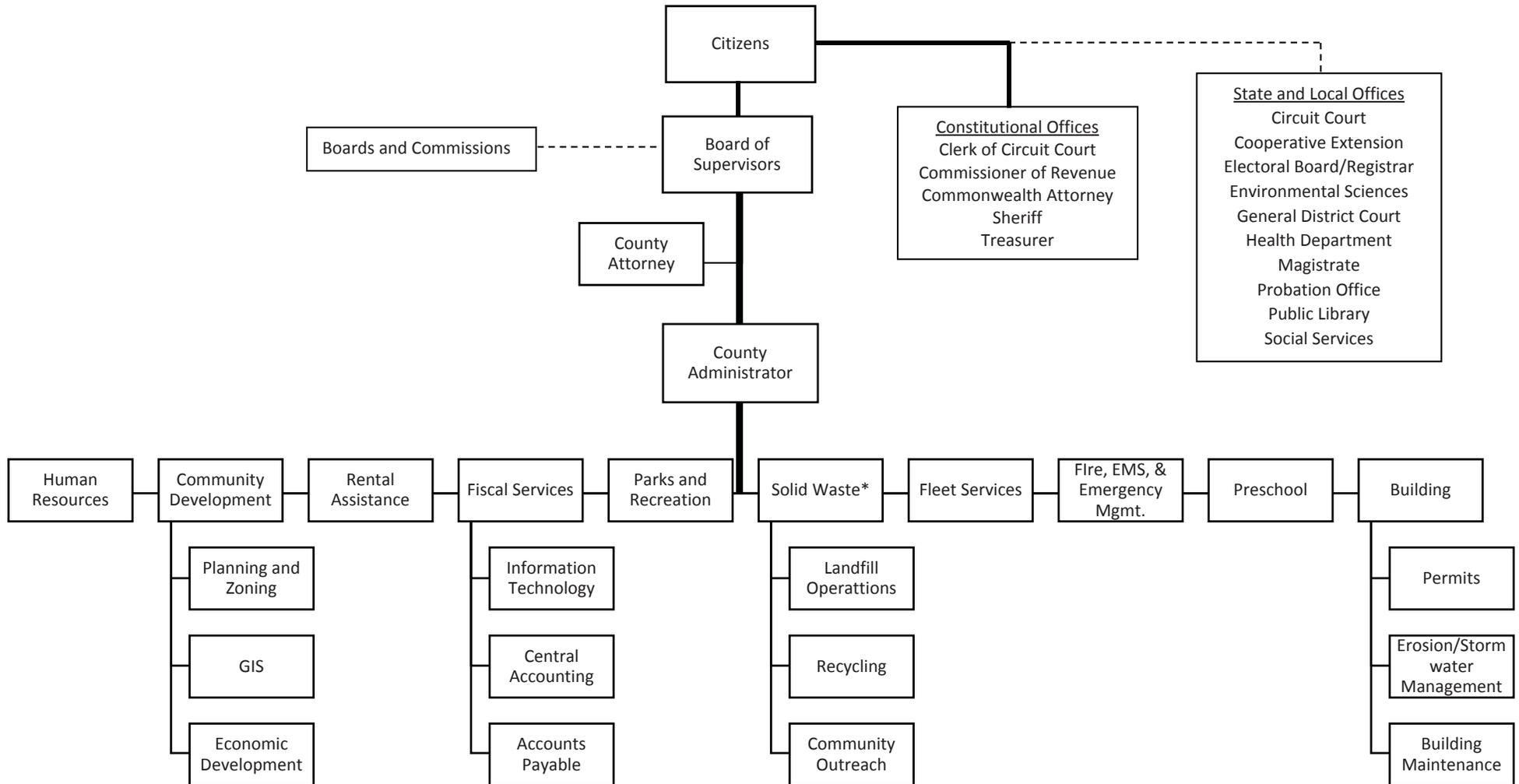
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



County of Rockbridge Organizational Chart



*The Rockbridge County Solid Waste Authority is a blended component unit of Rockbridge County

COUNTY OF ROCKBRIDGE, VA

BOARD OF SUPERVISORS

David W. Hinty, Jr., Chairman
John M. Higgins, Vice-Chairman
Ronnie R. Campbell
Russell L. Ford
Albert W. Lewis, Jr.

ROCKBRIDGE COUNTY APPOINTED OFFICIALS

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

COUNTY SCHOOL BOARD

David B. McDaniel, Chairman
Albert “Jay” Lewis II, Vice-Chairman
Kevin Brooks
Wendy W. Lovell
Laurie Strong

SCHOOL DIVISION APPOINTED OFFICIALS

Superintendent of Schools.....Dr. Jack Donald
Clerk of the School Board.....Rhonda Humphries

LEGISLATIVE ELECTION

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

CONSTITUTIONAL OFFICERS

Clerk of the Circuit Court.....D. Bruce Patterson
Commonwealth’s Attorney.....Chris Billias
Commissioner of the Revenue.....David C. Whitesell
Sheriff.....Christopher J. Blalock
Treasurer.....Betty S. Trovato

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Rockbridge, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Rockbridge, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-14, 96, 97-103, respectively, be presented to supplement the basic financial statements.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Rockbridge, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the County of Rockbridge, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Rockbridge, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2017

Management's Discussion and Analysis

As management of the County of Rockbridge, Virginia, we offer the readers of the County's financial statements this narrative. The narrative provides an overview and analysis of our financial activities for the fiscal year ending June 30, 2017.

Financial Highlights

Government-wide Financial Statements

The combined total assets of the County of Rockbridge, Virginia exceeded its liabilities by \$43,659,366 (net position) at the close of the most recent fiscal year. Of the total net position, \$38,176,787 is associated with governmental activities and \$5,482,579 is associated with business-type activities. Of the governmental activities net position, \$24,789,608 may be used to meet the government's ongoing obligations to creditors and citizens. There is \$451,921 presented under governmental activities which are restricted to ensure the availability of funds for specific functions, programs and anticipated liabilities (ex., capital projects, annual pass-through funding to USDA for Virginia Horse Center debt, & fire services). These restricted accounts are also displayed on the Balance Sheet of Government Funds. Of the business-type activities net position, \$1,703,698 is unrestricted and available to meet the business-type activity's obligations. For the year ending June 30, 2017, the governmental activities' assets include \$10,323,990 in taxes receivable while \$9,179,564 is reflected as deferred inflows of resources. This is shown as part of compliance with GASB requirements. The \$10,323,990 in taxes receivable are booked in the first half of calendar year 2017, but because of twice-a-year tax billing, second half real estate taxes of \$9,127,377 are not due until December 2017, and are shown as a deferred revenue. When compared to the net position at year's end June 30, 2016, the total combined net position increased by \$1,909,887 (up 4.57%).

Fund Financial Statements

As of the close of the fiscal year June 30, 2017, the County's governmental funds reported a combined ending fund balance of \$28,265,280. This is an increase of \$1,072,859 as compared with the previous fiscal year. The increase in fund balance is associated with collecting higher than estimated general property taxes; other local taxes; court fines and forfeitures; use of money and property revenue, charges for services; and miscellaneous revenues. The total unassigned fund balance reported as \$21,887,717, or 77.44%, is available for spending at the government's discretion and for projected capital improvement projects.

At the fiscal year end, unassigned fund balance for the General Fund was \$21,887,717 or 53.25% of total General Fund expenditures. This is a 1.84%-point increase in fund balance to expenditure ratio compared to year ending June 30, 2016, but well within the County's fund balance policy, which requires a 20% unassigned fund balance to expenditures ratio.

The County Capital Project Fund was established in FYE 2016 to proactively establish dedicated fund sources for capital improvement plan (CIP) projects. This category includes: 1) new construction and major upgrades to County facilities; and 2) procurement of vehicle and major equipment replacement activities. Notable FYE 2017 facility projects involved the following: 1) renovation of vacant building for joint fire, rescue, emergency management, and 911 center functions (\$1M); 2) upgrade county administration building HVAC system (\$2.3K); 3) repair/recoat fleet service parking lot (\$67K); and 4) construction of fleet services parking/storage facility (\$14K). Vehicle and equipment replacement efforts involved: 1) Sheriff vehicles (\$242K); replace Registrar voting equipment (\$200K); 3) purchase fleet services towable man-lift (\$14K); 4) procure fleet services air compressor (\$8K); and 5) acquire parks and recreation commercial mower (\$6K). The FYE 2017 fund balance reflects \$2,052,631 to source ongoing and future CIP projects.

The School Capital Projects Fund ended fiscal year 2017 with a fund balance of \$194,203, down \$4,902 (2.46%) compared to last fiscal year. The majority of this balance may be used to source improvements to school facilities as coordinated by the Board of Supervisors and School Board.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

Proprietary funds

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

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

Fiduciary funds

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

Notes to the financial statements

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

Government-wide Financial Analysis

Net Position

As noted, net position may serve as a useful indicator of a government's financial position. For the County of Rockbridge, combined total assets exceeded liabilities by \$43,659,366 at the end of the fiscal year.

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

COUNTY OF ROCKBRIDGE'S NET POSITION						
June 30, 2017						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 40,311,512	\$ 38,875,554	\$ 7,209,410	\$ 11,699,642	\$ 47,520,922	\$ 50,575,196
Capital Assets	69,585,441	72,070,826	8,707,796	4,276,356	78,293,237	76,347,182
Total Assets	<u>\$ 109,896,953</u>	<u>\$ 110,946,380</u>	<u>\$ 15,917,206</u>	<u>\$ 15,975,998</u>	<u>\$ 125,814,159</u>	<u>\$ 126,922,378</u>
Deferred Outflow s of Resources	\$ 2,496,394	\$ 2,077,918	\$ 94,266	\$ 59,812	\$ 2,590,660	\$ 2,137,730
Long-term liabilities	\$ 62,757,216	\$ 64,066,423	\$ 9,159,417	\$ 10,502,943	\$ 71,916,633	\$ 74,569,366
Other liabilities	2,279,780	2,226,376	1,364,830	1,105,017	3,644,610	3,331,393
Total liabilities	<u>\$ 65,036,996</u>	<u>\$ 66,292,799</u>	<u>\$ 10,524,247</u>	<u>\$ 11,607,960</u>	<u>\$ 75,561,243</u>	<u>\$ 77,900,759</u>
Deferred Inflow s of Resources	\$ 9,179,564	\$ 9,364,953	\$ 4,646	\$ 44,917	\$ 9,184,210	\$ 9,409,870
Net Position:						
Net investment in capital assets	\$ 12,935,258	\$ 13,222,296	\$ 2,096,784	\$ 2,592,481	\$ 15,032,042	\$ 15,814,777
Unrestricted (deficit)	24,789,608	23,911,471	1,703,698	366,856	26,493,306	24,278,327
Restricted	451,921	232,779	1,682,097	1,423,596	2,134,018	1,656,375
Total net position	<u>\$ 38,176,787</u>	<u>\$ 37,366,546</u>	<u>\$ 5,482,579</u>	<u>\$ 4,382,933</u>	<u>\$ 43,659,366</u>	<u>\$ 41,749,479</u>

Governmental Activities

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related outstanding debt used to acquire those assets is \$12,935,258 which represents 33.88% of total net position. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. It is of note that a portion of the capital assets is used to encourage economic development and in turn may produce future revenue for operations in either fees or sale of property. For example, in 2017 the County sold land adjacent to Devils Backbone Brewery for \$575K. They, in turn, constructed a \$6.6M packaging and bottling facility to expand their operations.

During the year ending June 30, 2017, total governmental liabilities decreased by \$1,255,803. While accounts payable increased by \$146,722 and long-term liabilities due within one year rose \$419,516 (school debt), the remaining liability categories dropped when compared to FYE 2016. This results mainly from making scheduled debt-service payments which included final expenditures on maturing loans.

The restricted net position represents resources that are subject to external or internal restrictions on how they may be used. The restricted net position for fiscal year 2017 included assets restricted by external constraints. For fiscal year 2017, staff created new restricted accounts to account for sourcing future CIP projects, passing through transient occupancy tax to fund the annual debt service to the USDA on behalf of the Virginia Horse Center, and management of state funds for the local \$4 for Life program (rescue). This resulted in a \$219,142 growth in restricted net position.

The unrestricted net position is \$24,789,608, which is 64.93% of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County's governmental activities realized decreases in one of the three categories of combined total net position. These changes in net position include a decrease in net investment in capital assets of \$287,038. Restricted assets increased in the amount of \$219,142 while unrestricted assets were higher by \$878,137. For the year ending June 30, 2017, the governmental activity total net position increased by \$810,241 from last fiscal year.

Business-type Activities

The business-type activities/enterprise fund (landfill and recycling) net position increased by \$1,099,646 resulting from elevated tipping fees and higher tonnage which generated additional cash for future landfill expansion and heavy-duty equipment procurement efforts; unrestricted net position is up \$1,336,842 compared to last fiscal year. Restricted net position is tied to a revenue bond executed in June 2016 for construction activities continued throughout FYE 2017 (up \$258,501). The Authority's total net position invested in capital assets decreased by \$495,697 primarily from depreciation. The Authority uses capital assets to provide services to its customers, so these assets are not available for future spending.

Changes in Net Position

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

COUNTY OF ROCKBRIDGE'S CHANGES IN NET POSITION						
June 30, 2017						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,491,441	\$ 2,165,018	\$ 2,232,822	2,098,447	\$ 4,724,263	\$ 4,263,465
Operating grants	2,460,447	2,381,742	22,492	23,300	2,482,939	2,405,042
Capital grants	21,545	41,945	-	-	21,545	41,945
General Revenues:						
Property taxes	25,753,935	24,775,816	-	-	25,753,935	24,775,816
Other taxes	9,140,168	9,009,065	-	-	9,140,168	9,009,065
Use of money and property	169,275	113,017	43,456	11,162	212,731	124,179
Other	939,045	833,978	47,113	25,869	986,158	859,847
Grants and contributions not restricted to specific programs	2,764,276	2,749,809	-	-	2,764,276	2,749,809
Total Revenues	\$ 43,740,132	\$ 42,070,390	\$ 2,345,883	\$ 2,158,778	\$ 46,086,015	\$ 44,229,168
Expenses:						
General						
General Govt. Admin	\$ 2,905,137	\$ 2,888,023	\$ -	\$ -	\$ 2,905,137	\$ 2,888,023
Judicial administration	1,500,916	1,363,768	-	-	1,500,916	1,363,768
Public safety	8,332,745	7,165,176	-	-	8,332,745	7,165,176
Public works	3,458,387	3,257,681	1,694,164	1,647,771	5,152,551	4,905,452
Health and welfare	1,618,131	1,641,027	-	-	1,618,131	1,641,027
Education	16,455,148	15,794,029	-	-	16,455,148	15,794,029
Parks, recreation, and culture	1,403,936	1,431,206	-	-	1,403,936	1,431,206
Community development	2,792,737	2,933,943	-	-	2,792,737	2,933,943
Non-departmental	1,805,264	1,780,693	-	-	1,805,264	1,780,693
Interest on long-term debt	2,209,563	2,488,358	-	-	2,209,563	2,488,358
Total expenses	\$ 42,481,964	\$ 40,743,904	\$ 1,694,164	\$ 1,647,771	\$ 44,176,128	\$ 42,391,675
Increase (decrease) in net position before transfers	\$ 1,258,168	\$ 1,326,486	\$ 651,719	\$ 511,007	\$ 1,909,887	\$ 1,837,493
Transfers	(447,927)	(449,951)	447,927	449,951	-	-
Increase (decrease) net position	\$ 810,241	\$ 876,535	\$ 1,099,646	\$ 960,958	\$ 1,909,887	\$ 1,837,493
Net position - beginning	37,366,546	36,490,011	4,382,933	3,421,975	41,749,479	39,911,986
Net position - ending	\$ 38,176,787	\$ 37,366,546	\$ 5,482,579	\$ 4,382,933	\$ 43,659,366	\$ 41,749,479

Governmental Activities

Governmental activities increased the County's net position by \$810,241. Key elements relating to FYE 2017 activities compared to the prior fiscal year will be discussed below.

Revenues increased by \$1,669,742. The following table provides a breakdown on the various revenues sources as of June 30, 2017.

Type	Overall total %
1. Property taxes	58.88%
2. Other local taxes	20.90%
3. Non-restricted grants and contributions	6.32%
4. Charges for services	5.70%
5. Operating and capital grants	5.67%
6. Other general revenues	2.14%
7. Use of money and property	0.39%

Component changes from FYE 2016 to FYE 2017 include:

- The largest source of revenues is general property taxes at \$25,753,935. General property tax collections rose by \$978,119. The Board approved a one-cent increase to the real property tax rate in calendar year 2017 contributing to higher revenues in the June 2017 billing cycle. In addition, public service corporation, personal property, and machinery and tools taxes increased as a result of higher value growth and/or collection levels.
- Other local taxes increased by \$131,103. Meals, occupancy, recordation, business license, and bank franchise taxes continued a positive trend in receipts collected, a reflection of on-going tourism and economic development efforts in the County.
- Non-restricted grants or contributions increased by \$14,467 as state-shared revenues for rolling stock, motor vehicle rentals, and timber sales came in higher than projected.
- Charges for services increased by \$326,423 due to greater activities associated with the following areas: fines/forfeitures, garage services, parks and recreation, Sheriff fees, and erosion and sediment control-stormwater management.
- Operating and capital grants rose by \$58,305. This primarily reflects a 100% increase in Department of Criminal Justice Services funding for the Victim-Witness program (up ~\$35K).
- Other general revenues were higher by \$105,067 resulting from miscellaneous collections (sale of supplies, patron refunds/rebates, and loan proceeds) coming in greater than forecasted.
- Use of money and property rose by \$56,258. A combination of ongoing income from County property rentals and effective investment methodology by the Treasurer contributed to the revenue increase.

The following table reflects the distribution of FYE 2017 governmental expenditures. For the year, the Board of Supervisors' expenditure priorities were to maintain improvements in education, public safety, public works, health and welfare, and economic development. In addition, the Board approved a 1% cost-of-living adjustment and longevity increases (0.25% per year of service capped at 5%) effective July 1, 2016, with a goal of retaining and attracting a quality workforce via competitive compensation. Overall expenses increased by \$1,738,060 over the same period in FYE 2016. As shown, education expenses account for 38.83% of total expenses. When combined with public safety, public works, general government administration, and community development, expenditures for these five categories are nearly 80% of the \$42,481,964 in total expenses.

Type	Overall total %
1. Education	38.73%
2. Public Safety	19.62%
3. Public Works	8.14%
4. General Government Administration	6.83%
5. Community Development	6.57%
6. Long-term debt interest	5.20%
7. Non-departmental	4.25%
8. Health and Welfare	3.81%
9. Judicial Administration	3.55%
10. Parks, Recreation, and Cultural	3.30%

Component changes from FYE 2016 to FYE 2017 include:

- Education expenses increased by \$661,119 (+4.19%). The Board of Supervisors continued its annual support of educational programs in FYE 2017. The Board approved a \$232,000 increase local tax-dollar support for school operations (one penny on the real estate tax rate). In addition, the Board approved the School Board request to fund \$416,000 in school capital projects during the 2017 fiscal year.
- Public Safety reflects an increase of \$1,167,569 (+16.30%). The County's renovation of a vacant building for a joint fire, rescue, and regional communications (911) and emergency operations center occurred under this category (over \$750,000). The Board also approved phase 2 for the Sheriff Office shooting range (classroom and covered range at \$18,500). In addition, the Board funded \$25,000 for contracted services to complete annual inspections of all volunteer rescue squad stretchers and cardiac monitors. Furthermore, the County's committed one-time capital of \$238,201 to replace the 911 Center's computer aided dispatch system. Lastly, the County cost-share costs for the regional jail function rose by ~\$235,000 based on the number of Rockbridge County citizens housed in the facility each month and an increase in overall per capita incarceration costs.
- Public Works increased by \$200,706 (+6.16%). This category pays the County's cost-share for the landfill operation. The cost per ton tipping fee combined with higher actual tonnage generated part of this upward change. In addition, one-time capital improvements to the fleet services facility pushed expenditures higher from FYE 2016 levels. Projects included repairing and replacing the parking lot and constructing a three-bay protective parking and storage shed.
- General government administration increased by \$17,114 (+0.59%). The minimal increase is attributable to the Board approving a 1% cost-of-living increase and years-of-service increase for County employees in FYE 2017.
- Community Development decreased by \$141,206 (-4.81%). Two public service related loans accounted for under this category realized only one final payment compared to semi-annual payments in prior years. Both loans were paid in full in FYE 2017 (down ~\$92K). In addition, the County's advance to the Public Service Authority (PSA) for the Lexington to Raphine waste-water treatment line revenue bond was down \$13,000 as the PSA realized increased commercial and residential connection fees, demand charges, and septage surcharges.
- Long-term debt interest payments are down \$278,795 based on current debt payment schedules.
- Non-departmental was up \$24,571 (+1.38%) resulting from an increase in the Modified Voluntary Settlement of Annexation and Immunity payment from Rockbridge County to Lexington City.
- Health and Welfare reflects a decrease of \$22,896 (-1.40%) primarily because the County's actual cost-share funding for the Department of Social Services program was less than the prior fiscal year based on the funding-formula calculation.
- Judicial Administration rose by \$137,148 (+10.06%) reflected primarily from a 100% increase in Department of Criminal Justice Services funding for the Victim Witness program (~\$38K). In addition, state grant funding for bookbinding of records and improvements to information technology (~\$32K) contributed to the expenditure increases. Lastly, the Sheriff's request for courthouse security personnel to receive targeted compensation increases was approved.
- Parks, Recreation and Cultural decreased by \$27,270 (-1.91%) due in part to a reduction in the County's operational cost-share for the Rockbridge Area Recreational Organization (RARO) as a result of Buena Vista City being authorized to join RARO during FYE 2017. In addition, the County provided capital funding for a RARO project in FYE 2016, when the contribution was originally scheduled for FYE 2017.

Business-type Activities

The business-type activities/enterprise fund (landfill and recycling) total net position increased by \$1,099,646. The Authority's total net position invested in capital assets at the end of the past three years has grown significantly with the development of the new piggy-back lined landfill, procurement of heavy-duty equipment and increased tipping fees generating additional cash for future landfill expansion procurement. The Authority uses capital assets to provide services to its customers, so these assets are not available for future spending.

Tipping fee revenues for FYE 2017 increased by \$134,375 resulting from sustained, elevated service charges and higher 2017 tonnage. The additional surplus cash is planned to offset future construction cost (cell 2) and equipment procurement related to the expanded landfill operations. In addition, landfill staff continue to extract scrap metal from the working face of the active cells while recycling materials collected at staffed centers are compacted in preparation for transporting. Each commodity is sold on the recyclable materials market. The Authority realized nearly \$22,683 in additional revenue from selling these resources during the fiscal year. Lastly, an enhanced methodology of investing closure/post-closure funds resulted in a \$32,294 improvement in investment income compared to FYE 2016.

Expenditures realized a \$46,393 increase compared to FYE 2016. The four primary drivers are: 1) contractual services (+\$128,169), 2) depreciation (\$73,676), 3) fringe benefits (+\$38,400), and 4) personnel services (+\$17,853). These individual categories grew due to the following respective factors: 1) hauling contract incorporates transporting recycling stream to buyer beyond County limits and costs for unstaffed collection center site clean-up, 2) depreciating equipment purchased in FYE 2016, 3) increase in compensation impacted fringe benefits which included an upward adjustment on worker's compensation factors and long-term disability insurance for employees covered under the Virginia Retirement System Hybrid Plan, and 4) compensation increases for full and part-time employees included years of service and 1% cost-of-living increases. The increases in expenditures were offset by a decrease in estimated landfill closure costs as compared to the prior year of \$149,006.

Transfers from the Rockbridge County General Fund support the County Recycling Program which is accounted for under the Authority. During FYE 2017, the transfer to the Recycling Fund totaled \$447,927. This is a reduction of \$11,124 resulting from a \$14,986 increase in the sale of recyclables compared to last fiscal year (i.e., additional operational revenue lowered the amount of funding needed from the General Fund to support overall operations). FYE 2017 is the last year the Recycling Fund will be included in the Authority's financial report. The County Recycling Program is now accounted for under the General Fund (effective FYE 2018).

During FYE 2017, the primary capital project involved the construction of a piggy-back lined landfill. The construction in progress increased by \$3,856,198 over the last fiscal year. As stated earlier, the new landfill cell began operations on July 1, 2017 (on time and ~\$800K under budget). Other activities included the construction of a new scale house and installation of two (2) new scales for use in conjunction with the operation of the new lined landfill. Lastly, the landfill and recycling programs executed the planned procurement of open-top containers used for collection efforts as part of their replacement schedule (\$17,222). Below is a comparison of the items that make up net capital assets at the end of the past three fiscal years.

The Authority has \$10,042,645 in long-term obligations. There were no revenue bond or lease-purchase financing efforts in FYE 2017. Net pension liability (+\$72,617), other post-employment benefits (+\$1,000), and compensated absences (+\$975) realized increases based on updated cost estimates. Landfill closure/post-closure liability (-\$140,800) realized a decrease from the previous fiscal year.

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of the fiscal year, the County's total governmental funds reported combined ending fund balances of \$28,265,280, an increase of \$1,072,859 over the prior fiscal year. The increase is associated with assets growing by \$1,508,309 when compared to FYE 2016. This total is impacted by positive changes in cash and cash equivalents (up \$842,247), and taxes receivables (up \$255,130). In addition, due to from other governmental units decreased by (\$10,733) compared to FYE 2016. Lastly, school carryover increased by \$145,926 as a result of unexpended funds and were restricted to source future School Board capital projects.

The General Fund is the chief operating fund of the County. As of June 30, 2017, unassigned fund balance of the General Fund was \$21,887,717. This is an increase in unassigned fund balance of \$1,174,229 compared with the previous fiscal year. The total fund balance of the General Fund is \$26,018,446. This is an increase over the previous year by \$3,114,652, a result of the factors mentioned in the previous paragraph.

As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures (General Fund and School Operating Fund – "General Fund"). Unassigned fund balance represents 53.25% of total General Fund expenditures which deducts the local transfer to the School Board component unit of \$13,792,333 for operational support. The Board of Supervisors financial policy is to maintain a minimum of 20% unassigned fund balance to expenditures ratio. Total fund balance represents 63.30% of total General Fund expenditures.

Proprietary funds

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

The Rockbridge County Solid Waste Authority (RCSWA) owns, maintains, and operates a permitted landfill. The active, unlined landfill is scheduled to close December 31, 2017 in accordance with the Virginia Department of Environmental Quality (VA DEQ) approval on the landfill's second extension request. Based on previously agreed to terms and conditions, the Authority has submitted the required engineering documents to the VA DEQ that should permit the unlined facility to remain open until June 30, 2018. Part of the fund balance will be used to meet landfill closure requirements of the VA DEQ. The funds associated with sourcing these obligations are restricted. Net position of the landfill fund at the end of the year was \$5,454,375 while the recycling fund net position is \$28,204. The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of FYE 2017 by \$5,482,579 (net position), a \$1,099,646 increase compared to last fiscal year. Total liabilities decreased by \$1,083,713 in FYE 2017 due to debt service payments made on financing secured during the previous fiscal year as well as continuing lease-purchase payments made toward capital assets. Cell 1, the first phase of the new lined landfill, was constructed during FYE 2017 and officially began operations on July 1, 2017. Total revenues increased by \$187,105 when compared to last fiscal year. This change is due to the higher income generated from service fees (+\$134,375) resulting from an increase in tonnage, and greater investment income (+\$32,294). Total expenses increased by \$46,393 when compared to FYE 2016. Key areas seeing expense growth are contracted services, depreciation, fringe benefits, and personnel services. Other factors concerning the finances of this fund were discussed in the County's business-type activities section of this summary. Additional information is provided in the RCSWA financial report.

General Fund Budgetary Highlights

The difference between the original budgeted appropriations and the final, amended-budget appropriations was a \$644,991 increase. This is 2.09% of the total original budget. The actual expenditures were \$864,352 below the final appropriation total. This total is 1.80% below the final budget. The major components of these appropriation changes are:

- The Board of Supervisors authorized the School Board to source \$416,000 from the school carryover account to fund school division capital improvement projects which included purchase/implementation new municipal software; upgrade of high school sound system; procurement of Chromebooks; and A&E studies for two elementary schools and the high school.
- The Board approved \$102,417 in end-of-year appropriations for six departments whose programs required additional funding to meet mission needs.
- State funding for FYE 2016 was received in FYE 2017, the Board approved \$85,208 in additional appropriations to support this pass-through expenditure to volunteer fire departments.
- The Board approved a \$25,000 contribution to the Rockbridge Regional Fair and Expo, LLC to assist funding the County Fair program.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2017 was \$69,585,441 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and machinery and equipment. This is a decrease of \$2,485,385 from the previous fiscal year, or 3.45%. The primary change in capital assets is the result of depreciation.

The County's investment in capital assets for its proprietary funds is \$8,707,796, an increase of \$4,431,440 (103.53%) from the previous year. This increase results from the construction progress made on the new piggy-back lined landfill during the fiscal year. The new landfill cell began operations on July 1, 2017.

COUNTY OF ROCKBRIDGE'S CAPITAL ASSETS						
Net of Depreciation						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,790,211	\$ 2,342,101	\$ 531,037	\$ 531,037	\$ 2,321,248	\$ 2,873,138
Buildings and systems	65,360,768	68,945,110	2,262,102	1,515,727	67,622,870	70,460,837
Machinery & equipment	1,094,508	661,482	1,137,981	1,309,114	2,232,489	1,970,596
Construction in progress	1,339,954	122,133	4,776,676	920,478	6,116,630	1,042,611
Total	<u>\$ 69,585,441</u>	<u>\$ 72,070,826</u>	<u>\$ 8,707,796</u>	<u>\$ 4,276,356</u>	<u>\$ 78,293,237</u>	<u>\$ 76,347,182</u>

Additional information on the County's capital assets can be found in the Note 14 to the financial statements.

Long-term debt

At the end of fiscal year 2017, the County had the following outstanding debt:

COUNTY OF ROCKBRIDGE'S LONG-TERM OBLIGATIONS						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 40,365,658	\$ 42,453,194	\$ -	\$ -	\$ 40,365,658	\$ 42,453,194
Revenue Bonds	16,745,000	16,745,000	7,143,851	7,264,710	23,888,851	24,009,710
Literary Loans	895,000	1,075,000	-	-	895,000	1,075,000
Capital Leases	-	-	643,359	916,590	643,359	916,590
Compensated Absences	369,100	335,203	37,691	36,716	406,791	371,919
Net pension liability	4,201,458	3,292,026	374,033	301,416	4,575,491	3,593,442
OPEB Obligation	181,000	166,000	4,000	3,000	185,000	169,000
Landfill closure liability	-	-	1,839,711	1,980,511	1,839,711	1,980,511
Total long-term obligations	<u>\$ 62,757,216</u>	<u>\$ 64,066,423</u>	<u>\$ 10,042,645</u>	<u>\$ 10,502,943</u>	<u>\$ 72,799,861</u>	<u>\$ 74,569,366</u>

The County's total long-term debt includes the Rockbridge County School Board debt and the business-type activities debt. For the year, the total, combined long-term debt decreased by \$1,769,505. There were zero financing efforts executed in FYE 2017. The governmental and business-type activities' compensated absences, net pension liability, and OPEB obligation and are included in the long-term debt to meet GASB requirements. These categories changed as follows: 1) compensated absences (rose \$34,872); 2) net pension liability (increased \$982,049); and 3) OPEB obligation (grew \$16,000). Lastly, the landfill's closure/post-closure liability decreased \$140,800 from FYE 2016 levels as result of the latest engineering cost-estimate.

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

Economic Factors and Next Year's Budgets and Rates

- The Rockbridge County population was 22,307 as of the April 1, 2010 U.S. Census. The Weldon Cooper Institute's July 1, 2016 population estimate reflects 22,241, a decrease of 66 (0.3%). Minimal change in population has occurred over the past decade and no substantial change is anticipated in the next fiscal year.
- For the fiscal year ending June 30, 2017, the unemployment rate for the Commonwealth and Rockbridge County were 3.9% and 4.6% respectively. During the progress of this management discussion and analysis report, the October 2017 unemployment rate dropped to 3.5% for the state and 3.6% in the County. Overall, local efforts by the Board of Supervisors to fund a variety of economic development initiatives continue in an effort to generate new business inquiries and interest.
- The Board of Supervisors fiscal year 2018 budget priorities include limiting overall expenditures in all areas except education, "safety net" programs, public safety, solid waste management, emergency communications, and economic development. These activities may require increased funding compared to prior years. Additionally, and primarily, the Board's goals include meeting all mandates, debt services, and legal obligations.
- In FY 2018 the Board of Supervisors continued its annual support of educational programs. The Board committed to increase the local operational transfer by \$504,000. The Rockbridge County Public Schools' student population continues to remain consistent at approximately 2,600. The school division oversees four elementary schools, one middle school, and one high school (the includes students from Lexington City).
- When compared to FYE 2017, other notable increases realized in the FY 2018 budget cycle include: debt service (+\$450,943); Sheriff Office (\$298,801); regional jail operational cost-share (+\$199,974); and combined fire and rescue services (+\$385,449).
- The County continues to manage capital improvement projects through long-term planning and funding. Projects in FY 2018 include development of additional staffed collection center sites, completion of major upgrades to the County's administration building, building a Sheriff Office shooting range classroom facility, constructing a rental cabin at Lake Robertson, electrical upgrades to Lake Robertson campground, and procuring furnishings at the County's new joint Fire, EMS, and Emergency Operations Center.
- The Board of Supervisors selected to use \$416,850 in restricted accounts to fund the following efforts. The contracted ambulance transport service will be funded at \$100,000 from the EMS revenue recovery account. This funding mechanism is a continuation from FYE 2015. Furthermore, EMS revenue recovery will source the County's payment to a third-party vendor (\$17,100), which bills and collects this revenue stream, and the annual stipend for the Operational Medical Director (\$10,000). Lastly, the EMS revenue recovery will source a new funding methodology for fire and EMS agencies (~\$237,000) as a pilot program in FY 2018. Other activities from restricted accounts involve: managing the \$4 for Life reserves to fund the procurement of training, equipment, and supplies for approved volunteer EMS squads (\$35,000). In addition, the Board approved sourcing two school division programs from funds reserved during FYE 2017: 1) dual-enrollment tuition (\$6,7550), and 2) career technical education certification exams (\$11,000).
- The Board also chose to use \$487,680 in unassigned reserves to source Sheriff vehicle procurement efforts (\$235,680) in the Capital Purchases Fund along with providing \$252,000 in budget stabilization in FY 2018.
- As result of the completed general reassessment in FYE 2017, with new assessed values effective January 1, 2017, the Board approved an adjusted real property tax rate of \$0.70 per \$100.00 of assessed valuation which generated a net one-cent increase. With the latest assessed values, the County's penny rate is \$252,000, up from \$232,000. The personal property rate of \$4.25 remained unchanged from the prior year.

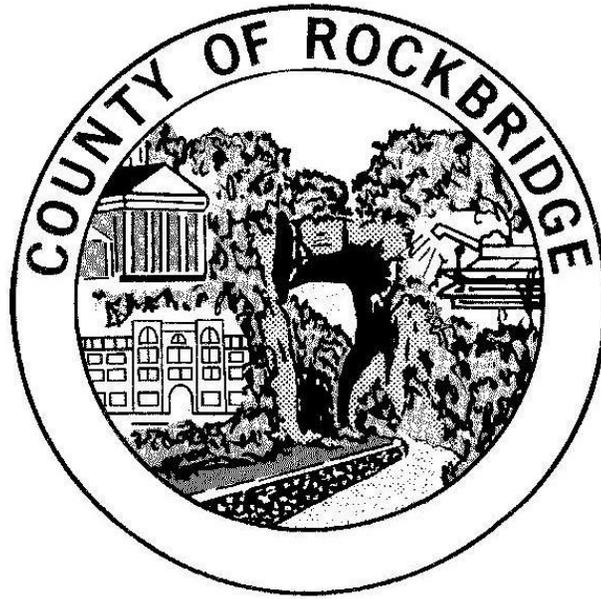
All of these factors were considered in preparing the County's budget for the 2018 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS



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County of Rockbridge, Virginia
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 22,534,299	\$ 2,197,976	\$ 24,732,275
Investments	-	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	10,323,990	-	10,323,990
Accounts receivable	825,619	125,154	950,773
Internal balances	(188,274)	188,274	-
Due from component units	2,137,834	-	2,137,834
Due from other governmental units	983,188	-	983,188
Inventories	97,188	-	97,188
Advances to other entities	3,427,570	-	3,427,570
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	170,098	4,698,006	4,868,104
Capital assets (net of accumulated depreciation):			
Land	1,790,211	531,037	2,321,248
Buildings and improvements	65,360,768	2,262,102	67,622,870
Machinery and equipment	1,094,508	1,137,981	2,232,489
Utility plant and equipment	-	-	-
Construction in progress	1,339,954	4,776,676	6,116,630
Total assets	<u>\$ 109,896,953</u>	<u>\$ 15,917,206</u>	<u>\$ 125,814,159</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 1,355,475	\$ -	\$ 1,355,475
Items related to measurement of net pension liability	552,061	41,783	593,844
Pension contributions subsequent to measurement date	588,858	52,483	641,341
Total deferred outflows of resources	<u>\$ 2,496,394</u>	<u>\$ 94,266</u>	<u>\$ 2,590,660</u>
LIABILITIES			
Accounts payable	\$ 512,312	\$ 59,252	\$ 571,564
Capital advances from Rockbridge County	-	350,000	350,000
Accrued interest payable	781,894	72,350	854,244
Due to primary government	-	-	-
Performance deposits	149,187	-	149,187
Due to other governments	834,716	-	834,716
Unearned revenue	1,671	-	1,671
Deposits payable	-	-	-
Long-term liabilities:			
Due within one year	2,732,855	883,228	3,616,083
Due in more than one year	60,024,361	9,159,417	69,183,778
Total liabilities	<u>\$ 65,036,996</u>	<u>\$ 10,524,247</u>	<u>\$ 75,561,243</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 9,127,377	\$ -	\$ 9,127,377
Items related to measurement of net pension liability	52,187	4,646	56,833
Total deferred inflows of resources	<u>\$ 9,179,564</u>	<u>\$ 4,646</u>	<u>\$ 9,184,210</u>
NET POSITION			
Net investment in capital assets	\$ 12,935,258	\$ 2,096,784	\$ 15,032,042
Restricted			
Fire funds	53,912	-	53,912
Rental assistance	9,951	-	9,951
Capital projects	170,098	-	170,098
Four for life	60,790	-	60,790
Virginia Horse Center debt service	157,170	-	157,170
Debt service	-	1,682,097	1,682,097
Unrestricted	<u>24,789,608</u>	<u>1,703,698</u>	<u>26,493,306</u>
Total net position	<u>\$ 38,176,787</u>	<u>\$ 5,482,579</u>	<u>\$ 43,659,366</u>

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

Exhibit 1

Component Unit School Board	Component Unit Rockbridge Area Social Services	Component Unit Rockbridge Regional Jail Commission	Component Unit Rockbridge Public Service Authority
\$ 39,361	\$ 408,833	\$ 200	\$ 4,088,924
-	-	-	1,201,241
-	-	-	-
56,253	7,529	17,688	527,287
-	-	-	-
-	-	-	-
1,167,081	802,706	277,799	-
37,059	-	-	60,098
-	-	-	-
485,900	-	-	-
-	-	-	65,470
117,555	-	-	410,596
18,918,036	-	3,004,975	62,699
1,919,350	27,031	30,811	173,976
-	-	-	22,965,324
180,887	-	-	137,194
<u>\$ 22,921,482</u>	<u>\$ 1,246,099</u>	<u>\$ 3,331,473</u>	<u>\$ 29,692,809</u>
\$ -	\$ -	\$ -	\$ -
1,837,517	114,801	158,719	37,731
2,412,164	52,022	194,797	17,436
<u>\$ 4,249,681</u>	<u>\$ 166,823</u>	<u>\$ 353,516</u>	<u>\$ 55,167</u>
\$ 227,337	\$ 360,261	\$ 66,040	\$ 346,022
-	-	-	-
-	-	-	-
1,487,457	632,191	18,186	-
-	-	-	-
-	226,616	-	-
-	-	-	-
-	-	-	65,470
31,995	23,881	40,491	834,658
31,320,053	207,662	1,581,419	10,748,457
<u>\$ 33,066,842</u>	<u>\$ 1,450,611</u>	<u>\$ 1,706,136</u>	<u>\$ 11,994,607</u>
\$ -	\$ -	\$ -	\$ -
1,874,115	99,940	17,265	22,887
<u>\$ 1,874,115</u>	<u>\$ 99,940</u>	<u>\$ 17,265</u>	<u>\$ 22,887</u>
\$ 21,135,828	\$ 27,031	\$ 3,035,786	\$ 12,236,279
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(28,905,622)	(164,660)	(1,074,198)	5,494,203
<u>\$ (7,769,794)</u>	<u>\$ (137,629)</u>	<u>\$ 1,961,588</u>	<u>\$ 17,730,482</u>

County of Rockbridge, Virginia
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,905,137	\$ -	\$ 230,496	\$ -
Judicial administration	1,500,916	867,615	658,822	-
Public safety	8,332,745	71,543	1,348,953	14,995
Public works	3,458,387	1,166,521	2,745	6,550
Health and welfare	1,618,131	-	6,674	-
Education	16,455,148	-	-	-
Parks, recreation, and cultural	1,403,936	93,890	-	-
Community development	2,792,737	291,872	212,757	-
Nondepartmental	1,805,264	-	-	-
Interest on long-term debt	2,209,563	-	-	-
Total governmental activities	\$ 42,481,964	\$ 2,491,441	\$ 2,460,447	\$ 21,545
Business-type activities:				
Landfill Fund	\$ 1,166,417	\$ 2,232,822	\$ -	\$ -
Recycling Fund	527,747	-	22,492	-
Total business-type activities	\$ 1,694,164	\$ 2,232,822	\$ 22,492	\$ -
Total primary government	\$ 44,176,128	\$ 4,724,263	\$ 2,482,939	\$ 21,545
COMPONENT UNITS:				
Governmental activities:				
School Board	\$ 34,104,650	\$ 1,878,535	\$ 16,543,507	\$ -
Rockbridge Area Social Services Board	7,247,859	-	7,284,179	-
Rockbridge Regional Jail Commission	3,446,033	1,518,126	1,752,166	-
Business-type activities:				
Rockbridge Public Service Authority	3,180,313	3,050,836	-	165,337
Total component units	\$ 47,978,855	\$ 6,447,497	\$ 25,579,852	\$ 165,337
General revenues:				
General property taxes				
Local sales tax				
Consumers utility tax				
Business license tax				
Meals tax				
Motor vehicle licenses				
Lodging tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Gain on sale of capital assets				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position						
Primary Government			Component Unit	Component Unit	Component Unit	Component Unit
Governmental Activities	Business-type Activities	Total	School Board	Rockbridge Area Social Services	Rockbridge Regional Jail Commission	Rockbridge Public Service Authority
\$ (2,674,641)	\$ -	\$ (2,674,641)	\$ -	\$ -	\$ -	\$ -
25,521	-	25,521	-	-	-	-
(6,897,254)	-	(6,897,254)	-	-	-	-
(2,282,571)	-	(2,282,571)	-	-	-	-
(1,611,457)	-	(1,611,457)	-	-	-	-
(16,455,148)	-	(16,455,148)	-	-	-	-
(1,310,046)	-	(1,310,046)	-	-	-	-
(2,288,108)	-	(2,288,108)	-	-	-	-
(1,805,264)	-	(1,805,264)	-	-	-	-
(2,209,563)	-	(2,209,563)	-	-	-	-
<u>\$ (37,508,531)</u>	<u>\$ -</u>	<u>\$ (37,508,531)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 1,066,405	\$ 1,066,405	\$ -	\$ -	\$ -	\$ -
-	(505,255)	(505,255)	-	-	-	-
<u>\$ -</u>	<u>\$ 561,150</u>	<u>\$ 561,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (37,508,531)</u>	<u>\$ 561,150</u>	<u>\$ (36,947,381)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (15,682,608)	\$ -	\$ -	\$ -
-	-	-	-	36,320	-	-
-	-	-	-	-	(175,741)	-
-	-	-	-	-	-	35,860
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,682,608)</u>	<u>\$ 36,320</u>	<u>\$ (175,741)</u>	<u>\$ 35,860</u>
\$ 25,753,935	\$ -	\$ 25,753,935	\$ -	\$ -	\$ -	\$ -
2,684,576	-	2,684,576	-	-	-	-
1,465,354	-	1,465,354	-	-	-	-
872,532	-	872,532	-	-	-	-
1,477,732	-	1,477,732	-	-	-	-
531,868	-	531,868	-	-	-	-
1,719,364	-	1,719,364	-	-	-	-
365,532	-	365,532	-	-	-	-
169,275	43,456	212,731	238	-	46	39,307
23,210	-	23,210	-	-	-	-
939,045	47,113	986,158	192,661	-	9,924	16,525
2,764,276	-	2,764,276	16,371,764	-	-	110,292
(447,927)	447,927	-	-	-	-	-
<u>\$ 38,318,772</u>	<u>\$ 538,496</u>	<u>\$ 38,857,268</u>	<u>\$ 16,564,663</u>	<u>\$ -</u>	<u>\$ 9,970</u>	<u>\$ 166,124</u>
810,241	1,099,646	1,909,887	882,055	36,320	(165,771)	201,984
37,366,546	4,382,933	41,749,479	(8,651,849)	(173,949)	2,127,359	17,528,498
<u>\$ 38,176,787</u>	<u>\$ 5,482,579</u>	<u>\$ 43,659,366</u>	<u>\$ (7,769,794)</u>	<u>\$ (137,629)</u>	<u>\$ 1,961,588</u>	<u>\$ 17,730,482</u>

FUND FINANCIAL STATEMENTS

County of Rockbridge, Virginia
 Balance Sheet
 Governmental Funds
 June 30, 2017

Exhibit 3

	General Fund	County Capital Projects Fund	School Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	\$ 20,162,270	\$ 2,346,087	\$ 25,942	\$ 22,534,299
Receivables (net of allowance for uncollectibles):				
Taxes receivable	10,323,990	-	-	10,323,990
Accounts receivable	825,619	-	-	825,619
Advances to other entities	3,427,570	-	-	3,427,570
Due from other funds	1,837	-	-	1,837
Due from component units	2,137,834	-	-	2,137,834
Due from other governmental units	983,188	-	-	983,188
Inventories	97,188	-	-	97,188
Restricted assets:				
Cash and cash equivalents	-	-	170,098	170,098
Total assets	<u>\$ 37,959,496</u>	<u>\$ 2,346,087</u>	<u>\$ 196,040</u>	<u>\$ 40,501,623</u>
LIABILITIES				
Accounts payable	\$ 218,856	\$ 293,456	\$ -	\$ 512,312
Due to other governments	834,716	-	-	834,716
Due to other funds	188,274	-	1,837	190,111
Performance deposits	149,187	-	-	149,187
Unearned revenue	1,671	-	-	1,671
Total liabilities	<u>\$ 1,392,704</u>	<u>\$ 293,456</u>	<u>\$ 1,837</u>	<u>\$ 1,687,997</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 10,548,346	\$ -	\$ -	\$ 10,548,346
FUND BALANCES				
Nonspendable:				
Inventories	\$ 97,188	\$ -	\$ -	\$ 97,188
Total nonspendable	<u>\$ 97,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,188</u>
Restricted:				
Virginia Horse Center debt service	\$ 157,170	\$ -	\$ -	\$ 157,170
Capital projects	-	-	170,098	170,098
Rental assistance	9,951	-	-	9,951
Four for life	60,790	-	-	60,790
Fire program	53,912	-	-	53,912
Total restricted	<u>\$ 281,823</u>	<u>\$ -</u>	<u>\$ 170,098</u>	<u>\$ 451,921</u>
Committed:				
Virginia Horse Center debt service	\$ 78,036	\$ -	\$ -	\$ 78,036
Total committed	<u>\$ 78,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,036</u>
Assigned:				
Garage	\$ 165,469	\$ -	\$ -	\$ 165,469
Industrial property	607,193	-	-	607,193
School carryover	753,321	-	-	753,321
Convenience centers	12,075	-	-	12,075
Partnership	82,097	-	-	82,097
Recreation	10,000	-	-	10,000
Revenue recovery	860,654	-	-	860,654
Economic development	575,100	-	-	575,100
Capital projects funds	607,773	2,052,631	24,105	2,684,509
Total assigned	<u>\$ 3,673,682</u>	<u>\$ 2,052,631</u>	<u>\$ 24,105</u>	<u>\$ 5,750,418</u>
Unassigned				
Total unassigned	<u>\$ 21,887,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,887,717</u>
Total fund balances	<u>\$ 26,018,446</u>	<u>\$ 2,052,631</u>	<u>\$ 194,203</u>	<u>\$ 28,265,280</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 37,959,496</u>	<u>\$ 2,346,087</u>	<u>\$ 196,040</u>	<u>\$ 40,501,623</u>

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

County of Rockbridge, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

Exhibit 4

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 28,265,280
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	69,585,441
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,368,782
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	588,858
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(61,631,574)</u>
Net position of governmental activities	<u>\$ 38,176,787</u>

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

County of Rockbridge, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

Exhibit 5

	<u>General Fund</u>	<u>County Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 25,725,668	\$ -	\$ -	\$ 25,725,668
Other local taxes	9,116,958	-	-	9,116,958
Permits, privilege fees, and regulatory licenses	255,426	-	-	255,426
Fines and forfeitures	601,336	-	-	601,336
Revenue from the use of money and property	168,068	-	1,207	169,275
Charges for services	1,634,679	-	-	1,634,679
Miscellaneous	1,514,145	-	-	1,514,145
Recovered costs	460,945	-	-	460,945
Intergovernmental:				
Commonwealth	4,993,539	-	-	4,993,539
Federal	252,729	-	-	252,729
Total revenues	<u>\$ 44,723,493</u>	<u>\$ -</u>	<u>\$ 1,207</u>	<u>\$ 44,724,700</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,023,012	\$ -	\$ -	\$ 2,023,012
Judicial administration	1,497,223	-	-	1,497,223
Public safety	8,292,069	-	-	8,292,069
Public works	3,377,393	-	-	3,377,393
Health and welfare	1,617,640	-	-	1,617,640
Education	13,875,717	-	-	13,875,717
Parks, recreation, and cultural	1,389,469	-	-	1,389,469
Community development	2,791,218	-	-	2,791,218
Nondepartmental	1,805,264	-	-	1,805,264
Capital projects	-	2,098,566	-	2,098,566
Debt service:				
Principal retirement	2,064,665	-	-	2,064,665
Interest and other fiscal charges	2,371,678	-	-	2,371,678
Total expenditures	<u>\$ 41,105,348</u>	<u>\$ 2,098,566</u>	<u>\$ -</u>	<u>\$ 43,203,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,618,145</u>	<u>\$ (2,098,566)</u>	<u>\$ 1,207</u>	<u>\$ 1,520,786</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 61,675	\$ -	\$ 61,675
Transfers out	(503,493)	-	(6,109)	(509,602)
Total other financing sources (uses)	<u>\$ (503,493)</u>	<u>\$ 61,675</u>	<u>\$ (6,109)</u>	<u>\$ (447,927)</u>
Net change in fund balances	\$ 3,114,652	\$ (2,036,891)	\$ (4,902)	\$ 1,072,859
Fund balances - beginning	22,903,794	4,089,522	199,105	27,192,421
Fund balances - ending	<u>\$ 26,018,446</u>	<u>\$ 2,052,631</u>	<u>\$ 194,203</u>	<u>\$ 28,265,280</u>

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

County of Rockbridge, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

Exhibit 6

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

Net change in fund balances - total governmental funds	\$ 1,072,859
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(1,933,495)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.	(551,890)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	466,651
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,198,347
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(442,231)</u>
Change in net position of governmental activities	<u>\$ 810,241</u>

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

County of Rockbridge, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2017

Exhibit 7

	Enterprise Fund Landfill Fund	Enterprise Fund Recycling Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,197,976	\$ -	\$ 2,197,976
Accounts receivable	122,435	2,719	125,154
Due from other funds	188,274	-	188,274
Total current assets	<u>\$ 2,508,685</u>	<u>\$ 2,719</u>	<u>\$ 2,511,404</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 4,698,006	\$ -	\$ 4,698,006
Total restricted assets	<u>\$ 4,698,006</u>	<u>\$ -</u>	<u>\$ 4,698,006</u>
Capital assets, net of accumulated depreciation:			
Land	\$ 531,037	\$ -	\$ 531,037
Buildings and improvements	2,163,968	98,134	2,262,102
Machinery and equipment	1,096,439	41,542	1,137,981
Construction in progress	4,776,676	-	4,776,676
Total capital assets	<u>\$ 8,568,120</u>	<u>\$ 139,676</u>	<u>\$ 8,707,796</u>
Total noncurrent assets	<u>\$ 13,266,126</u>	<u>\$ 139,676</u>	<u>\$ 13,405,802</u>
Total assets	<u>\$ 15,774,811</u>	<u>\$ 142,395</u>	<u>\$ 15,917,206</u>
DEFERRED OUTFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 40,185	\$ 1,598	\$ 41,783
Pension contributions subsequent to measurement date	35,888	16,595	52,483
Total deferred outflows of resources	<u>\$ 76,073</u>	<u>\$ 18,193</u>	<u>\$ 94,266</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 59,252	\$ -	\$ 59,252
Capital advances from Rockbridge County	350,000	-	350,000
Accrued interest payable	72,350	-	72,350
Bonds payable - current portion	604,778	-	604,778
Capital lease payable - current portion	269,027	-	269,027
Compensated absences-current portion	6,222	3,201	9,423
Total current liabilities	<u>\$ 1,361,629</u>	<u>\$ 3,201</u>	<u>\$ 1,364,830</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 18,667	\$ 9,601	\$ 28,268
Net OPEB obligation	4,000	-	4,000
Net pension liability	255,918	118,115	374,033
Closure and post-closure liability	1,839,711	-	1,839,711
Bonds payable - net of current portion	6,539,073	-	6,539,073
Capital lease payable - net of current portion	374,332	-	374,332
Total noncurrent liabilities	<u>\$ 9,031,701</u>	<u>\$ 127,716</u>	<u>\$ 9,159,417</u>
Total liabilities	<u>\$ 10,393,330</u>	<u>\$ 130,917</u>	<u>\$ 10,524,247</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 3,179	\$ 1,467	\$ 4,646
Total deferred inflows of resources	<u>\$ 3,179</u>	<u>\$ 1,467</u>	<u>\$ 4,646</u>
NET POSITION			
Net investment in capital assets	\$ 1,957,108	\$ 139,676	\$ 2,096,784
Restricted for debt service	1,682,097	-	1,682,097
Unrestricted	1,815,170	(111,472)	1,703,698
Total net position	<u>\$ 5,454,375</u>	<u>\$ 28,204</u>	<u>\$ 5,482,579</u>

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

County of Rockbridge, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

Exhibit 8

	<u>Enterprise Fund Landfill Fund</u>	<u>Enterprise Fund Recycling Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Landfill Rockbridge County	\$ 1,641,059	\$ -	\$ 1,641,059
Landfill City of Lexington	395,875	-	395,875
Landfill City of Buena Vista	195,888	-	195,888
Sale of recycles	-	22,683	22,683
Miscellaneous	19,518	4,912	24,430
Total operating revenues	<u>\$ 2,252,340</u>	<u>\$ 27,595</u>	<u>\$ 2,279,935</u>
OPERATING EXPENSES			
Personal services	\$ 312,835	\$ 265,560	\$ 578,395
Fringe benefits	123,886	81,573	205,459
Contractual services	288,314	91,401	379,715
Other charges	227,342	51,404	278,746
Rent	15,022	-	15,022
Depreciation	295,497	37,809	333,306
Total operating expenses	<u>\$ 1,262,896</u>	<u>\$ 527,747</u>	<u>\$ 1,790,643</u>
Operating income (loss)	<u>\$ 989,444</u>	<u>\$ (500,152)</u>	<u>\$ 489,292</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 43,456	\$ -	\$ 43,456
Commonwealth of Virginia-litter control grant	-	22,492	22,492
Interest expense	(44,321)	-	(44,321)
Landfill closure costs and post-closure liability	140,800	-	140,800
Total nonoperating revenues (expenses)	<u>\$ 139,935</u>	<u>\$ 22,492</u>	<u>\$ 162,427</u>
Income before transfers	<u>\$ 1,129,379</u>	<u>\$ (477,660)</u>	<u>\$ 651,719</u>
Transfers in	<u>\$ -</u>	<u>\$ 447,927</u>	<u>\$ 447,927</u>
Change in net position	<u>\$ 1,129,379</u>	<u>\$ (29,733)</u>	<u>\$ 1,099,646</u>
Total net position - beginning	4,324,996	57,937	4,382,933
Total net position - ending	<u>\$ 5,454,375</u>	<u>\$ 28,204</u>	<u>\$ 5,482,579</u>

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

County of Rockbridge, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

Exhibit 9

	Enterprise Fund Landfill Fund	Enterprise Fund Recycling Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,124,914	\$ 24,876	\$ 2,149,790
Payments to suppliers	(499,766)	(148,292)	(648,058)
Payments to employees	(436,985)	(347,003)	(783,988)
Net cash provided by (used for) operating activities	<u>\$ 1,188,163</u>	<u>\$ (470,419)</u>	<u>\$ 717,744</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Commonwealth of Virginia-litter control grant	\$ -	\$ 22,492	\$ 22,492
Transfer from general fund	-	447,927	447,927
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ 470,419</u>	<u>\$ 470,419</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (4,764,746)	\$ -	\$ (4,764,746)
Principal paid on capital debt	(298,231)	-	(298,231)
Interest expense	(106,954)	-	(106,954)
Capital advances Rockbridge County	(607,773)	-	(607,773)
Repayment of initial advances from participating localities	(74,292)	-	(74,292)
Net cash provided by (used for) capital and related financing activities	<u>\$ (5,851,996)</u>	<u>\$ -</u>	<u>\$ (5,851,996)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>\$ 43,456</u>	<u>\$ -</u>	<u>\$ 43,456</u>
Net increase (decrease) in cash and cash equivalents	\$ (4,620,377)	\$ -	\$ (4,620,377)
Cash and cash equivalents - beginning - including restricted	11,516,359	-	11,516,359
Cash and cash equivalents - ending - including restricted	<u>\$ 6,895,982</u>	<u>\$ -</u>	<u>\$ 6,895,982</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	<u>\$ 989,444</u>	<u>\$ (500,152)</u>	<u>\$ 489,292</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	295,497	37,809	333,306
(Increase) decrease in accounts receivable	(55,075)	(2,719)	(57,794)
(Increase) decrease in due from other funds	(72,351)	-	(72,351)
(Increase) decrease in deferred outflows of resources	(37,756)	3,302	(34,454)
Increase (decrease) in accounts payable	30,912	(5,487)	25,425
Increase (decrease) in compensated absences	(737)	1,711	974
Increase (decrease) in net OPEB obligation	1,000	-	1,000
Increase (decrease) in net pension liability	62,824	9,793	72,617
Increase (decrease) in deferred inflows of resources	(25,595)	(14,676)	(40,271)
Net cash provided by (used for) operating activities	<u>\$ 1,188,163</u>	<u>\$ (470,419)</u>	<u>\$ 717,744</u>
Schedule of non-cash capital and related financing activities:			
Landfill closure and post-closure costs	<u>\$ (140,800)</u>	<u>\$ -</u>	<u>\$ (140,800)</u>
Total non-cash capital and related financing activities	<u>\$ (140,800)</u>	<u>\$ -</u>	<u>\$ (140,800)</u>

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

County of Rockbridge, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

Exhibit 10

	<u>Primary</u> <u>Government</u> <u>Agency</u> <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 87,215
Accounts receivable	4,733
Total assets	\$ <u>91,948</u>
LIABILITIES	
Accounts payable	\$ 85,316
Amounts held for payroll deductions	(85,059)
Amounts held for veterans memorial	9,781
Amounts held for drug enforcement	68,000
Amounts held for employee benefits	2,164
Amounts held for commonwealth attorney forfeitures	11,746
Total liabilities	\$ <u>91,948</u>

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial Reporting Entity

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

Blended component units - The Rockbridge County Solid Waste Authority has been determined to be a component unit of Rockbridge County in accordance with Governmental Accounting Standards Board Statement 14. The Authority is a legally separate organization whose Board members are composed of the Rockbridge County Board of Supervisors. The primary government has a financial benefit and burden relationship with the Authority and is able to impose its will on the Authority. Complete financial statements for the Authority may be obtained at the Authority's administrative office at 150 South Main Street, Lexington, Virginia 24450.

Discretely Presented Component Units:

Rockbridge County School Board:

The School Board members are elected and are responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary local sources of funding are from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2017.

Rockbridge County Regional Jail Commission:

The Rockbridge County Regional Jail Commission is a regional board organized to manage and confine prisoners from the localities of Lexington City, Buena Vista City and Rockbridge County. The Rockbridge County Board of Supervisors appoints two (2) members to the Commission, while the City of Lexington and the City of Buena Vista each appoint one member respectively. The County of Rockbridge serves as the fiscal agent for the Jail Commission. The Jail Commission is included in these financial statements because of the County's ability to designate the management and exercise significant control over the operations of the entity. The financial statements of the Commission are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2017. Complete financial statements of the Rockbridge County Regional Jail Commission are available at the Rockbridge County Jail, 258 Greenhouse Road, Lexington, Virginia 24450.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

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

A. Financial Reporting Entity (continued)

Discretely Presented Component Units: (Continued)

Rockbridge County Public Service Authority:

The Rockbridge County Public Service Authority is organized to provide water and sewer services to customers located in the County. The Authority is a legally separate entity from the County. The County is financially accountable for the Authority in that the County appoints the Authority's Board of Directors and has a financial indebtedness burden related to the Authority. The financial statements of the Authority are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2017. Complete financial statements of the Rockbridge County Public Service Authority are available at the Authority's office: 150 South Main Street, Lexington, Virginia 24450.

Rockbridge Area Social Services Board:

The Rockbridge Area Social Services Board is a regional board organized to provide social services to Rockbridge County, and the Cities of Lexington and Buena Vista. All three participating entities appoint members of the Board. The Rockbridge County Treasurer serves as the fiscal agent for the Comprehensive Services Act programs administered by under the Rockbridge Area Social Services operation. The Board is a legally separate organization, however the Board is included in the reporting entity because of the nature and significance of its relationship with the County of Rockbridge, Virginia. The financial statements of the Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2017. Complete financial statements of the Rockbridge Area Social Services Board are available at the Rockbridge Area Social Services office: 20 East Preston Street, Lexington, Virginia 24450.

B. Other Organizations

Included in the County's Financial Report: None

Excluded from the County's Financial Report:

Rockbridge County Economic Development Authority:

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

Rockbridge Area Community Services Board:

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

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

B. Other Organizations (continued)

Maury Service Authority:

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

Rockbridge Regional Public Safety Communications Center:

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

C. Government-wide and fund financial statements

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

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

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

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

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

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

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

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

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

The government reports the following major governmental funds:

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

Special revenue funds account for and report the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The County does not have any special revenue funds to report for fiscal year 2017.

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

The government reports the following major proprietary funds:

The *landfill and recycling funds* account for and report the activities of the Rockbridge County Solid Waste Authority, a blended component unit of the government. The County operates the landfill and recycling operations of the Authority.

Additionally, the government reports the following fund types:

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

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

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

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

1. *Cash and cash equivalents*

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

2. *Receivables and payables*

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

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

3. *Inventories and prepaid items*

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

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

4. *Property taxes*

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$356,835 at June 30, 2017 and is comprised solely of property taxes.

5. *Restricted assets*

The governmental funds maintain restricted cash for debt service, garage, fire funds, industrial property, and the discretely presented component unit-school board. The Landfill fund maintains restricted assets invested in the Local Government Investment Pool. \$3,521,808 is restricted for the payment of future closure and post-closure costs associated with the County's landfill. Additionally, the Landfill fund has restricted unspent bond proceeds of \$1,176,198. The Discretely Presented Component Unit Rockbridge Public Service Authority maintains restricted assets that are limited by applicable bond covenants.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

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

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

6. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$187,515 in interest was capitalized in the Landfill fund. During the previous year \$31,838 was capitalized in the landfill fund.

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

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

7. Compensated absences

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

8. Long-term obligations

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

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

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

9. *Fund equity*

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

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

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

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

10. *Net position*

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

11. *Net position flow assumption*

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

12. *Reclassifications*

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

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

F. Investments

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

G. Use of Estimates

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The Primary Government has three items that qualify for reporting in this category. The Primary Government shows a deferred charge on refunding reported in to government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Additionally, the Primary Government shows deferred outflows which are comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, and the net differences between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The third item reported in this category consists of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Primary Government has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net differences between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

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

I. Pensions

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

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$61,631,574) and (\$29,514,531) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds and loans payable	\$ (54,751,061)	\$ -
Unamortized premium on debt	(3,254,597)	-
Accrued interest payable	(781,894)	-
Deferred charge on refunding	1,355,475	-
Net OPEB obligation	(181,000)	(1,833,000)
Deferred outflows related to measurement of net pension liability	552,061	1,837,517
Net pension liability	(4,201,458)	(29,391,068)
Compensated absences	(369,100)	(127,980)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (61,631,574)</u>	<u>\$ (29,514,531)</u>

Another element of that reconciliation states that “other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.” The details of these \$1,368,782 and (\$1,874,115) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Unavailable revenue - property taxes	\$ 1,420,969	\$ -
Deferred inflows related to measurement of net pension liability	(52,187)	(1,874,115)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ 1,368,782</u>	<u>\$ (1,874,115)</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
 June 30, 2017

**NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:
 CONTINUED**

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of these (\$1,933,495) and \$1,053,193 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlay	\$ 1,994,991	\$ 790,065
Depreciation expense	(1,349,055)	(2,316,303)
Allocation of debt financed school assets based on current year repayments	<u>(2,579,431)</u>	<u>2,579,431</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (1,933,495)</u>	<u>\$ 1,053,193</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$2,198,347 difference in the primary government are as follows:

Principal repayments:	
General obligation bonds	\$ 1,884,665
Literary loan funds	180,000
Amortization of deferred charge on refunding	(69,189)
Amortization of premium on general obligation bonds	<u>202,871</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 2,198,347</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

**NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:
CONTINUED**

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of these (\$442,231) and (\$930,165) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
	<u> </u>	<u> </u>
Compensated absences	\$ (33,897)	\$ 41,853
Net OPEB obligation	(15,000)	(240,000)
Net pension liability	(909,432)	(2,633,903)
Deferred outflows related to pension payments subsequent to the measurement date	(25,564)	84,985
Deferred outflows related to measurement of net pension liability	513,229	1,816,900
Accrued interest payable	<u>28,433</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>(442,231)</u></u>	\$ <u><u>(930,165)</u></u>

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COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

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

B. Excess of expenditures over appropriations:

For the year ended June 30, 2017, the following funds that had expenditures exceeding appropriations.

<u>Fund</u>	<u>Excess of Expenditures over Appropriations</u>
Component Unit School Cafeteria	\$ 36,544
Total	<u>\$ 36,544</u>

C. Deficit fund equity

At June 30, 2017, there were no funds that showed deficit equity.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 4—JOINT VENTURES:

As described in Note 1-B, the following boards are construed as operating as joint ventures between the Cities of Lexington and Buena Vista, and the County of Rockbridge. Summary financial information for the Boards at June 30, 2017 is provided below:

	Maury Service Authority (1)	Rockbridge Area Community Services Board (1)	Rockbridge Regional Public Safety Communications Center
Total assets and deferred outflows of resources	\$ 40,045,761	\$ 8,387,808	\$ 6,510,732
Total liabilities and deferred inflows of resources	15,702,707	5,262,836	6,216,759
Total net position	\$ 24,343,054	\$ 3,124,972	\$ 293,973
For the year ended June 30, 2017			
Operating revenue	\$ 2,816,879	\$ 4,290,086	\$ 219,003
Operating expenses	(3,265,818)	(7,349,343)	(1,678,702)
Nonoperating income (expense)	1,225,263	3,312,570	1,588,750
Change in net position	\$ 776,324	\$ 253,313	\$ 129,051
Net position at beginning of year	23,566,730	2,871,659	164,922
Net position at end of year	\$ 24,343,054	\$ 3,124,972	\$ 293,973

(1) Maury Service Authority and Rockbridge Area Community Services Board June 30, 2017 summary financial data was not available at the time of report issuance. June 30, 2016 data is presented above.

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other governments consists of payments due from federal, state, and local governmental units at June 30, 2017 as follows:

	Governmental Activities	Component Unit School Board	Component Unit Jail Commission	Component Unit Rockbridge Area Social Services Board
Commonwealth of Virginia:				
State sales taxes	\$ -	\$ 543,522	\$ -	\$ -
Local sales taxes	503,914	-	-	-
Public assistance grants	-	-	-	69,818
Comprehensive services act	-	-	-	619,749
Communications tax	144,709	-	-	-
Shared expenses	168,515	-	154,640	-
Fire program funds	-	-	-	-
Other	129,725	206,000	87,774	-
Federal Government:				
Violence against women	16,923	-	-	-
Victim witness	15,502	-	-	-
Other	3,900	417,559	-	113,139
Other Governmental Units:				
City of Lexington	-	-	8,502	-
City of Buena Vista	-	-	5,983	-
County of Rockbridge	-	-	20,900	-
Totals	\$ 983,188	\$ 1,167,081	\$ 277,799	\$ 802,706

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 6—INTERFUND OBLIGATIONS:

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

Fund	Due From Other Funds	Due To Other Funds	Due From Component Unit/Primary Government	Due To Component Unit/Primary Government
General	\$ 1,837	\$ 188,274	\$ 2,137,834	\$ -
Landfill Fund	188,274	-	-	-
Other Capital Projects Fund	-	1,837	-	-
Component Unit Rockbridge Regional Jail Commission	-	-	-	18,186
Component Unit Rockbridge Area Social Services	-	-	-	632,191
Component Unit School Board	-	-	-	1,487,457
Total	\$ 190,111	\$ 190,111	\$ 2,137,834	\$ 2,137,834

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government – Governmental Activities Indebtedness:

Changes in Long-Term Obligations:

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2017:

	Balance July 1, 2016	Additions/ Issuances	Decreases/ Retirements	Balance June 30, 2017
Governmental Activities:				
General obligation bonds	\$ 38,995,726	\$ -	\$ 1,884,665	\$ 37,111,061
Revenue bonds	16,745,000	-	-	16,745,000
Bond premium	3,457,468	-	202,871	3,254,597
Literary loan funds	1,075,000	-	180,000	895,000
Compensated absences	335,203	285,299	251,402	369,100
Net pension liability	3,292,026	2,148,030	1,238,598	4,201,458
Net OPEB obligation	166,000	24,000	9,000	181,000
Total Governmental Activities	\$ 64,066,423	\$ 2,457,329	\$ 3,766,536	\$ 62,757,216
Business-type Activities:				
Revenue bonds	\$ 6,305,000	\$ -	\$ 25,000	\$ 6,280,000
Bond premium	959,710	-	95,859	863,851
Capital leases	916,590	-	273,231	643,359
Compensated absences	36,716	28,512	27,537	37,691
Net OPEB obligation	3,000	1,000	-	4,000
Net pension liability	301,416	197,954	125,337	374,033
Landfill closure and post-closure care	1,980,511	-	140,800	1,839,711
Total Business-type Activities	\$ 10,502,943	\$ 227,466	\$ 687,764	\$ 10,042,645
Total Long-Term Obligations	\$ 74,569,366	\$ 2,684,795	\$ 4,454,300	\$ 72,799,861

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS: (Continued)

Primary Government – Governmental Activities Indebtedness: (continued)

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

Year Ending June 30,	Revenue Bonds		General Obligation Bonds		Literary Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 305,000	\$ 720,089	\$ 1,952,709	\$ 1,523,642	\$ 180,000	\$ 38,003
2019	435,000	703,677	2,015,553	1,444,548	175,000	30,814
2020	585,000	680,724	2,082,446	1,368,716	180,000	22,725
2021	650,000	651,071	2,154,438	1,286,916	180,000	13,635
2022	675,000	623,967	2,227,270	1,195,869	180,000	4,545
2023	705,000	595,518	2,195,254	1,106,851	-	-
2024	735,000	560,443	2,183,391	1,025,326	-	-
2025	775,000	525,255	1,950,000	957,604	-	-
2026	805,000	490,242	2,005,000	899,189	-	-
2027	840,000	453,821	1,780,000	844,779	-	-
2028	880,000	415,486	1,835,000	787,088	-	-
2029	925,000	375,627	1,895,000	723,456	-	-
2030	960,000	334,355	1,160,000	681,125	-	-
2031	1,010,000	290,696	1,185,000	498,036	-	-
2032	1,055,000	244,402	815,000	314,185	-	-
2033	1,095,000	197,011	840,000	288,946	-	-
2034	1,145,000	149,919	865,000	262,945	-	-
2035	1,190,000	102,176	890,000	236,181	-	-
2036	1,240,000	52,436	920,000	208,579	-	-
2037	360,000	20,425	950,000	180,061	-	-
2038	375,000	6,900	980,000	150,629	-	-
2039	-	-	1,010,000	119,650	-	-
2040	-	-	1,040,000	87,106	-	-
2041	-	-	1,075,000	53,531	-	-
2042	-	-	1,105,000	18,233	-	-
Total	\$ 16,745,000	\$ 8,194,240	\$ 37,111,061	\$ 16,263,191	\$ 895,000	\$ 109,722

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government – Governmental Activities Obligations: (continued)

Details of Long-Term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue bonds:		
\$11,760,000, issued June 5, 2013 at a premium of \$1,771,014, payable in semi-annual installments of principal and interest on October 1, and April 1, variable interest at 4.261%-4.823% through April 1, 2036	\$ 11,760,000	\$ 305,000
\$4,985,000, issued May 25, 2016 at a premium of \$835,950, payable in semi-annual installments of principal and interest on October 1, and April 1, variable interest at 3.796%-5.125%, through April 1, 2038	<u>4,985,000</u>	<u>-</u>
Total revenue bonds	\$ <u>16,745,000</u>	\$ <u>305,000</u>
General obligation bonds:		
\$1,500,000 issue dated May 17, 2001, payable in various annual principal installments, interest payable semi-annually at 4.79% on January 15, and July 15, through January 2022	\$ 525,000	\$ 95,000
\$1,000,000 issue dated October 1, 2002 due in various annual principal installments, interest payable semi-annually at rates varying from 2.6% to 4.95% through January 15, 2023	390,000	55,000
\$10,625,000 issued October 6, 2003 at a premium of \$378,615, due in various annual principal installments, interest payable semi-annually at interest rates varying from 3.1% to 5.35% through July 15, 2028	7,045,000	440,000
\$5,514,484 issued October 6, 2003 at a premium of \$360,006 due in various annual principal installments, interest payable semi-annually at interest rates varying from 3.1% to 5.35% through January 15, 2024	2,031,061	282,709

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government – Governmental Activities Obligations: (continued)

Details of Long-Term Details of Obligations: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General obligation bonds: (continued)		
\$3,590,000 issued May 12, 2005 at a premium of \$213,677 due in various annual principal installments, interest payable semi-annually at interest rates varying from 3.1% to 5.1% through July 15, 2025	\$ 2,055,000	\$ 185,000
\$7,500,000 School tax credit bonds issued December 15, 2011 due in various annual principal installments, interest payable semi-annually at an interest rate of 4.25% through June 30, 2031	5,530,000	395,000
\$20,460,000 VPSA bonds issued November 15, 2012 at a premium of \$540,453, due in various annual principal installments, interest payable semi-annually at variable interest rates through November 15, 2042	<u>19,535,000</u>	<u>500,000</u>
Total general obligation bonds	<u>\$ 37,111,061</u>	<u>\$ 1,952,709</u>
Literary loans:		
\$1,435,000 issue dated May 9, 2013, payable in various annual principal and interest installments, interest rates varying from 3.05%-4% through January 15, 2021	<u>\$ 895,000</u>	<u>\$ 180,000</u>
Unamortized bond premium	<u>\$ 3,254,597</u>	<u>\$ 202,871</u>
Net pension liability (payable from the General Fund)	<u>\$ 4,201,458</u>	<u>\$ -</u>
Net OPEB obligation (payable from the General Fund)	<u>\$ 181,000</u>	<u>\$ -</u>
Compensated absences (payable from the General Fund)	<u>\$ 369,100</u>	<u>\$ 92,275</u>
Total long-term obligations	<u>\$ 62,757,216</u>	<u>\$ 2,732,855</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
 June 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government – Business-type Activities Obligations:

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

Year Ending June 30,	Landfill Fund			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2018	\$ 515,000	\$ 277,803	\$ 269,027	\$ 14,098
2019	535,000	254,172	172,279	7,648
2020	560,000	228,638	141,831	3,668
2021	590,000	200,019	60,222	402
2022	625,000	168,959	-	-
2023	655,000	136,259	-	-
2024	120,000	116,425	-	-
2025	130,000	110,019	-	-
2026	135,000	103,378	-	-
2027	140,000	96,731	-	-
2028	150,000	90,000	-	-
2029	155,000	83,359	-	-
2030	160,000	76,338	-	-
2031	170,000	68,756	-	-
2032	180,000	60,537	-	-
2033	185,000	52,484	-	-
2034	140,000	45,957	-	-
2035	145,000	40,503	-	-
2036	150,000	34,868	-	-
2037	155,000	29,053	-	-
2038	160,000	23,056	-	-
2039	170,000	16,775	-	-
2040	175,000	10,209	-	-
2041	180,000	3,439	-	-
Total	<u>\$ 6,280,000</u>	<u>\$ 2,327,737</u>	<u>\$ 643,359</u>	<u>\$ 25,816</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
 June 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government – Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue bonds:		
VRA 2012A Revenue Bond totaling \$655,000. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.625% to 5.125% beginning October 1, 2012 through April 1, 2033.	\$ 570,000	\$ 25,000
VRA 2016A Revenue Bond totaling \$5,710,000, issued at a premium of \$856,329. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.792% to 5.125% beginning October 1, 2017 through April 1, 2041.	<u>5,710,000</u>	<u>490,000</u>
Total revenue bonds	<u>\$ 6,280,000</u>	<u>\$ 515,000</u>
Capital leases:		
\$309,436 Issued April 13, 2013 for a track loader, due in monthly payments of \$5,588 through April 15, 2018, interest at 4.550%	\$ 54,141	\$ 54,142
\$381,677 Issued August 15, 2013 for a compactor, due in monthly payments of \$6,899 through November 15, 2018, interest at 2.89%	114,601	80,421
\$681,832 issued December 15, 2015 for a vehicle and an excavator, due in monthly payments of \$12,125 through November 25, 2020, interest at 2.67%.	<u>474,617</u>	<u>134,464</u>
Total capital leases	<u>\$ 643,359</u>	<u>\$ 269,027</u>
Unamortized bond premium	<u>\$ 863,851</u>	<u>\$ 89,778</u>
Landfill closure and post-closure liability	<u>\$ 1,839,711</u>	<u>\$ -</u>
Net pension liability	<u>\$ 374,033</u>	<u>\$ -</u>
Net OPEB obligation	<u>\$ 4,000</u>	<u>\$ -</u>
Compensated absences	<u>\$ 37,691</u>	<u>\$ 9,423</u>
Total long-term obligations	<u>\$ 10,042,645</u>	<u>\$ 883,228</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit – Rockbridge County Public Service Authority:

Changes in long-term Obligations:

	<u>Balance</u> <u>July 1, 2016</u>		<u>Additions/</u> <u>Issuances</u>		<u>Decreases/</u> <u>Retirements</u>		<u>Balance</u> <u>June 30, 2017</u>
Water Fund:							
Revenue bonds	\$ 465,672	\$	-	\$	145,672	\$	320,000
Rural development bond	1,853,824		-		40,209		1,813,615
Net OPEB obligation	9,010		1,060		-		10,070
Net pension liability	-		3,759		-		3,759
Compensated Absences	22,549		513		-		23,062
Total water fund	<u>\$ 2,351,055</u>	\$	<u>5,332</u>	\$	<u>185,881</u>	\$	<u>2,170,506</u>
Sewer Fund:							
Revenue bonds	\$ 7,246,226	\$	-	\$	690,116	\$	6,556,110
Advances	2,544,811		278,974		-		2,823,785
Net OPEB obligation	7,990		940		-		8,930
Net pension liability	-		3,333		-		3,333
Compensated absences	19,996		455		-		20,451
Total sewer fund	<u>\$ 9,819,023</u>	\$	<u>283,702</u>	\$	<u>690,116</u>	\$	<u>9,412,609</u>
Totals	<u>\$ 12,170,078</u>	\$	<u>289,034</u>	\$	<u>875,997</u>	\$	<u>11,583,115</u>

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

Year Ending <u>June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 791,145	\$ 52,062
2019	791,973	48,324
2020	797,818	44,419
2021	798,680	40,242
2022	804,559	36,048
2023-2027	3,341,559	148,566
2028-2032	260,836	123,764
2033-2037	288,244	96,356
2038-2042	318,532	65,708
2043-2047	352,003	32,597
2048-2049	144,376	2,892
Total	<u>\$ 8,689,725</u>	<u>\$ 690,978</u>

Operating contributions from Rockbridge County consisted of the following:

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit – Rockbridge County Public Service Authority: (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Water Fund:		
Revenue Bonds:		
\$940,000 Infrastructure Revenue Bonds (Series 2002A) issued through the Virginia Resources Authority, dated June 6, 2002, payable annually through April 1, 2022, interest payable semi-annually at rates ranging from 3.1% to 5.35%.	\$ 320,000	\$ 60,000
\$2,081,000 Water System Revenue Bonds (Series 2012) issued through the United States Department of Agriculture, dated June 28, 2012, payable annually through June 28, 2052, stated interest rate of 2.0%.	<u>1,813,615</u>	<u>41,028</u>
Total Bonds	<u>\$ 2,133,615</u>	<u>\$ 101,028</u>
Compensated absences	\$ 23,062	\$ 23,062
Net pension liability	3,759	-
Net OPEB obligation	<u>10,070</u>	<u>-</u>
Total Water Fund	<u>\$ 2,170,506</u>	<u>\$ 124,090</u>
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.	\$ 6,556,110	\$ 690,117
Advances:		
Loan from Rockbridge County, dated September 1, 2010. No agreed upon repayment terms.	2,823,785	-
Compensated absences	20,451	20,451
Net pension liability	3,333	-
Net OPEB obligation	<u>8,930</u>	<u>-</u>
Total Sewer Fund	<u>\$ 9,412,609</u>	<u>\$ 710,568</u>
Total long-term obligations	<u>\$ 11,583,115</u>	<u>\$ 834,658</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit – Rockbridge County Regional Jail Commission:

Changes in long-term Obligations:

	<u>Balance July 1, 2016</u>	<u>Additions/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2017</u>
Net OPEB Obligation (payable from Rockbridge County Regional Jail Commission)	\$ 64,000	\$ 11,000	\$ 5,000	\$ 70,000
Net pension liability (payable from Rockbridge County Regional Jail Commission)	1,116,180	702,365	428,598	1,389,947
Compensated Absences (payable from Rockbridge County Regional Jail Commission)	<u>168,890</u>	<u>35,296</u>	<u>42,223</u>	<u>161,963</u>
Total Long-Term Obligations	<u>\$ 1,349,070</u>	<u>\$ 748,661</u>	<u>\$ 475,821</u>	<u>\$ 1,621,910</u>

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Net pension liability	\$ 1,389,947	\$ -
Net OPEB obligation	\$ 70,000	\$ -
Compensated absences	\$ 161,963	\$ 40,491
Total obligations	<u>\$ 1,621,910</u>	<u>\$ 40,491</u>

Component Unit – Rockbridge Area Social Services Board:

Changes in long-term Obligations:

	<u>Balance July 1, 2016</u>	<u>Additions/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2017</u>
Net pension liability (payable from Rockbridge Regional Social Services Board)	\$ -	\$ 411,720	\$ 275,700	\$ 136,020
Compensated Absences (payable from Rockbridge Area Social Services Board)	<u>\$ 67,125</u>	<u>\$ 78,742</u>	<u>\$ 50,344</u>	<u>\$ 95,523</u>
Total Long-Term Obligations	<u>\$ 67,125</u>	<u>\$ 490,462</u>	<u>\$ 326,044</u>	<u>\$ 231,543</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit – Rockbridge Area Social Services Board: (continued)

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Net pension liability	\$ 136,020	\$ -
Compensated absences	95,523	23,881
Total obligations	<u>\$ 231,543</u>	<u>\$ 23,881</u>

Component Unit-School Board:

The following is a summary of long-term obligation transactions of the School Board Component Unit for the year ended June 30, 2017:

	Balance July 1, 2016	Additions/ Issuances	Deductions/ Retirements	Balance June 30, 2017
Net pension liability	\$ 26,757,165	\$ 7,080,155	\$ 4,446,252	\$ 29,391,068
Net OPEB obligation	1,593,000	419,000	179,000	1,833,000
Compensated absences	169,833	60,047	101,900	127,980
Total	<u>\$ 28,519,998</u>	<u>\$ 7,559,202</u>	<u>\$ 4,727,152</u>	<u>\$ 31,352,048</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Net pension liability (payable from the School Fund)	\$ 29,391,068	\$ -
Net OPEB obligation	1,833,000	-
Compensated absences (payable from the School Fund)	127,980	31,995
Total long-term obligations	<u>\$ 31,352,048</u>	<u>\$ 31,995</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN:

Plan Description

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government (1)</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	83	99
Inactive members:		
Vested inactive members	18	18
Non-vested inactive members	22	26
Inactive members active elsewhere in VRS	44	19
Total inactive members	84	63
Active members	145	88
Total covered employees	312	250

(1) Includes Component Unit Rockbridge Regional Jail Commission

Contributions

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

The Primary Government's contractually required contribution rate for the year ended June 30, 2017 was 12.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$641,341 and \$671,338 for the years ended June 30, 2017 and June 30, 2016, respectively.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Contributions (continued)

The Component Unit Rockbridge Regional Jail Commission's contractually required contribution rate for the year ended June 30, 2017 was 12.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit Rockbridge Regional Jail Commission were \$194,797 and \$203,940 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 6.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$83,249 and \$121,091 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Primary Government's, Component Unit Rockbridge Regional Jail Commission's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Primary Government's, Component Unit Rockbridge Regional Jail Commission's, and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions – General Employees (continued)

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-LEOS:

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Primary Government’s Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions – Public Safety Employees (continued)

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Long-Term Expected Rate of Return

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Long-Term Expected Rate of Return (continued)

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

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 24,417,887	\$ 20,824,445	\$ 3,593,442
Changes for the year:			
Service cost	\$ 619,348	\$ -	\$ 619,348
Interest	1,679,621	-	1,679,621
Differences between expected and actual experience	(76,498)	-	(76,498)
Contributions - employer	-	671,338	(671,338)
Contributions - employee	-	237,691	(237,691)
Net investment income	-	363,336	(363,336)
Impact of change in proportion	128,010	109,171	18,839
Benefit payments, including refunds of employee contributions	(1,102,628)	(1,102,628)	-
Administrative expenses	-	(12,951)	12,951
Other changes	-	(153)	153
Net changes	<u>\$ 1,247,853</u>	<u>\$ 265,804</u>	<u>\$ 982,049</u>
Balances at June 30, 2016	<u>\$ 25,665,740</u>	<u>\$ 21,090,249</u>	<u>\$ 4,575,491</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Changes in Net Pension Liability (Continued)

	Component Unit Rockbridge Regional Jail Commission		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2015	\$ 7,584,586	\$ 6,468,406	\$ 1,116,180
Changes for the year:			
Service cost	\$ 188,146	\$ -	\$ 188,146
Interest	510,237	-	510,237
Differences between expected and actual experience	(23,239)	-	(23,239)
Contributions - employer	-	203,940	(203,940)
Contributions - employee	-	72,206	(72,206)
Net investment income	-	110,374	(110,374)
Impact of change in proportion	(128,010)	(109,171)	(18,839)
Benefit payments, including refunds of employee contributions	(334,957)	(334,957)	-
Administrative expenses	-	(3,934)	3,934
Other changes	-	(48)	48
Net changes	\$ 212,177	\$ (61,590)	\$ 273,767
Balances at June 30, 2016	\$ 7,796,763	\$ 6,406,816	\$ 1,389,947

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2015	\$ 7,524,005	\$ 7,145,840	\$ 378,165
Changes for the year:			
Service cost	\$ 157,219	\$ -	\$ 157,219
Interest	509,337	-	509,337
Differences between expected and actual experience	(139,545)	-	(139,545)
Contributions - employer	-	121,091	(121,091)
Contributions - employee	-	70,323	(70,323)
Net investment income	-	117,293	(117,293)
Benefit payments, including refunds of employee contributions	(495,531)	(495,531)	-
Administrative expenses	-	(4,548)	4,548
Other changes	-	(51)	51
Net changes	\$ 31,480	\$ (191,423)	\$ 222,903
Balances at June 30, 2016	\$ 7,555,485	\$ 6,954,417	\$ 601,068

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 7,134,877	\$ 4,575,491	\$ 1,752,739
Component Unit Rockbridge Regional			
Jail Commission Net Pension Liability (Asset)	\$ 2,987,371	\$ 1,389,947	\$ 733,871
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,383,330	\$ 601,068	\$ (61,854)

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

For the year ended June 30, 2017, the Primary Government, Component Unit Rockbridge Regional Jail Commission and Component Unit School Board (nonprofessional) recognized pension expense of \$619,510, \$186,856 and \$50,830, respectively. At June 30, 2017, the Primary Government, Component Unit Rockbridge Regional Jail Commission and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit Rockbridge Regional Jail Commission		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,920	\$ 56,833	\$ 8,673	\$ 17,265	\$ 382	\$ 76,115
Net difference between projected and actual earnings on pension plan investments	565,924	-	150,046	-	180,135	-
Employer contributions subsequent to the measurement date	641,341	-	194,797	-	86,249	-
Total	<u>\$ 1,235,185</u>	<u>\$ 56,833</u>	<u>\$ 353,516</u>	<u>\$ 17,265</u>	<u>\$ 266,766</u>	<u>\$ 76,115</u>

\$641,341, \$194,797 and \$86,249 reported as deferred outflows of resources related to pensions resulting from the Primary Government's, Component Unit Regional Jail Commission's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Primary Government</u>	<u>Component Unit Rockbridge Regional Jail Commission</u>	<u>Component Unit School Board (nonprofessional)</u>
2018	\$ 2,290	\$ 603	\$ (64,451)
2019	1,236	326	(14,089)
2020	307,533	81,007	108,519
2021	225,952	59,518	74,423
Thereafter	-	-	-

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$2,325,915 and \$2,202,239 for the years ended June 30, 2017 and June 30, 2016, respectively.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Component Unit School Board (professional) (continued)

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

At June 30, 2017, the school division reported a liability of \$28,790,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division’s proportion of the Net Pension Liability was based on the school division’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division’s proportion was .20544% as compared to .20958% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$2,203,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 933,000
Net difference between projected and actual earnings on pension plan investments	1,645,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,000	865,000
Employer contributions subsequent to the measurement date	<u>2,325,915</u>	<u>-</u>
Total	<u>\$ 3,982,915</u>	<u>\$ 1,798,000</u>

\$2,325,915 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	
2018	\$ (465,000)
2019	(465,000)
2020	534,000
2021	362,000
Thereafter	(107,000)

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

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

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Component Unit School Board (professional) (continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan are as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	\$	<u><u>14,014,115</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Component Unit School Board (professional) (continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8—PENSION PLAN: (Continued)

Component Unit School Board (professional) (continued)

Discount Rate

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 41,041,000	\$ 28,790,000	\$ 18,699,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS:

County and Other Participating Entities:

Beginning in fiscal year 2009, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits. Historically, the plan subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the County accrue the cost of other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future costs of postemployment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

A. Plan Description

The County offers its employees the option to participate in the group health insurance program offered to other employees upon retirement, through a single-employer defined benefit plan. Employees must meet the age and service criteria for reduced VRS retirement and be a current employee at least 50 years of age and have been employed by the County in a benefits-eligible position for 10 of the last 13 years prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. Spouses and dependents listed for coverage by the employee prior to retirement may remain in the group program. Once the employee has retired, only the deletion or termination of coverage will be permitted. Full cost of dependent coverage will be the responsibility of the retired employee. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the County for retirees regardless of age if he/she has been employed by the County for at least 10 years immediately prior to the disability. The County reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees.

The Rockbridge Landfill and Component Units Rockbridge Regional Jail Commission and Rockbridge Public Service Authority (herein are referred to as Other Participating Entities) are included in this plan.

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is presented in the following table for fiscal year 2015. The County has elected not to pre-fund OPEB liabilities. The County is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and Other Participating Entities: (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The following table shows the components of the County and Other Participating entities' annual OPEB cost for the year, the estimated contribution to the Plan, and changes in the County and Other Participating Entities' net OPEB obligation to the Plan:

	<u>County</u>	<u>Rockbridge Regional Jail</u>	<u>Rockbridge Landfill</u>	<u>Rockbridge Public Service Authority</u>
Annual Required Contribution (ARC)	\$ 24,000	\$ 11,000	\$ 1,000	\$ 2,000
Interest on OPEB Obligation	6,000	3,000	-	1,000
Adjustment to ARC	(6,000)	(3,000)	-	(1,000)
Annual OPEB Cost	\$ 24,000	\$ 11,000	\$ 1,000	\$ 2,000
Contributions Made	(9,000)	(5,000)	-	-
Increase in Net OPEB Obligation	\$ 15,000	\$ 6,000	\$ 1,000	\$ 2,000
Net OPEB Obligation -beginning of year	166,000	64,000	3,000	17,000
Net OPEB Obligation - end of year	<u>\$ 181,000</u>	<u>\$ 70,000</u>	<u>\$ 4,000</u>	<u>\$ 19,000</u>

For fiscal year 2017, the County's expected cash payment of \$9,000 was \$15,000 short of the OPEB cost.

For fiscal year 2017, the Rockbridge Regional Jail Commission's expected cash payment of \$5,000 was \$6,000 short of the OPEB cost.

For fiscal year 2017, the Rockbridge Landfill's expected cash payment of \$0 was \$1,000 short of the OPEB cost.

For fiscal year 2017, the Rockbridge Public Service Authority's expected cash payment of \$0 was \$2,000 short of the OPEB cost.

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COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and Other Participating Entities: (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

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

Annual OPEB Cost:	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County	June 30, 2017	\$ 24,000	37.50%	\$ 181,000
	June 30, 2016	31,000	41.94%	166,000
	June 30, 2015	28,000	39.29%	148,000
Rockbridge Regional Jail	June 30, 2017	\$ 11,000	45.45%	\$ 70,000
	June 30, 2016	11,000	18.18%	64,000
	June 30, 2015	11,000	9.09%	55,000
Rockbridge Landfill	June 30, 2017	\$ 1,000	0.00%	\$ 4,000
	June 30, 2016	1,000	0.00%	3,000
	June 30, 2015	1,000	0.00%	3,000
Rockbridge Public Service Authority	June 30, 2017	\$ 2,000	0.00%	\$ 19,000
	June 30, 2016	1,000	100.00%	17,000
	June 30, 2015	3,000	0.00%	16,000

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 357,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 357,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 7,557,000
UAAL as a percentage of covered payroll	4.72%

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

County and Other Participating Entities: (continued)

D. Funded Status and Funding Progress (continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive Participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual Participant amounts. An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Data is net of any retiree contributions. The UAAL is being amortized on an open basis. The remaining amortization at July 1, 2016 was 30 years.

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

School Board Health Insurance Plan

A. Plan Description

The Rockbridge County School Board offers its employees the option to participate in the group health insurance program offered to other employees upon retirement, through a single-employer defined benefit plan. Employees must meet the age and service criteria for reduced VRS retirement and be a current employee at least 50 years of age and have been employed by the School Board in a benefits-eligible position for 10 of the last 13 years prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. Spouses and dependents listed for coverage by the employee prior to retirement may remain in the group program. Once the employee has retired, only the deletion or termination of coverage will be permitted.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board Health Insurance Plan (continued)

A. Plan Description (continued)

Full cost of dependent coverage will be the responsibility of the retired employee. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the School Board for retirees regardless of age if he/she has been employed by the School Board for at least 10 years immediately prior to the disability. The School Board reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees.

B. Funding Policy

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

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$373,000 for fiscal year 2016. The School Board has elected not to pre-fund OPEB liabilities. The School Board is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

C. Annual OPEB Cost and Net OPEB Obligation:

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

	School Board
Annual Required Contribution (ARC)	\$ 421,000
Interest on OPEB Obligation	64,000
Adjustment to ARC	(66,000)
Annual OPEB Cost	\$ 419,000
Contributions Made	(179,000)
Increase in Net OPEB Obligation	\$ 240,000
Net OPEB Obligation - beginning of year	1,593,000
Net OPEB Obligation - end of year	\$ 1,833,000

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board Health Insurance Plan (continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Annual OPEB Cost. for 2017, the School Board’s expected cash payment of \$179,000 is \$240,000 less than the OPEB cost (expense) of \$419,000. The Government’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 419,000	43%	\$ 1,833,000
June 30, 2016	373,000	44%	1,593,000
June 30, 2015	361,000	38%	1,385,000

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 5,144,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 5,144,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 16,781,000
UAAL as a percentage of covered payroll	30.65%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board Health Insurance Plan (continued)

E. Actuarial Methods and Assumptions (continued)

Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive Participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual Participant amounts. An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Data is net of any retiree contributions. The UAAL is being amortized on an open basis. The remaining amortization at July 1, 2016 was 30 years.

Interest Assumptions	Not funded
Discount rate	4%
Payroll growth	3.00%

VRS Health Insurance Credit Program

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly established the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 8.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

VRS Health Insurance Credit Program (continued)

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board’s contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were \$154,332, \$154,844, and \$164,604, respectively and equaled the required contributions for each year.

NOTE 10—DEFERRED/UNAVAILABLE REVENUE PROPERTY TAXES & INFLOWS/OUTFLOWS OF RESOURCES:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred and unavailable revenue in the government-wide and fund financial statements totaling \$9,127,377 and \$10,548,346 respectively, is comprised of the following:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred/unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,420,969
2nd half assessments due in December	8,657,921	8,657,921
Prepaid property taxes due after June 30 but paid in advance by taxpayers	469,456	469,456
Total unavailable/deferred revenue	<u>\$ 9,127,377</u>	<u>\$ 10,548,346</u>

Unearned revenue of the Primary Government is comprised of prepaid Department of Motor Vehicle fees in the amount of \$1,671.

NOTE 11—CONTINGENT LIABILITIES:

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 12—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

Credit Risk of Debt Securities

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

The County and its discretely presented component units rated debt investments as of June 30, 2017 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 22,134,439
SNAP External Investment Pool	170,098
Total	<u>\$ 22,304,537</u>

External Investment Pool

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 12—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

<u>Investments</u>	<u>Fair Value</u>	<u>Maturity</u> <u>Less than 1 year</u>
Local Government Investment Pool	\$ 22,134,439	\$ 22,134,439
SNAP External Investment Pool	170,098	170,098
Total	<u>\$ 22,304,537</u>	<u>\$ 22,304,537</u>

NOTE 13—RISK MANAGEMENT:

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

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COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 14—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,342,101	\$ -	\$ (551,890)	\$ 1,790,211
Construction in progress	122,133	1,217,821	-	1,339,954
Total capital assets not being depreciated	<u>\$ 2,464,234</u>	<u>\$ 1,217,821</u>	<u>\$ (551,890)</u>	<u>\$ 3,130,165</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 80,660,981	\$ 14,478	\$ (2,044,838)	\$ 78,630,621
Machinery and equipment	2,762,446	762,692	(108,106)	3,417,032
Total capital assets being depreciated	<u>\$ 83,423,427</u>	<u>\$ 777,170</u>	<u>\$ (2,152,944)</u>	<u>\$ 82,047,653</u>
Accumulated depreciation:				
Buildings and improvements	\$ (11,715,871)	\$ (1,019,389)	\$ (534,593)	\$ (13,269,853)
Machinery and equipment	(2,100,964)	(329,666)	108,106	(2,322,524)
Total accumulated depreciation	<u>\$ (13,816,835)</u>	<u>\$ (1,349,055)</u>	<u>\$ (426,487)</u>	<u>\$ (15,592,377)</u>
Total capital assets being depreciated, net	<u>\$ 69,606,592</u>	<u>\$ (571,885)</u>	<u>\$ (2,579,431)</u>	<u>\$ 66,455,276</u>
Governmental activities capital assets, net	<u>\$ 72,070,826</u>	<u>\$ 645,936</u>	<u>\$ (3,131,321)</u>	<u>\$ 69,585,441</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 531,037	\$ -	\$ -	\$ 531,037
Construction in progress	920,478	4,710,205	(854,007)	4,776,676
Total capital assets not being depreciated	<u>\$ 1,451,515</u>	<u>\$ 4,710,205</u>	<u>\$ (854,007)</u>	<u>\$ 5,307,713</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,780,592	\$ 854,007	\$ -	\$ 3,634,599
Machinery and equipment	1,804,969	54,541	-	1,859,510
Total capital assets being depreciated	<u>\$ 4,585,561</u>	<u>\$ 908,548</u>	<u>\$ -</u>	<u>\$ 5,494,109</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,264,865)	\$ (107,632)	\$ -	\$ (1,372,497)
Machinery and equipment	(495,855)	(225,674)	-	(721,529)
Total accumulated depreciation	<u>\$ (1,760,720)</u>	<u>\$ (333,306)</u>	<u>\$ -</u>	<u>\$ (2,094,026)</u>
Total capital assets being depreciated, net	<u>\$ 2,824,841</u>	<u>\$ 575,242</u>	<u>\$ -</u>	<u>\$ 3,400,083</u>
Business-type activities capital assets, net	<u>\$ 4,276,356</u>	<u>\$ 5,285,447</u>	<u>\$ (854,007)</u>	<u>\$ 8,707,796</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 14—CAPITAL ASSETS: (CONTINUED)

Primary Government: (continued)

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

Governmental activities:	
General government administration	\$ 1,105,639
Judicial administration	12,288
Public safety	205,400
Public works	15,108
Parks, recreation, and cultural	10,620
Total depreciation expense-governmental activities	<u>\$ 1,349,055</u>
Business-type activities:	
Solid Waste Authority	\$ 333,306
Total depreciation expense-business-type activities	<u>\$ 333,306</u>

Discretely Presented Component Unit-School Board:

Capital asset activity for the School Board for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 117,555	\$ -	\$ -	\$ 117,555
Construction in progress	-	180,887	-	180,887
Total capital assets not being depreciated	<u>\$ 117,555</u>	<u>\$ 180,887</u>	<u>\$ -</u>	<u>\$ 298,442</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 36,714,239	\$ 2,106,609	\$ -	\$ 38,820,848
Machinery and equipment	5,725,527	547,407	-	6,272,934
Total capital assets being depreciated	<u>\$ 42,439,766</u>	<u>\$ 2,654,016</u>	<u>\$ -</u>	<u>\$ 45,093,782</u>
Accumulated depreciation:				
Buildings and improvements	\$ (18,624,249)	\$ (1,813,156)	\$ 534,593	\$ (19,902,812)
Machinery and equipment	(3,850,437)	(503,147)	-	(4,353,584)
Total accumulated depreciation	<u>\$ (22,474,686)</u>	<u>\$ (2,316,303)</u>	<u>\$ 534,593</u>	<u>\$ (24,256,396)</u>
Total capital assets being depreciated, net	<u>\$ 19,965,080</u>	<u>\$ 337,713</u>	<u>\$ 534,593</u>	<u>\$ 20,837,386</u>
School Board capital assets, net	<u>\$ 20,082,635</u>	<u>\$ 518,600</u>	<u>\$ 534,593</u>	<u>\$ 21,135,828</u>

Depreciation expense for the year ended June 30, 2017 was \$2,316,303.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 14—CAPITAL ASSETS: (CONTINUED)

Discretely Presented Component Unit—School Board: (continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local government on-behalf of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a tenancy in common with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Rockbridge, Virginia for the year ended June 30, 2017, is that school financed assets in the amount of \$38,257,727 are reported in the Primary Government for financial reporting purposes.

Discretely Presented Component Unit—Rockbridge Area Social Services Board:

Capital asset activity for the Social Services Board for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Capital assets being depreciated:			
Equipment	\$ 99,596	\$ -	\$ 99,596
Vehicle	73,036	21,837	94,873
Furniture and fixtures	8,857	-	8,857
Total capital assets being depreciated	<u>\$ 181,489</u>	<u>\$ 21,837</u>	<u>\$ 203,326</u>
Accumulated depreciation:			
Equipment	\$ (75,693)	\$ (4,781)	\$ (80,474)
Vehicle	(82,597)	(4,367)	(86,964)
Furniture and fixtures	(8,857)	-	(8,857)
Total accumulated depreciation	<u>\$ (167,147)</u>	<u>\$ (9,148)</u>	<u>\$ (176,295)</u>
Net capital assets	<u>\$ 14,342</u>	<u>\$ 12,689</u>	<u>\$ 27,031</u>

Depreciation expense for the year ended June 30, 2017 was \$9,148.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 14—CAPITAL ASSETS: (CONTINUED)

Component Unit—Rockbridge Regional Jail Commission:

A summary of capital assets is summarized below:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,000,623	\$ -	\$ -	\$ 6,000,623
Machinery and equipment	<u>517,065</u>	<u>8,000</u>	<u>-</u>	<u>525,065</u>
Total capital assets being depreciated	<u>\$ 6,517,688</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 6,525,688</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,845,632)	\$ (150,016)	\$ -	\$ (2,995,648)
Machinery and equipment	<u>(483,657)</u>	<u>(10,597)</u>	<u>-</u>	<u>(494,254)</u>
Total accumulated depreciation	<u>\$ (3,329,289)</u>	<u>\$ (160,613)</u>	<u>\$ -</u>	<u>\$ (3,489,902)</u>
Total capital assets being depreciated, net	<u>\$ 3,188,399</u>	<u>\$ (152,613)</u>	<u>\$ -</u>	<u>\$ 3,035,786</u>
Jail Commission capital assets, net	<u>\$ 3,188,399</u>	<u>\$ (152,613)</u>	<u>\$ -</u>	<u>\$ 3,035,786</u>

Depreciation expense for the year ended June 30, 2017 totaled \$160,613.

Component Unit—Rockbridge County Public Service Authority:

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 389,259	\$ 21,337	\$ -	\$ 410,596
Construction in progress	<u>129,349</u>	<u>19,478</u>	<u>(11,633)</u>	<u>137,194</u>
Total capital assets not being depreciated	<u>\$ 518,608</u>	<u>\$ 40,815</u>	<u>\$ (11,633)</u>	<u>\$ 547,790</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 176,866	\$ -	\$ -	\$ 176,866
Machinery and equipment	714,468	86,532	(19,669)	781,331
Utility plant and equipment	<u>36,882,163</u>	<u>112,979</u>	<u>-</u>	<u>36,995,142</u>
Capital assets being depreciated	<u>\$ 37,773,497</u>	<u>\$ 199,511</u>	<u>\$ (19,669)</u>	<u>\$ 37,953,339</u>
Accumulated depreciation				
Buildings and improvements	\$ (109,168)	\$ (4,999)	\$ -	\$ (114,167)
Machinery and equipment	(540,638)	(86,386)	19,669	(607,355)
Utility plant and equipment	<u>(13,161,502)</u>	<u>(868,316)</u>	<u>-</u>	<u>(14,029,818)</u>
Total accumulated depreciation	<u>\$ (13,811,308)</u>	<u>\$ (959,701)</u>	<u>\$ 19,669</u>	<u>\$ (14,751,340)</u>
Capital assets being depreciated, net	<u>\$ 23,962,189</u>	<u>\$ (760,190)</u>	<u>\$ -</u>	<u>\$ 23,201,999</u>
Capital assets, net Public Service Authority	<u>\$ 24,480,797</u>	<u>\$ (719,375)</u>	<u>\$ (11,633)</u>	<u>\$ 23,749,789</u>

Depreciation expense for the fiscal year totaled \$959,701.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 15—ADVANCES TO/FROM PARTICIPATING ENTITIES:

The general fund has established an asset for advances to other entities in the amount of \$3,427,570. This is comprised of advances to the component unit Rockbridge County Public Service Authority, Rockbridge Area Net Authority and the Solid Waste Authority in the amounts of \$2,823,785, \$253,785, and \$350,000, respectively.

The Solid Waste Authority has established a liability for advances from participating localities as follows:

	Balance July 1, 2016	Increase (Decrease)	Balance June 30, 2017
City of Lexington	\$ 5,303	\$ (5,303)	\$ -
City of Buena Vista	5,510	(5,510)	-
Rockbridge County	1,021,252	(671,252)	350,000
Total	<u>\$ 1,032,065</u>	<u>\$ (682,065)</u>	<u>\$ 350,000</u>

NOTE 16—LANDFILL CLOSURE AND POST-CLOSURE CARE COST:

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

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

The landfill began operation during 1972 and currently has an estimated capacity to last until the year 2018. The Authority is constructing a new landfill cell that began operations on July 1, 2017. The \$1,839,711 reported as accrued closure and post-closure liability at June 30, 2017 represents the cumulative amount reported based on the estimated number of years remaining (one). The Authority expects to close the previous landfill cell in the year 2018. The closure and post-closure cost for the new landfill cell is estimated to be \$4,449,363. No liability has been recorded for the closure and post-closure of the new landfill cell because this cell will not be in service until fiscal year 2018. The estimated total current cost of the landfill closure and post-closure care of \$1,839,711 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Solid Waste Authority intends to fund these costs from tipping revenues and from any funds derived and accumulated for this purpose in the upcoming years.

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 17—DUE TO OTHER GOVERNMENTS:

During fiscal year 2013 the County entered into an agreement with the City of Buena Vista, Virginia and the City of Lexington, Virginia in order to fund certain renovation improvements to the Rockbridge County Regional Jail. The agreement stipulates that each locality shall be responsible for a portion of the debt issued to finance the project. The City of Lexington serves as fiscal agent for the project and as such, will pay the annual debt service through April 2028. The participating localities will reimburse the City of Lexington for the debt service. As of June 30, 2017 the portion of the debt allocable to the County of Rockbridge, Virginia amounted to \$834,716.

The Component Unit Rockbridge Area Social Services Board reported a balance due to the Cities of Buena Vista and Lexington of \$226,616 as of June 30, 2017, which represents the net balance owed to the two Cities. The balance due to the Cities consists of administrative costs due from the Cities of \$14,094 and CSA pool reimbursements due to the Cities of \$240,710.

NOTE 18—SURETY BONDS:

The County had the following surety bonds on hand at June 30, 2017:

	<u>Amount</u>
Department of Treasury - Division of Risk Management	
D. Bruce Patterson, Clerk of the Circuit Court	\$ 230,000
Betty S. Trovato, Treasurer	400,000
David C. Whitesell, Commissioner of the Revenue	3,000
Christopher J. Blalock, Sheriff	30,000
Above constitutional officers' employees-blanket bond	50,000
VACORP	
Rhonda Humphries, Clerk of the School Board	10,000
Blanket position - all employees	250,000

NOTE 19—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 503,493
Other Capital Projects Fund	-	6,109
County Capital Projects Fund	61,675	-
Recycling Fund	447,927	-
Total	<u>\$ 509,602</u>	<u>\$ 509,602</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. Transfers from the general fund to the recycling fund were necessary to subsidize operations in the recycling fund.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 20—SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES:

	Landfill Fund	Recycling Fund	Total Enterprise Funds
Operating revenue	\$ 2,252,340	\$ 27,595	\$ 2,279,935
Depreciation and amortization	295,497	37,809	333,306
Operating income (loss)	989,444	(500,152)	489,292
Property, plant and equipment additions, net of retirements	4,469,249	(37,809)	4,431,440
Net working capital	1,147,056	(482)	1,146,574
Total assets	15,774,811	142,395	15,917,206
Long-term liabilities	9,031,701	127,716	9,159,417
Net position	5,454,375	28,204	5,482,579

NOTE 21—CAPITAL LEASES:

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

The assets acquired through capital leases are as follows:

Assets:	Business-type Activities
Machinery and equipment	\$ 1,376,251
Accumulated depreciation	(454,861)
Total	\$ <u>921,390</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2017, are as follows:

Year Ended June 30,	Business-type Activities
2018	\$ 283,125
2019	179,927
2020	145,499
2021	60,624
Amount representing interest	(25,816)
Present value of minimum lease payments	\$ <u>643,359</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 22—COMMITMENTS AND CONTINGENCIES:

The County and the City of Lexington entered into a modified voluntary settlement of Annexation and Immunity Agreement on May 6, 1986. This agreement is based on real estate assessed values and on non-property local taxes. The amount due the City of Lexington is payable on January 1 of each year. Included in these financial statements is the payment for the year ended June 30, 2016 in the amount of \$1,797,985. The amount to be paid on January 1, 2018, and which is not included in the financial statements, totals \$1,854,260 for the fiscal year ended June 30, 2017.

The County has guaranteed debt issued by the Maury Service Authority (MSA) for the construction and upgrades of its current wastewater treatment plant. The MSA's debt totaled \$6,654,633 as of June 30, 2017 and is scheduled to be completely retired by June 2031. The County paid \$704,330 to the MSA in fiscal year 2017 for half of the debt service, the City of Lexington pays an equal assessment. An annual assessment of \$704,330 per year is scheduled through fiscal year 2018. The annual assessment will be reduced to \$161,504 for fiscal years 2019 to 2031.

The County along with the Cities of Lexington and Buena Vista, have entered into an agreement with the Rockbridge Regional Public Safety Communications Center, for the purpose of providing contributions for the payment of debt associated with its radio upgrade project through June 30, 2030. Each locality will contribute a percentage of the total cost of the upgrade based upon its annual assessed value of real estate. The

County of Rockbridge is serving as fiscal agent for the radio upgrade project. The amount owed by the Rockbridge Regional Public Safety Communications Center on the capital lease obligations at June 30, 2017 was \$4,945,909 and an annual payment of \$435,427 will be paid by the Center through June 2030.

In June 2017, the Board of Supervisors of Rockbridge County, the Board of Directors of the Solid Waste Authority of Rockbridge County, and the City Council of the City of Lexington passed a joint resolution to approve the joinder of the City of Lexington to the Solid Waste Authority. In addition, the jointly approved resolution amended and restated the article of incorporation for the successor authority known as the Blue Ridge Resource Authority. As of November 1, 2017, staff is working through the administrative process to finalize documents to submit to the State Corporation Commission to complete the assumption by the Blue Ridge Resource Authority. The successor regional Authority Board shall consist of seven members, with five members appointed from the County Board of Supervisors, and two members appointed by the Lexington City Council, from among the Mayor and the City Council members. Currently Buena Vista City's refuse is delivered to the Solid Waste Authority landfill under the commercial customer rate. The Blue Ridge Resource Authority will address new FY 2018 rates once the State Corporation Commission has approved the joinder and amendment documents. The current landfill cell has the long-term capacity to handle Buena Vista's refuse should they request to formally participate as a customer in the Authority's solid waste system.

The County Recycling Program is currently accounted for in the RCSWA Recycling Fund. County and Authority leadership, as recommended by staff, will transition this function to the County of Rockbridge General Fund beginning on July 1, 2017 (FY 2018).

The School Board entered into a lease purchase agreement September 29, 2017 to fund capital expenditures focused on energy conservation improvements. Principal financed under the agreement amounted to \$5,236,000 with tax-exempt interest at 2.366% and a final maturity date of July 1, 2032.

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 23—UPCOMING PRONOUNCEMENTS:

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

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

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

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

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

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

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

COUNTY OF ROCKBRIDGE, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2017

NOTE 24—LITIGATION:

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

General Fund

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 24,292,201	\$ 24,291,278	\$ 25,725,668	\$ 1,434,390
Other local taxes	8,512,800	8,512,821	9,116,958	604,137
Permits, privilege fees, and regulatory licenses	205,830	205,830	255,426	49,596
Fines and forfeitures	400,685	400,685	601,336	200,651
Revenue from the use of money and property	53,046	53,046	168,068	115,022
Charges for services	1,471,650	1,471,650	1,634,679	163,029
Miscellaneous	777,793	777,793	1,514,145	736,352
Recovered costs	413,876	413,876	460,945	47,069
Intergovernmental:				
Commonwealth	4,985,849	4,985,849	4,993,539	7,690
Federal	162,878	162,878	252,729	89,851
Total revenues	<u>\$ 41,276,608</u>	<u>\$ 41,275,706</u>	<u>\$ 44,723,493</u>	<u>\$ 3,447,787</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,066,206	\$ 2,072,424	\$ 2,023,012	\$ 49,412
Judicial administration	1,513,756	1,553,689	1,497,223	56,466
Public safety	8,050,909	8,327,063	8,292,069	34,994
Public works	3,481,435	3,470,052	3,377,393	92,659
Health and welfare	1,330,617	1,388,408	1,617,640	(229,232)
Education	13,775,312	14,191,312	13,875,717	315,595
Parks, recreation, and cultural	1,395,827	1,426,964	1,389,469	37,495
Community development	3,182,811	3,209,630	2,791,218	418,412
Nondepartmental	1,886,301	1,871,312	1,805,264	66,048
Debt service:				
Principal retirement	2,124,755	1,740,856	2,064,665	(323,809)
Interest and other fiscal charges	2,516,780	2,717,990	2,371,678	346,312
Total expenditures	<u>\$ 41,324,709</u>	<u>\$ 41,969,700</u>	<u>\$ 41,105,348</u>	<u>\$ 864,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (48,101)</u>	<u>\$ (693,994)</u>	<u>\$ 3,618,145</u>	<u>\$ 4,312,139</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 574,700	\$ 574,700	\$ -	\$ (574,700)
Transfers out	(526,599)	(577,491)	(503,493)	73,998
Total other financing sources (uses)	<u>\$ 48,101</u>	<u>\$ (2,791)</u>	<u>\$ (503,493)</u>	<u>\$ (500,702)</u>
Net change in fund balances	\$ -	\$ (696,785)	\$ 3,114,652	\$ 3,811,437
Fund balances - beginning	-	696,785	22,903,794	22,207,009
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,018,446</u>	<u>\$ 26,018,446</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 619,348	\$ 621,092	\$ 574,316
Interest	1,679,621	1,589,147	1,511,082
Differences between expected and actual experience	(76,498)	56,853	-
Impact of change in proportion	128,010	-	-
Benefit payments, including refunds of employee contributions	(1,102,628)	(1,102,599)	(837,782)
Net change in total pension liability	\$ 1,247,853	\$ 1,164,493	\$ 1,247,616
Total pension liability - beginning	24,417,887	23,253,394	22,005,778
Total pension liability - ending (a)	\$ 25,665,740	\$ 24,417,887	\$ 23,253,394
Plan fiduciary net position			
Contributions - employer	\$ 671,338	\$ 646,121	\$ 615,640
Contributions - employee	237,691	229,869	230,640
Impact of change in proportion	109,171	-	-
Net investment income	363,336	921,330	2,750,491
Benefit payments, including refunds of employee contributions	(1,102,628)	(1,102,599)	(837,782)
Administrative expense	(12,951)	(12,651)	(14,663)
Other	(153)	(194)	145
Net change in plan fiduciary net position	\$ 265,804	\$ 681,876	\$ 2,744,471
Plan fiduciary net position - beginning	20,824,445	20,142,569	17,398,098
Plan fiduciary net position - ending (b)	\$ 21,090,249	\$ 20,824,445	\$ 20,142,569
County's net pension liability - ending (a) - (b)	\$ 4,575,491	\$ 3,593,442	\$ 3,110,825
Plan fiduciary net position as a percentage of the total pension liability	82.17%	85.28%	86.62%
Covered payroll	\$ 4,811,564	\$ 4,611,013	\$ 4,613,775
County's net pension liability as a percentage of covered payroll	95.09%	77.93%	67.42%

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

Schedule of Changes in Net Pension Liability and Related Ratios
 Component Unit Rockbridge Regional Jail Commission
 For the Years Ended June 30, 2015 through June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 188,146	\$ 192,921	\$ 178,392
Interest	510,237	493,614	469,366
Differences between expected and actual experience	(23,239)	17,662	-
Impact of change in proportion	(128,010)	-	-
Benefit payments, including refunds of employee contributions	(334,957)	(342,487)	(260,228)
Net change in total pension liability	\$ 212,177	\$ 361,710	\$ 387,530
Total pension liability - beginning	7,584,586	7,222,876	6,835,346
Total pension liability - ending (a)	\$ <u>7,796,763</u>	\$ <u>7,584,586</u>	\$ <u>7,222,876</u>
Plan fiduciary net position			
Contributions - employer	\$ 203,940	\$ 200,696	\$ 191,228
Contributions - employee	72,206	71,401	71,641
Impact of change in proportion	(109,171)	-	-
Net investment income	110,374	286,180	854,346
Benefit payments, including refunds of employee contributions	(334,957)	(342,487)	(260,228)
Administrative expense	(3,934)	(3,929)	(4,555)
Other	(48)	(59)	45
Net change in plan fiduciary net position	\$ (61,590)	\$ 211,802	\$ 852,477
Plan fiduciary net position - beginning	6,468,406	6,256,604	5,404,127
Plan fiduciary net position - ending (b)	\$ <u>6,406,816</u>	\$ <u>6,468,406</u>	\$ <u>6,256,604</u>
County's net pension liability - ending (a) - (b)	\$ 1,389,947	\$ 1,116,180	\$ 966,272
Plan fiduciary net position as a percentage of the total pension liability	82.17%	85.28%	86.62%
Covered payroll	\$ 1,453,599	\$ 1,430,478	\$ 1,433,493
County's net pension liability as a percentage of covered payroll	95.62%	78.03%	67.41%

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

Schedule of Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Years Ended June 30, 2015 through June 30, 2017

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

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Years Ended June 30, 2015 through June 30, 2017

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

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

Schedule of Employer Contributions
Year Ended June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2017	\$ 641,341	\$ 641,341	\$ -	\$ 5,026,772	12.76%
2016	671,338	671,338	-	4,811,564	13.95%
2015	646,121	646,121	-	4,611,013	14.01%
2014	615,640	615,640	-	4,613,775	13.34%
2013	579,970	579,970	-	4,347,599	13.34%
2012	380,317	380,317	-	3,485,953	10.91%
2011	375,377	375,377	-	3,440,667	10.91%
2010	354,062	354,062	-	3,590,890	9.86%
2009	359,999	359,999	-	3,651,104	9.86%
2008	441,833	441,833	-	4,314,994	10.24%
Component Unit Rockbridge Regional Jail Commission					
2017	\$ 194,797	\$ 194,797	\$ -	\$ 1,506,551	12.93%
2016	203,940	203,940	-	1,453,599	14.03%
2015	200,696	200,696	-	1,430,478	14.03%
2014	191,228	191,228	-	1,433,493	13.34%
2013	182,280	182,280	-	1,366,417	13.34%
2012	200,659	200,659	-	1,839,221	10.91%
2011	213,292	213,292	-	1,955,014	10.91%
2010	201,864	201,864	-	2,047,302	9.86%
2009	201,402	201,402	-	2,042,617	9.86%
2008	125,177	125,177	-	1,222,432	10.24%
Component Unit School Board (nonprofessional)					
2017	\$ 83,249	\$ 83,249	\$ -	\$ 1,362,550	6.11%
2016	121,091	121,091	-	1,446,451	8.37%
2015	131,850	131,850	-	1,574,193	8.38%
2014	129,936	129,936	-	1,544,639	8.41%
2013	128,535	128,535	-	1,610,712	7.98%
2012	67,071	67,071	-	1,510,607	4.44%
2011	65,100	65,100	-	1,466,226	4.44%
2010	66,774	66,774	-	1,474,046	4.53%
2009	71,210	71,210	-	1,571,963	4.53%
2008	43,810	43,810	-	1,593,095	2.75%
Component Unit School Board (professional)					
2017	\$ 2,325,915	\$ 2,325,915	\$ -	\$ 15,627,937	14.88%
2016	2,202,239	2,202,239	-	15,676,290	14.05%
2015	2,259,447	2,259,447	-	15,582,993	14.50%
2014	1,785,858	1,785,858	-	15,316,106	11.66%
2013	1,807,378	1,807,378	-	15,500,669	11.66%
2012	943,498	943,498	-	14,905,182	6.33%
2011	577,090	577,090	-	14,684,224	3.93%
2010	976,426	976,426	-	14,777,541	6.61%
2009	1,364,997	1,364,997	-	15,493,723	8.81%
2008	1,544,653	1,544,653	-	14,996,631	10.30%

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

Notes to Required Supplementary Information
Year Ended June 30, 2017

Budgetary comparisons – The budgetary comparison was prepared on a basis consistent with generally accepted accounting principles (GAAP).

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Schedule of OPEB Funding Progress
June 30, 2017

PRIMARY GOVERNMENT:

County Other Postemployment Benefit Program (includes Rockbridge Regional Jail Commission, Landfill, and Rockbridge County Public Service Authority)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/16	\$ -	\$ 357,000	\$ 357,000	0.00%	\$ 7,557,000	4.72%
06/30/14	-	428,000	428,000	0.00%	7,544,000	5.67%
06/30/12	-	448,000	448,000	0.00%	6,655,000	6.73%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Other Postemployment Benefit Program

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
07/01/16	\$ -	\$ 5,144,000	\$ 5,144,000	0.00%	\$ 16,781,000	30.65%
07/01/14	-	4,459,000	4,459,000	0.00%	16,088,000	27.72%
07/01/12	-	4,290,000	4,290,000	0.00%	16,081,000	26.68%

OTHER SUPPLEMENTARY INFORMATION

County of Rockbridge, Virginia
 County Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2017

Exhibit 19

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Capital projects	\$ 2,437,532	\$ 2,475,793	\$ 2,098,566	\$ 377,227
Total expenditures	\$ 2,437,532	\$ 2,475,793	\$ 2,098,566	\$ 377,227
Excess (deficiency) of revenues over (under) expenditures	\$ (2,437,532)	\$ (2,475,793)	\$ (2,098,566)	\$ 377,227
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 61,675	\$ 61,675
Total other financing sources (uses)	\$ -	\$ -	\$ 61,675	\$ 61,675
Net change in fund balances	\$ (2,437,532)	\$ (2,475,793)	\$ (2,036,891)	\$ 438,902
Fund balances - beginning	2,437,532	2,475,793	4,089,522	1,613,729
Fund balances - ending	\$ -	\$ -	\$ 2,052,631	\$ 2,052,631

County of Rockbridge, Virginia
 School Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2017

Exhibit 20

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,207	\$ 1,207
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,207</u>	<u>\$ 1,207</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,207	\$ 1,207
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (6,109)	\$ (6,109)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,109)</u>	<u>\$ (6,109)</u>
Net change in fund balances	\$ -	\$ -	\$ (4,902)	\$ (4,902)
Fund balances - beginning	-	-	199,105	199,105
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,203</u>	<u>\$ 194,203</u>

County of Rockbridge, Virginia
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2017

Exhibit 21

	Agency Funds					Total
	Payroll Deduction Fund	Drug Fund	Veterans Memorial Fund	Employee Benefit Fund	Commonwealth Attorney Forfeitures Fund	
ASSETS						
Cash and cash equivalents	\$ -	\$ 65,248	\$ 9,781	\$ 2,164	\$ 10,022	\$ 87,215
Accounts receivable	-	2,752	-	-	1,981	4,733
Total assets	<u>\$ -</u>	<u>\$ 68,000</u>	<u>\$ 9,781</u>	<u>\$ 2,164</u>	<u>\$ 12,003</u>	<u>\$ 91,948</u>
LIABILITIES						
Accounts payable	\$ 85,059	\$ -	\$ -	\$ -	\$ 257	\$ 85,316
Amounts held for payroll deduction	(85,059)	-	-	-	-	(85,059)
Amounts held for veterans memorial	-	-	9,781	-	-	9,781
Amounts held for drug enforcement	-	68,000	-	-	-	68,000
Amounts held for employee benefits	-	-	-	2,164	-	2,164
Amounts held for commonwealth attorney forfeitures	-	-	-	-	11,746	11,746
Total liabilities	<u>\$ -</u>	<u>\$ 68,000</u>	<u>\$ 9,781</u>	<u>\$ 2,164</u>	<u>\$ 12,003</u>	<u>\$ 91,948</u>

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Payroll Deduction Fund:				
LIABILITIES				
Accounts payable	\$ 68,896	\$ (299,563)	\$ (315,726)	\$ 85,059
Amounts held for payroll deduction	(68,896)	299,563	315,726	(85,059)
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Drug Fund:				
ASSETS				
Cash and cash equivalents	\$ 103,769	\$ 8,209	\$ 46,730	\$ 65,248
Accounts receivable	-	2,752	-	2,752
Total assets	<u>\$ 103,769</u>	<u>\$ 10,961</u>	<u>\$ 46,730</u>	<u>\$ 68,000</u>
LIABILITIES				
Accounts payable	\$ 13,589	\$ -	\$ 13,589	\$ -
Amounts held for drug enforcement	90,180	10,961	33,141	68,000
Total liabilities	<u>\$ 103,769</u>	<u>\$ 10,961</u>	<u>\$ 46,730</u>	<u>\$ 68,000</u>
Veterans Memorial Fund:				
ASSETS				
Cash and cash equivalents	\$ 9,781	\$ -	\$ -	\$ 9,781
Total assets	<u>\$ 9,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,781</u>
LIABILITIES				
Amounts held for veterans memorial	\$ 9,781	\$ -	\$ -	\$ 9,781
Total liabilities	<u>\$ 9,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,781</u>
Employee Benefit Fund:				
ASSETS				
Cash and cash equivalents	\$ 2,164	\$ -	\$ -	\$ 2,164
Total assets	<u>\$ 2,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,164</u>
LIABILITIES				
Amounts held for employee benefits	\$ 2,164	\$ -	\$ -	\$ 2,164
Total liabilities	<u>\$ 2,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,164</u>
Commonwealth Attorney Forfeitures Fund:				
ASSETS				
Cash and cash equivalents	\$ 13,656	\$ 3,260	\$ 6,894	\$ 10,022
Accounts receivable	-	1,981	-	1,981
Total assets	<u>\$ 13,656</u>	<u>\$ 5,241</u>	<u>\$ 6,894</u>	<u>\$ 12,003</u>
LIABILITIES				
Accounts payable	\$ 3,000	\$ 257	\$ 3,000	\$ 257
Amounts held for commonwelath's attorney forfeitures	10,656	4,984	3,894	11,746
Total liabilities	<u>\$ 13,656</u>	<u>\$ 5,241</u>	<u>\$ 6,894</u>	<u>\$ 12,003</u>
Rockbridge Regional Public Safety Communications Center:				
ASSETS				
Cash and cash equivalents	\$ 3,523,687	\$ -	\$ 3,523,687	\$ -
Total assets	<u>\$ 3,523,687</u>	<u>\$ -</u>	<u>\$ 3,523,687</u>	<u>\$ -</u>
LIABILITIES				
Amounts held for regional public safety communications center	\$ 3,523,687	\$ -	\$ 3,523,687	\$ -
Total liabilities	<u>\$ 3,523,687</u>	<u>\$ -</u>	<u>\$ 3,523,687</u>	<u>\$ -</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 3,653,057	\$ 11,469	\$ 3,577,311	\$ 87,215
Accounts receivable	-	4,733	-	4,733
Total assets	<u>\$ 3,653,057</u>	<u>\$ 16,202</u>	<u>\$ 3,577,311</u>	<u>\$ 91,948</u>
LIABILITIES				
Accounts payable	\$ 85,485	\$ (299,306)	\$ (299,137)	\$ 85,316
Amounts held for payroll deduction	(68,896)	299,563	315,726	(85,059)
Amounts held for drug enforcement	90,180	10,961	33,141	68,000
Amounts held for veterans memorial	9,781	-	-	9,781
Amounts held for employee benefits	2,164	-	-	2,164
Amounts held for commonwelath's attorney forfeitures	10,656	4,984	3,894	11,746
Amounts held for regional public safety communications center	3,523,687	-	3,523,687	-
Total liabilities	<u>\$ 3,653,057</u>	<u>\$ 16,202</u>	<u>\$ 3,577,311</u>	<u>\$ 91,948</u>

**DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD**

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Permanent Scholarship Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 200	\$ 11,100	\$ 28,061	\$ 39,361
Receivables (net of allowance for uncollectibles):				
Accounts receivable	56,253	-	-	56,253
Due from other governmental units	1,167,081	-	-	1,167,081
Inventories	-	37,059	-	37,059
Prepaid items	485,900	-	-	485,900
Total assets	<u>\$ 1,709,434</u>	<u>\$ 48,159</u>	<u>\$ 28,061</u>	<u>\$ 1,785,654</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 221,977	\$ 5,360	\$ -	\$ 227,337
Due to primary government	1,487,457	-	-	1,487,457
Total liabilities	<u>\$ 1,709,434</u>	<u>\$ 5,360</u>	<u>\$ -</u>	<u>\$ 1,714,794</u>
Fund balances:				
Nonspendable:				
Inventory	\$ -	\$ 37,059	\$ -	\$ 37,059
Prepaid items	485,900	-	-	485,900
Endowments	-	-	28,061	28,061
Committed:				
Special revenue funds	-	5,740	-	5,740
Unassigned	(485,900)	-	-	(485,900)
Total fund balances	<u>\$ -</u>	<u>\$ 42,799</u>	<u>\$ 28,061</u>	<u>\$ 70,860</u>
Total liabilities and fund balances	<u>\$ 1,709,434</u>	<u>\$ 48,159</u>	<u>\$ 28,061</u>	<u>\$ 1,785,654</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 70,860
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,135,828
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(1,874,115)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	2,412,164
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(29,514,531)</u>
Net position of governmental activities	<u>\$ (7,769,794)</u>

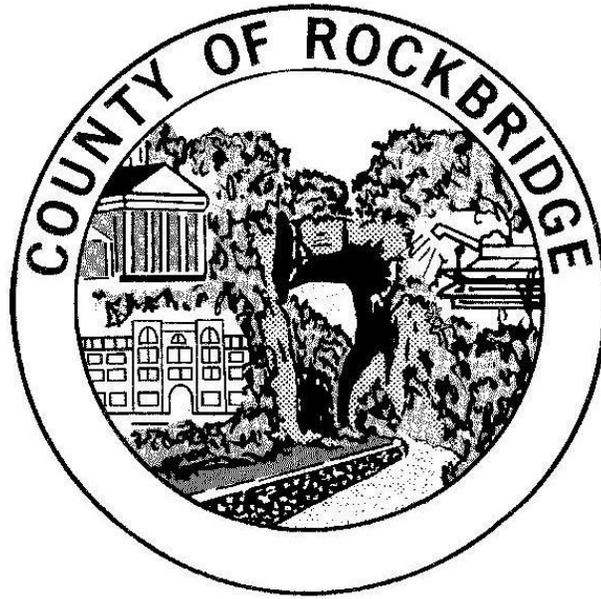
County of Rockbridge, Virginia
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

Exhibit 24

	School Operating Fund	School Cafeteria Fund	Permanent Scholarship Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ -	\$ 237	\$ 1	\$ 238
Charges for services	1,466,828	411,707	-	1,878,535
Miscellaneous	191,161	-	1,500	192,661
Intergovernmental:				
Local government	13,792,333	-	-	13,792,333
Commonwealth	14,076,449	18,928	-	14,095,377
Federal	1,741,196	706,934	-	2,448,130
Total revenues	<u>\$ 31,267,967</u>	<u>\$ 1,137,806</u>	<u>\$ 1,501</u>	<u>\$ 32,407,274</u>
EXPENDITURES				
Current:				
Education	\$ 31,267,967	\$ 1,238,166	\$ 10,378	\$ 32,516,511
Total expenditures	<u>\$ 31,267,967</u>	<u>\$ 1,238,166</u>	<u>\$ 10,378</u>	<u>\$ 32,516,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (100,360)</u>	<u>\$ (8,877)</u>	<u>\$ (109,237)</u>
Net change in fund balances	\$ -	\$ (100,360)	\$ (8,877)	\$ (109,237)
Fund balances - beginning	-	143,159	36,938	180,097
Fund balances - ending	<u>\$ -</u>	<u>\$ 42,799</u>	<u>\$ 28,061</u>	<u>\$ 70,860</u>

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

Net change in fund balances - total governmental funds - per above	\$ (109,237)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	1,053,193
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	868,264
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(930,165)</u>
Change in net position of governmental activities	<u>\$ 882,055</u>



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County of Rockbridge, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	1,424,086	1,424,086	1,466,828	42,742
Miscellaneous	-	-	191,161	191,161
Intergovernmental:				
Local government	13,710,834	15,508,880	13,792,333	(1,716,547)
Commonwealth	14,203,548	14,203,548	14,076,449	(127,099)
Federal	-	1,600,000	1,741,196	141,196
Total revenues	<u>\$ 29,338,468</u>	<u>\$ 32,736,514</u>	<u>\$ 31,267,967</u>	<u>\$ (1,468,547)</u>
EXPENDITURES				
Current:				
Education	\$ 29,338,468	\$ 32,736,514	\$ 31,267,967	\$ 1,468,547
Total expenditures	<u>\$ 29,338,468</u>	<u>\$ 32,736,514</u>	<u>\$ 31,267,967</u>	<u>\$ 1,468,547</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Exhibit 25

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 100	\$ 100	\$ 237	\$ 137
606,726	606,726	411,707	(195,019)
-	-	-	-
-	-	-	-
19,258	19,258	18,928	(330)
575,538	575,538	706,934	131,396
<u>\$ 1,201,622</u>	<u>\$ 1,201,622</u>	<u>\$ 1,137,806</u>	<u>\$ (63,816)</u>
<u>\$ 1,201,622</u>	<u>\$ 1,201,622</u>	<u>\$ 1,238,166</u>	<u>\$ (36,544)</u>
<u>\$ 1,201,622</u>	<u>\$ 1,201,622</u>	<u>\$ 1,238,166</u>	<u>\$ (36,544)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (100,360)</u>	<u>\$ (100,360)</u>
\$ -	\$ -	\$ (100,360)	\$ (100,360)
-	-	143,159	143,159
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,799</u>	<u>\$ 42,799</u>

County of Rockbridge, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Fund - Discretely Presented Component Unit School Board
 June 30, 2017

	<u>Scholarship Private-Purpose Trust</u>
ASSETS	
Cash and cash equivalents	\$ <u>13,792</u>
NET POSITION	
Held in trust for scholarships	\$ <u>13,792</u>

County of Rockbridge, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
For the Year Ended June 30, 2017

Exhibit 27

	Scholarship Private-Purpose Trust
	<u> </u>
ADDITIONS	
Investment earnings:	
Interest	\$ 1
Total additions	<u>\$ 1</u>
 Change in net position	 \$ 1
 Net position - beginning	 <u> 13,791</u>
Net position - ending	<u><u>\$ 13,792</u></u>

SUPPORTING SCHEDULES

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 17,633,501	\$ 17,633,501	\$ 18,252,146	\$ 618,645
Real and personal public service corporation taxes	1,210,000	1,210,000	1,357,402	147,402
Personal property taxes	4,609,300	4,608,377	5,228,963	620,586
Mobile home taxes	36,400	36,400	43,724	7,324
Machinery and tools taxes	371,000	371,000	389,638	18,638
Penalties	272,000	272,000	305,996	33,996
Interest	160,000	160,000	147,799	(12,201)
Total general property taxes	<u>\$ 24,292,201</u>	<u>\$ 24,291,278</u>	<u>\$ 25,725,668</u>	<u>\$ 1,434,390</u>
Other local taxes:				
Local sales and use taxes	\$ 2,520,500	\$ 2,520,500	\$ 2,684,576	\$ 164,076
Consumers' utility taxes	1,498,000	1,498,000	1,465,354	(32,646)
Business license taxes	870,000	870,000	872,532	2,532
Motor vehicle licenses	529,300	529,321	531,868	2,547
Bank stock taxes	125,000	125,000	161,996	36,996
Taxes on recordation and wills	200,000	200,000	203,536	3,536
Lodging tax	1,470,000	1,470,000	1,719,364	249,364
Meals tax	1,300,000	1,300,000	1,477,732	177,732
Total other local taxes	<u>\$ 8,512,800</u>	<u>\$ 8,512,821</u>	<u>\$ 9,116,958</u>	<u>\$ 604,137</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 11,500	\$ 11,500	\$ 12,408	\$ 908
Land use application fees	1,800	1,800	2,040	240
Transfer fees	730	730	778	48
Permits and other licenses	191,800	191,800	240,200	48,400
Total permits, privilege fees, and regulatory licenses	<u>\$ 205,830</u>	<u>\$ 205,830</u>	<u>\$ 255,426</u>	<u>\$ 49,596</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 400,685	\$ 400,685	\$ 601,336	\$ 200,651
Revenue from use of money and property:				
Revenue from use of money	\$ 24,000	\$ 24,000	\$ 135,112	\$ 111,112
Revenue from use of property	29,046	29,046	32,956	3,910
Total revenue from use of money and property	<u>\$ 53,046</u>	<u>\$ 53,046</u>	<u>\$ 168,068</u>	<u>\$ 115,022</u>
Charges for services:				
Sheriff's fees	\$ 10,000	\$ 10,000	\$ 58,467	\$ 48,467
Charges for courthouse maintenance	57,000	57,000	62,300	5,300
Courthouse security fees	205,000	205,000	197,625	(7,375)
Charges for Commonwealth's Attorney	4,400	4,400	6,354	1,954
Charges for garage services	470,000	470,000	495,101	25,101
Charges for sanitation and waste removal	616,500	616,500	671,420	54,920
Charges for parks and recreation	78,550	78,550	93,890	15,340
Erosion Sediment Control Fee	30,000	30,000	48,854	18,854
DNA Fee	200	200	668	468
Total charges for services	<u>\$ 1,471,650</u>	<u>\$ 1,471,650</u>	<u>\$ 1,634,679</u>	<u>\$ 163,029</u>

County of Rockbridge, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 777,793	\$ 777,793	\$ 939,045	\$ 161,252
Sale of property	-	-	575,100	575,100
Total miscellaneous	<u>\$ 777,793</u>	<u>\$ 777,793</u>	<u>\$ 1,514,145</u>	<u>\$ 736,352</u>
Recovered costs:				
Lexington contribution-court building	\$ 8,400	\$ 8,400	\$ 8,474	\$ 74
Joint services City of Lexington	190,000	190,000	223,972	33,972
Charges for hazard materials cleanup	5,000	5,000	-	(5,000)
Fiscal agent fees	50,888	50,888	51,208	320
Other recovered costs	159,588	159,588	177,291	17,703
Total recovered costs	<u>\$ 413,876</u>	<u>\$ 413,876</u>	<u>\$ 460,945</u>	<u>\$ 47,069</u>
Total revenue from local sources	<u>\$ 36,127,881</u>	<u>\$ 36,126,979</u>	<u>\$ 39,477,225</u>	<u>\$ 3,350,246</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 74,000	\$ 74,000	\$ 80,784	\$ 6,784
Mobile home titling tax	15,000	15,000	17,045	2,045
Timber sales	2,000	2,000	2,832	832
Motor vehicle rental tax	46,000	46,000	58,311	12,311
State recordation tax	60,000	60,000	51,381	(8,619)
Personal property tax relief funds	2,449,624	2,449,624	2,449,624	-
Total noncategorical aid	<u>\$ 2,646,624</u>	<u>\$ 2,646,624</u>	<u>\$ 2,659,977</u>	<u>\$ 13,353</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 355,678	\$ 355,678	\$ 352,152	\$ (3,526)
Sheriff	1,133,685	1,133,685	1,134,383	698
Commissioner of revenue	106,543	106,543	103,597	(2,946)
Treasurer	87,447	87,447	86,141	(1,306)
Registrar/electoral board	34,680	34,680	37,029	2,349
Clerk of the Circuit Court	263,905	263,905	272,449	8,544
Total shared expenses	<u>\$ 1,981,938</u>	<u>\$ 1,981,938</u>	<u>\$ 1,985,751</u>	<u>\$ 3,813</u>
Other categorical aid:				
Emergency medical services	\$ 7,500	\$ 7,500	\$ -	\$ (7,500)
Victim-witness grant	-	-	920	920
Fire program	55,000	55,000	66,136	11,136
NBSWCD support	148,300	148,300	154,224	5,924
Four for life	23,400	23,400	23,433	33
Rental assistance	49,000	49,000	58,533	9,533
Other	74,087	74,087	44,565	(29,522)
Total other categorical aid	<u>\$ 357,287</u>	<u>\$ 357,287</u>	<u>\$ 347,811</u>	<u>\$ (9,476)</u>
Total categorical aid	<u>\$ 2,339,225</u>	<u>\$ 2,339,225</u>	<u>\$ 2,333,562</u>	<u>\$ (5,663)</u>
Total revenue from the Commonwealth	<u>\$ 4,985,849</u>	<u>\$ 4,985,849</u>	<u>\$ 4,993,539</u>	<u>\$ 7,690</u>

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 89,000	\$ 89,000	\$ 104,299	\$ 15,299
Categorical aid:				
Ground transportation grant	\$ -	\$ -	\$ 23,745	\$ 23,745
Victim-witness grant	71,978	71,978	62,470	(9,508)
Domestic violence	-	-	37,609	37,609
Other	1,900	1,900	24,606	22,706
Total categorical aid	<u>\$ 73,878</u>	<u>\$ 73,878</u>	<u>\$ 148,430</u>	<u>\$ 74,552</u>
Total revenue from the federal government	<u>\$ 162,878</u>	<u>\$ 162,878</u>	<u>\$ 252,729</u>	<u>\$ 89,851</u>
Total General Fund	<u>\$ 41,276,608</u>	<u>\$ 41,275,706</u>	<u>\$ 44,723,493</u>	<u>\$ 3,447,787</u>
Capital Projects Funds:				
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 1,207	\$ 1,207
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,207</u>	<u>\$ 1,207</u>
Total Primary Government	<u>\$ 41,276,608</u>	<u>\$ 41,275,706</u>	<u>\$ 44,724,700</u>	<u>\$ 3,448,994</u>

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition -private day school	\$ -	\$ -	\$ 9,000	\$ 9,000
Tuition-City of Lexington, Buena Vista	1,424,086	1,424,086	1,457,828	33,742
Total charges for services	<u>\$ 1,424,086</u>	<u>\$ 1,424,086</u>	<u>\$ 1,466,828</u>	<u>\$ 42,742</u>
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 191,161	\$ 191,161
Total revenue from local sources	<u>\$ 1,424,086</u>	<u>\$ 1,424,086</u>	<u>\$ 1,657,989</u>	<u>\$ 233,903</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Rockbridge, Virginia	\$ 13,710,834	\$ 15,508,880	\$ 13,792,333	\$ (1,716,547)
Total revenues from local governments	<u>\$ 13,710,834</u>	<u>\$ 15,508,880</u>	<u>\$ 13,792,333</u>	<u>\$ (1,716,547)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,169,658	\$ 3,169,658	\$ 3,085,691	\$ (83,967)
Basic school aid	7,130,339	7,130,339	7,171,184	40,845
Remedial summer education	-	-	3,842	3,842
Regular foster care	-	-	5,970	5,970
Gifted and talented	68,045	68,045	68,214	169
Remedial education	220,799	220,799	221,347	548
Special education	937,354	937,354	939,680	2,326
Textbook payment	152,448	152,448	152,827	379
Vocational standards of quality payments	115,260	115,260	115,546	286
Social security fringe benefits	398,549	398,549	399,538	989
Retirement fringe benefits	822,094	822,094	824,134	2,040
Early reading intervention	42,928	42,928	35,774	(7,154)
Dropout prevention	-	-	11,220	11,220
Homebound education	12,654	12,654	11,493	(1,161)
Vocational education other	43,163	43,163	13,126	(30,037)
At risk payments	188,136	188,136	188,549	413
Mentor teacher	-	-	2,053	2,053
Standards of learning algebra readiness	23,835	23,835	27,511	3,676
Reduced class size	312,123	312,123	296,872	(15,251)
Group life insurance	27,773	27,773	27,842	69
Technology grant	206,000	206,000	206,000	-
At risk four-year olds	107,369	107,369	104,014	(3,355)
Compensation supplement	182,669	182,669	-	(182,669)
English as a second language	18,776	18,776	20,548	1,772
Lottery proceeds	-	-	73,170	73,170
Adult Ed GED	23,576	23,576	25,254	1,678
Other state funds	-	-	45,050	45,050
Total categorical aid	<u>\$ 14,203,548</u>	<u>\$ 14,203,548</u>	<u>\$ 14,076,449</u>	<u>\$ (127,099)</u>
Total revenue from the Commonwealth	<u>\$ 14,203,548</u>	<u>\$ 14,203,548</u>	<u>\$ 14,076,449</u>	<u>\$ (127,099)</u>

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ -	\$ 10,048	\$ 10,935	\$ 887
Adult literacy	-	107,544	117,034	9,490
Title I	-	546,063	594,252	48,189
Title VI-B, special education flow-through	-	531,362	578,253	46,891
Vocational education	-	42,057	45,768	3,711
Title VI-B, special education pre-school	-	12,879	14,016	1,137
Title II, Part A	-	211,476	230,138	18,662
Twenty-first century community learning centers	-	102,126	111,138	9,012
Total action against poverty	-	35,747	38,902	3,155
AP Test fee	-	698	760	62
Total categorical aid	<u>\$ -</u>	<u>\$ 1,600,000</u>	<u>\$ 1,741,196</u>	<u>\$ 141,196</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 1,600,000</u>	<u>\$ 1,741,196</u>	<u>\$ 141,196</u>
Total School Operating Fund	<u>\$ 29,338,468</u>	<u>\$ 32,736,514</u>	<u>\$ 31,267,967</u>	<u>\$ (1,468,547)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 237</u>	<u>\$ 137</u>
Charges for services:				
Cafeteria sales	<u>\$ 606,726</u>	<u>\$ 606,726</u>	<u>\$ 411,707</u>	<u>\$ (195,019)</u>
Total revenue from local sources	<u>\$ 606,826</u>	<u>\$ 606,826</u>	<u>\$ 411,944</u>	<u>\$ (194,882)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 19,258</u>	<u>\$ 19,258</u>	<u>\$ 18,928</u>	<u>\$ (330)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	<u>\$ 575,538</u>	<u>\$ 575,538</u>	<u>\$ 630,287</u>	<u>\$ 54,749</u>
Commodities	<u>-</u>	<u>-</u>	<u>76,647</u>	<u>76,647</u>
Total categorical aid	<u>\$ 575,538</u>	<u>\$ 575,538</u>	<u>\$ 706,934</u>	<u>\$ 131,396</u>
Total revenue from the federal government	<u>\$ 575,538</u>	<u>\$ 575,538</u>	<u>\$ 706,934</u>	<u>\$ 131,396</u>
Total School Cafeteria Fund	<u>\$ 1,201,622</u>	<u>\$ 1,201,622</u>	<u>\$ 1,137,806</u>	<u>\$ (63,816)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 30,540,090</u>	<u>\$ 33,938,136</u>	<u>\$ 32,405,773</u>	<u>\$ (1,532,363)</u>

County of Rockbridge, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 85,073	\$ 84,139	\$ 82,123	\$ 2,016
General and financial administration:				
County administrator	\$ 216,047	\$ 217,707	\$ 216,709	\$ 998
Legal services	174,208	174,208	168,322	5,886
Commissioner of the revenue	282,719	282,720	271,100	11,620
Reassessment	220,250	220,250	186,504	33,746
Land use	1,200	1,200	746	454
Treasurer	324,556	324,556	287,012	37,544
Central accounting	95,383	95,383	93,984	1,399
Human resources	102,717	102,864	93,018	9,846
Data processing	149,962	167,320	153,796	13,524
Director of fiscal services	259,865	230,581	215,840	14,741
Central stores	-	-	83,055	(83,055)
Total general and financial administration	\$ 1,826,907	\$ 1,816,789	\$ 1,770,086	\$ 46,703
Board of elections:				
Electoral board and officials	\$ 154,226	\$ 171,496	\$ 170,803	\$ 693
Total board of elections	\$ 154,226	\$ 171,496	\$ 170,803	\$ 693
Total general government administration	\$ 2,066,206	\$ 2,072,424	\$ 2,023,012	\$ 49,412
Judicial administration:				
Courts:				
Circuit court	\$ 68,596	\$ 69,059	\$ 66,371	\$ 2,688
County court	21,700	25,369	21,426	3,943
Victim witness coordinator	97,511	97,628	89,915	7,713
Clerk of the circuit court	427,741	460,021	457,417	2,604
Courthouse security	414,230	415,254	383,923	31,331
Total courts	\$ 1,029,778	\$ 1,067,331	\$ 1,019,052	\$ 48,279
Commonwealth's attorney:				
Commonwealth's attorney	\$ 483,978	\$ 486,358	\$ 478,171	\$ 8,187
Total Commonwealth's attorney	\$ 483,978	\$ 486,358	\$ 478,171	\$ 8,187
Total judicial administration	\$ 1,513,756	\$ 1,553,689	\$ 1,497,223	\$ 56,466
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,492,795	\$ 2,612,855	\$ 2,582,523	\$ 30,332
Fire and rescue services:				
Fire prevention	\$ 1,127,442	\$ 1,263,944	\$ 1,245,127	\$ 18,817
Emergency management	59,980	55,100	40,728	14,372
Rescue services	1,320,797	1,302,630	1,322,411	(19,781)
Consolidated dispatch	1,493,582	1,495,867	1,536,211	(40,344)
Total fire and rescue services	\$ 4,001,801	\$ 4,117,541	\$ 4,144,477	\$ (26,936)
Correction and detention:				
Contribution to Component Unit Jail Commission	\$ 1,088,756	\$ 1,128,446	\$ 1,103,587	\$ 24,859
Probation office	5,750	5,750	5,404	346
Juvenile probation and detention	30,626	30,628	30,628	-
Total correction and detention	\$ 1,125,132	\$ 1,164,824	\$ 1,139,619	\$ 25,205

County of Rockbridge, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 230,103	\$ 230,767	\$ 226,049	\$ 4,718
Other protection:				
Animal control	\$ 20,801	\$ 20,799	\$ 19,670	\$ 1,129
Other protective services	180,277	180,277	179,731	546
Total other protection	<u>\$ 201,078</u>	<u>\$ 201,076</u>	<u>\$ 199,401</u>	<u>\$ 1,675</u>
Total public safety	<u>\$ 8,050,909</u>	<u>\$ 8,327,063</u>	<u>\$ 8,292,069</u>	<u>\$ 34,994</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Road maintenance	\$ 13,900	\$ 13,900	\$ 12,245	\$ 1,655
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 13,900</u>	<u>\$ 13,900</u>	<u>\$ 12,245</u>	<u>\$ 1,655</u>
Sanitation and waste removal:				
County pickup	\$ 1,985,477	\$ 2,069,283	\$ 2,114,115	\$ (44,832)
Special enforcement-litter control	120,510	116,168	111,890	4,278
Total sanitation and waste removal	<u>\$ 2,105,987</u>	<u>\$ 2,185,451</u>	<u>\$ 2,226,005</u>	<u>\$ (40,554)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 545,349	\$ 546,877	\$ 470,140	\$ 76,737
Central garage	816,199	723,824	669,003	54,821
Total maintenance of general buildings and grounds	<u>\$ 1,361,548</u>	<u>\$ 1,270,701</u>	<u>\$ 1,139,143</u>	<u>\$ 131,558</u>
Total public works	<u>\$ 3,481,435</u>	<u>\$ 3,470,052</u>	<u>\$ 3,377,393</u>	<u>\$ 92,659</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 195,323	\$ 185,323	\$ 178,096	\$ 7,227
Other contributions	82,177	82,177	82,177	-
Total health	<u>\$ 277,500</u>	<u>\$ 267,500</u>	<u>\$ 260,273</u>	<u>\$ 7,227</u>
Mental health and mental retardation:				
Community services board	\$ 168,201	\$ 168,201	\$ 168,201	\$ -
Welfare:				
Contribution to Rockbridge Area Social Services Board	\$ 831,166	\$ 898,957	\$ 900,567	\$ (1,610)
Other public assistance and welfare administration	53,750	53,750	53,600	150
Tax relief for the elderly	-	-	234,999	(234,999)
Total welfare	<u>\$ 884,916</u>	<u>\$ 952,707</u>	<u>\$ 1,189,166</u>	<u>\$ (236,459)</u>
Total health and welfare	<u>\$ 1,330,617</u>	<u>\$ 1,388,408</u>	<u>\$ 1,617,640</u>	<u>\$ (229,232)</u>
Education:				
Other instructional costs:				
Community colleges/other programs	\$ 83,384	\$ 83,384	\$ 83,384	\$ -
Contribution to County School Board	13,691,928	14,107,928	13,792,333	315,595
Total education	<u>\$ 13,775,312</u>	<u>\$ 14,191,312</u>	<u>\$ 13,875,717</u>	<u>\$ 315,595</u>

County of Rockbridge, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 675,158	\$ 705,900	\$ 668,919	\$ 36,981
Preschool	126,149	126,544	126,030	514
Total parks and recreation	<u>\$ 801,307</u>	<u>\$ 832,444</u>	<u>\$ 794,949</u>	<u>\$ 37,495</u>
Library:				
Contribution to county libraries	\$ 594,520	\$ 594,520	\$ 594,520	-
Total parks, recreation, and cultural	<u>\$ 1,395,827</u>	<u>\$ 1,426,964</u>	<u>\$ 1,389,469</u>	<u>\$ 37,495</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 315,303	\$ 316,825	\$ 306,498	\$ 10,327
Geographic information system	175,055	175,055	168,078	6,977
Rental assistance	87,865	89,861	87,151	2,710
Economic development	1,156,036	1,164,062	1,093,292	70,770
Other community development	738,789	755,977	755,976	1
Contribution to Public Service Authority	354,697	345,305	59,086	286,219
Total planning and community development	<u>\$ 2,827,745</u>	<u>\$ 2,847,085</u>	<u>\$ 2,470,081</u>	<u>\$ 377,004</u>
Environmental management:				
NBSWCD support	\$ 164,007	\$ 170,479	\$ 170,404	\$ 75
Other environmental management	102,042	103,049	74,986	28,063
Total environmental management	<u>\$ 266,049</u>	<u>\$ 273,528</u>	<u>\$ 245,390</u>	<u>\$ 28,138</u>
Cooperative extension program:				
Extension office	\$ 89,017	\$ 89,017	\$ 75,747	\$ 13,270
Total community development	<u>\$ 3,182,811</u>	<u>\$ 3,209,630</u>	<u>\$ 2,791,218</u>	<u>\$ 418,412</u>
Nondepartmental:				
Miscellaneous	\$ 96,301	\$ 73,327	\$ 7,279	\$ 66,048
Annexation payment	1,790,000	1,797,985	1,797,985	-
Total nondepartmental	<u>\$ 1,886,301</u>	<u>\$ 1,871,312</u>	<u>\$ 1,805,264</u>	<u>\$ 66,048</u>
Debt service:				
Principal retirement	\$ 2,124,755	\$ 1,740,856	\$ 2,064,665	\$ (323,809)
Interest and other fiscal charges	2,516,780	2,717,990	2,371,678	346,312
Total debt service	<u>\$ 4,641,535</u>	<u>\$ 4,458,846</u>	<u>\$ 4,436,343</u>	<u>\$ 22,503</u>
Total General Fund	<u>\$ 41,324,709</u>	<u>\$ 41,969,700</u>	<u>\$ 41,105,348</u>	<u>\$ 864,352</u>
Capital Projects Funds:				
County Capital Projects Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ 2,437,532	\$ 2,475,793	\$ 2,098,566	\$ 377,227
Total capital projects	<u>\$ 2,437,532</u>	<u>\$ 2,475,793</u>	<u>\$ 2,098,566</u>	<u>\$ 377,227</u>
Total County Capital Projects Fund	<u>\$ 2,437,532</u>	<u>\$ 2,475,793</u>	<u>\$ 2,098,566</u>	<u>\$ 377,227</u>
Total Primary Government	<u>\$ 43,762,241</u>	<u>\$ 44,445,493</u>	<u>\$ 43,203,914</u>	<u>\$ 1,241,579</u>

County of Rockbridge, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Instruction	\$ 21,509,515	\$ 24,637,407	\$ 23,194,122	\$ 1,443,285
Administration, attendance and health	1,374,703	1,394,889	1,355,952	38,937
Pupil transportation	2,278,987	2,322,571	2,233,075	89,496
Operation and maintenance	3,202,443	3,203,625	3,316,693	(113,068)
Facilities	972,820	1,178,022	1,168,125	9,897
Total School Operating Fund	<u>\$ 29,338,468</u>	<u>\$ 32,736,514</u>	<u>\$ 31,267,967</u>	<u>\$ 1,468,547</u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	<u>\$ 1,201,622</u>	<u>\$ 1,201,622</u>	<u>\$ 1,238,166</u>	<u>\$ (36,544)</u>
Total School Cafeteria Fund	<u>\$ 1,201,622</u>	<u>\$ 1,201,622</u>	<u>\$ 1,238,166</u>	<u>\$ (36,544)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 30,540,090</u>	<u>\$ 33,938,136</u>	<u>\$ 32,506,133</u>	<u>\$ 1,432,003</u>

STATISTICAL SECTION

STATISTICAL SECTION

Contents

Tables

Financial Trends

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

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Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

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Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

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Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

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Operating Information

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

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Sources:

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

COUNTY OF ROCKBRIDGE, VIRGINIA

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

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 9,678,247	\$ 12,942,462	\$ 12,355,645	\$ 11,866,668
Restricted	1,441,943	935,021	935,021	960,040
Unrestricted	13,004,039	17,260,280	16,443,020	17,653,362
Total governmental activities net position	<u>\$ 24,124,229</u>	<u>\$ 31,137,763</u>	<u>\$ 29,733,686</u>	<u>\$ 30,480,070</u>
Business-type activities				
Net investment in capital assets	\$ 1,373,896	\$ 1,421,280	\$ 1,427,172	\$ 1,338,861
Restricted	-	-	-	-
Unrestricted	575,480	875,031	1,201,435	1,570,098
Total business-type activities net position	<u>\$ 1,949,376</u>	<u>\$ 2,296,311</u>	<u>\$ 2,628,607</u>	<u>\$ 2,908,959</u>
Primary government				
Net investment in capital assets	\$ 11,052,143	\$ 14,363,742	\$ 13,782,817	\$ 13,205,529
Restricted	1,441,943	935,021	935,021	960,040
Unrestricted	13,579,519	18,135,311	17,644,455	19,223,460
Total primary government net position	<u>\$ 26,073,605</u>	<u>\$ 33,434,074</u>	<u>\$ 32,362,293</u>	<u>\$ 33,389,029</u>

Table 1

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 12,943,272	\$ 10,937,946	\$ 14,100,533	\$ 14,218,888	\$ 13,222,296	\$ 12,935,258
1,002,603	5,459,836	1,332,295	1,190,894	232,779	451,921
<u>17,197,916</u>	<u>21,297,930</u>	<u>21,113,574</u>	<u>20,308,715</u>	<u>23,911,471</u>	<u>24,789,608</u>
<u>\$ 31,143,791</u>	<u>\$ 37,695,712</u>	<u>\$ 36,546,402</u>	<u>\$ 35,718,497</u>	<u>\$ 37,366,546</u>	<u>\$ 38,176,787</u>
\$ 1,086,965	\$ 1,397,575	\$ 1,712,920	\$ 2,166,784	\$ 2,592,481	\$ 2,096,784
1,176,854	1,002,249	1,002,249	1,210,738	1,423,596	1,682,097
<u>881,152</u>	<u>924,040</u>	<u>642,159</u>	<u>733,351</u>	<u>366,856</u>	<u>1,703,698</u>
<u>\$ 3,144,971</u>	<u>\$ 3,323,864</u>	<u>\$ 3,357,328</u>	<u>\$ 4,110,873</u>	<u>\$ 4,382,933</u>	<u>\$ 5,482,579</u>
\$ 14,030,237	\$ 12,335,521	\$ 15,813,453	\$ 16,385,672	\$ 15,814,777	\$ 15,032,042
2,179,457	6,462,085	2,334,544	2,401,632	1,656,375	2,134,018
<u>18,079,068</u>	<u>22,221,970</u>	<u>21,755,733</u>	<u>21,042,066</u>	<u>24,278,327</u>	<u>26,493,306</u>
<u>\$ 34,288,762</u>	<u>\$ 41,019,576</u>	<u>\$ 39,903,730</u>	<u>\$ 39,829,370</u>	<u>\$ 41,749,479</u>	<u>\$ 43,659,366</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

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

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government administration	\$ 1,398,329	\$ 2,170,904	\$ 2,332,278	\$ 2,333,275
Judicial administration	4,699,190	2,725,181	1,211,172	1,186,366
Public safety	4,658,008	4,926,453	5,364,665	5,160,253
Public works	3,001,287	2,856,775	3,040,215	2,824,461
Health and welfare	1,471,189	1,527,149	1,459,423	1,498,930
Education	14,126,792	14,178,044	14,437,698	13,085,583
Parks, recreation and cultural	1,236,686	1,358,529	1,361,665	1,267,868
Community development	1,699,223	1,831,694	2,109,085	2,585,270
Interest on long-term debt	2,087,610	1,733,021	1,932,209	1,862,608
Nondepartmental	1,698,751	2,060,962	1,944,765	1,747,190
Total governmental activities expenses	\$ 36,077,065	\$ 35,368,712	\$ 35,193,175	\$ 33,551,804
Business-type activities:				
Landfill	\$ 1,215,648	\$ 1,058,560	\$ 969,972	\$ 862,292
Recycling	1,059,036	1,001,618	954,393	983,111
Total business-type activities expenses	\$ 2,274,684	\$ 2,060,178	\$ 1,924,365	\$ 1,845,403
Total primary government expenses	\$ 38,351,749	\$ 37,428,890	\$ 37,117,540	\$ 35,397,207
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	\$ 23,400	\$ 35,100	\$ 11,700	\$ 23,400
Judicial administration	443,137	388,462	346,456	437,863
Public safety	17,878	16,838	15,584	5,840
Public works	1,153,570	1,028,928	1,154,832	958,805
Parks, recreation and cultural	113,061	84,892	90,891	96,748
Community development	350,169	190,262	204,569	181,875
Operating grants and contributions	2,416,922	2,398,519	2,165,017	2,426,783
Capital grants and contributions	46,189	4,260,000	-	303,653
Total governmental activities program revenues	\$ 4,564,326	\$ 8,403,001	\$ 3,989,049	\$ 4,434,967

Table 2

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 2,335,818	\$ 2,011,030	\$ 2,497,472	\$ 2,294,804	\$ 2,888,023	\$ 2,905,137	
1,021,390	1,267,789	1,282,388	1,283,097	1,363,768	1,500,916	
5,406,165	5,700,091	7,551,214	6,492,719	7,165,176	8,332,745	
2,949,751	3,052,847	2,522,400	2,879,018	3,257,681	3,458,387	
1,505,526	1,414,009	1,411,742	1,330,106	1,641,027	1,618,131	
16,631,591	16,126,417	14,081,158	14,980,144	15,794,029	16,455,148	
1,299,526	1,442,669	1,246,800	1,289,331	1,431,206	1,403,936	
2,369,189	2,246,495	2,635,939	3,171,409	2,933,943	2,792,737	
1,730,059	1,718,759	1,749,577	1,757,409	1,780,693	1,805,264	
1,969,401	2,833,978	2,513,613	2,449,604	2,488,358	2,209,563	
<u>\$ 37,218,416</u>	<u>\$ 37,814,084</u>	<u>\$ 37,492,303</u>	<u>\$ 37,927,641</u>	<u>\$ 40,743,904</u>	<u>\$ 42,481,964</u>	
\$ 825,011	\$ 960,797	\$ 1,207,978	\$ 962,151	\$ 1,183,842	\$ 1,166,417	
1,159,742	1,156,498	461,888	473,195	463,929	527,747	
<u>\$ 1,984,753</u>	<u>\$ 2,117,295</u>	<u>\$ 1,669,866</u>	<u>\$ 1,435,346</u>	<u>\$ 1,647,771</u>	<u>\$ 1,694,164</u>	
<u>\$ 39,203,169</u>	<u>\$ 39,931,379</u>	<u>\$ 39,162,169</u>	<u>\$ 39,362,987</u>	<u>\$ 42,391,675</u>	<u>\$ 44,176,128</u>	
\$ 23,400	\$ 23,400	\$ -	\$ -	\$ -	\$ -	
510,896	457,916	709,282	765,411	707,067	867,615	
6,317	22,078	10,282	21,465	23,841	71,543	
1,236,913	1,122,809	1,180,837	1,043,742	1,052,048	1,166,521	
95,487	85,038	84,607	80,237	90,846	93,890	
192,207	178,734	236,124	493,599	291,216	291,872	
2,257,672	2,412,618	2,438,107	2,424,462	2,381,742	2,460,447	
1,993,245	5,816,685	598,412	273,913	41,945	21,545	
<u>\$ 6,316,137</u>	<u>\$ 10,119,278</u>	<u>\$ 5,257,651</u>	<u>\$ 5,102,829</u>	<u>\$ 4,588,705</u>	<u>\$ 4,973,433</u>	

COUNTY OF ROCKBRIDGE, VIRGINIA

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

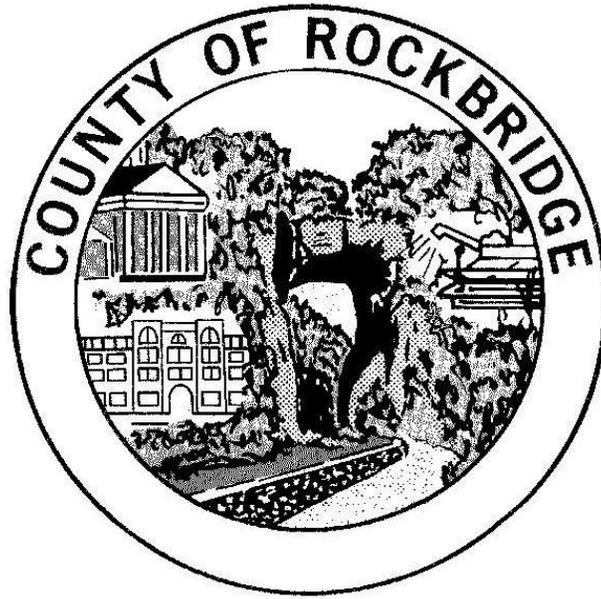
	Fiscal Year			
	2008	2009	2010	2011
Business-type activities:				
Charges for services:				
Landfill	\$ 1,184,892	\$ 1,266,573	\$ 1,213,411	\$ 1,116,260
Recycling	189,307	101,959	104,549	77,872
Operating grants and contributions	<u>23,798</u>	<u>23,013</u>	<u>18,913</u>	<u>21,503</u>
Total business-type activities program revenues	\$ <u>1,397,997</u>	\$ <u>1,391,545</u>	\$ <u>1,336,873</u>	\$ <u>1,215,635</u>
Total primary government program revenues	\$ <u><u>5,962,323</u></u>	\$ <u><u>9,794,546</u></u>	\$ <u><u>5,325,922</u></u>	\$ <u><u>5,650,602</u></u>
Net (expense) / revenue				
Governmental activities	\$ (31,512,739)	\$ (26,965,711)	\$ (31,204,126)	\$ (29,116,837)
Business-type activities	<u>(876,687)</u>	<u>(668,633)</u>	<u>(587,492)</u>	<u>(629,768)</u>
Total primary government net expense	\$ <u><u>(32,389,426)</u></u>	\$ <u><u>(27,634,344)</u></u>	\$ <u><u>(31,791,618)</u></u>	\$ <u><u>(29,746,605)</u></u>
General Revenues and Other Changes				
in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 19,225,297	\$ 20,100,078	\$ 19,737,346	\$ 19,903,929
Local sales and use taxes	2,484,176	2,337,807	2,238,747	2,226,190
Motor vehicle licenses taxes	565,841	556,865	547,407	542,034
Consumer utility taxes	1,616,873	1,529,343	1,538,143	1,541,967
Business licenses taxes	831,582	855,953	723,687	775,021
Other local taxes	2,777,979	2,579,150	2,662,945	2,642,418
Unrestricted grants and contributions	2,669,612	2,895,242	2,766,489	2,706,042
Unrestricted revenues from use of money and property	1,461,742	462,662	240,641	145,518
Gain on sale of capital assets	-	-	-	-
Miscellaneous	8,211,798	3,643,804	272,957	239,873
Transfers	<u>(890,124)</u>	<u>(981,659)</u>	<u>(948,313)</u>	<u>(859,771)</u>
Total governmental activities	\$ <u>38,954,776</u>	\$ <u>33,979,245</u>	\$ <u>29,780,049</u>	\$ <u>29,863,221</u>
Business-type activities:				
Unrestricted revenues from use of money and property	\$ 76,310	\$ 32,743	\$ 6,505	\$ 4,938
Miscellaneous	3	1,166	117	10,264
Transfers	<u>890,124</u>	<u>981,659</u>	<u>948,313</u>	<u>859,771</u>
Total business-type activities	\$ <u>966,437</u>	\$ <u>1,015,568</u>	\$ <u>954,935</u>	\$ <u>874,973</u>
Total primary government	\$ <u><u>39,921,213</u></u>	\$ <u><u>34,994,813</u></u>	\$ <u><u>30,734,984</u></u>	\$ <u><u>30,738,194</u></u>
Change in Net Position				
Governmental activities	\$ 7,442,037	\$ 7,013,534	\$ (1,424,077)	\$ 746,384
Business-type activities	<u>89,750</u>	<u>346,935</u>	<u>367,443</u>	<u>245,205</u>
Total primary government	\$ <u><u>7,531,787</u></u>	\$ <u><u>7,360,469</u></u>	\$ <u><u>(1,056,634)</u></u>	\$ <u><u>991,589</u></u>

Table 2

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 1,063,507	\$ 1,034,968	\$ 936,243	\$ 1,578,750	\$ 2,098,447	\$ 2,232,822
23,714	-	-	-	-	-
<u>18,461</u>	<u>26,161</u>	<u>23,076</u>	<u>23,046</u>	<u>23,300</u>	<u>22,492</u>
\$ <u>1,105,682</u>	\$ <u>1,061,129</u>	\$ <u>959,319</u>	\$ <u>1,601,796</u>	\$ <u>2,121,747</u>	\$ <u>2,255,314</u>
\$ <u>7,421,819</u>	\$ <u>11,180,407</u>	\$ <u>6,216,970</u>	\$ <u>6,704,625</u>	\$ <u>6,710,452</u>	\$ <u>7,228,747</u>
\$ (30,902,279)	\$ (27,694,806)	\$ (32,234,652)	\$ (32,824,812)	\$ (36,155,199)	\$ (37,508,531)
(879,071)	(1,056,166)	(710,547)	166,450	473,976	561,150
\$ <u>(31,781,350)</u>	\$ <u>(28,750,972)</u>	\$ <u>(32,945,199)</u>	\$ <u>(32,658,362)</u>	\$ <u>(35,681,223)</u>	\$ <u>(36,947,381)</u>
\$ 20,241,098	\$ 22,519,602	\$ 23,009,779	\$ 24,210,212	\$ 24,775,816	\$ 25,753,935
2,292,809	2,392,591	2,439,476	2,561,164	2,720,814	2,684,576
537,280	537,855	535,776	531,093	540,217	531,868
1,520,806	1,522,050	1,514,494	1,509,304	1,488,723	1,465,354
851,571	913,827	882,478	873,386	849,796	872,532
2,687,544	2,791,478	2,922,491	3,144,747	3,409,515	3,562,628
2,761,428	2,741,009	2,760,419	2,732,823	2,749,809	2,764,276
74,448	78,229	58,003	57,337	113,017	169,275
-	-	-	-	-	23,210
1,710,031	743,278	1,213,388	943,636	833,978	939,045
<u>(1,111,015)</u>	<u>(1,234,972)</u>	<u>(735,930)</u>	<u>(909,606)</u>	<u>(449,951)</u>	<u>(447,927)</u>
\$ <u>31,566,000</u>	\$ <u>33,004,947</u>	\$ <u>34,600,374</u>	\$ <u>35,654,096</u>	\$ <u>37,031,734</u>	\$ <u>38,318,772</u>
\$ 4,000	\$ 4,676	\$ 3,018	\$ 3,413	\$ 11,162	\$ 43,456
68	3,815	5,063	8,927	25,869	47,113
<u>1,111,015</u>	<u>1,234,972</u>	<u>735,930</u>	<u>909,606</u>	<u>449,951</u>	<u>447,927</u>
\$ <u>1,115,083</u>	\$ <u>1,243,463</u>	\$ <u>744,011</u>	\$ <u>921,946</u>	\$ <u>486,982</u>	\$ <u>538,496</u>
\$ <u>32,681,083</u>	\$ <u>34,248,410</u>	\$ <u>35,344,385</u>	\$ <u>36,576,042</u>	\$ <u>37,518,716</u>	\$ <u>38,857,268</u>
\$ 663,721	\$ 5,310,141	\$ 2,365,722	\$ 2,829,284	\$ 876,535	\$ 810,241
236,012	187,297	33,464	1,088,396	960,958	1,099,646
\$ <u>899,733</u>	\$ <u>5,497,438</u>	\$ <u>2,399,186</u>	\$ <u>3,917,680</u>	\$ <u>1,837,493</u>	\$ <u>1,909,887</u>

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Business License Tax	Total
2017 \$	25,753,935 \$	2,684,576 \$	1,465,354 \$	531,868 \$	203,536 \$	872,532 \$	31,511,801
2016	24,775,816	2,720,814	1,488,723	540,217	181,979	849,796	30,557,345
2015	24,210,212	2,561,164	1,509,304	531,093	184,098	873,386	29,869,257
2014	23,009,779	2,439,476	1,514,494	535,776	208,339	882,478	28,590,342
2013	22,519,602	2,392,591	1,522,050	537,855	191,861	913,827	28,077,786
2012	20,241,098	2,292,809	1,520,806	537,280	199,362	851,571	25,642,926
2011	19,903,929	2,226,190	1,541,967	542,034	182,274	775,021	25,171,415
2010	19,737,346	2,238,747	1,538,143	547,407	192,183	723,687	24,977,513
2009	20,100,078	2,337,807	1,529,343	556,865	208,782	855,953	25,588,828
2008	19,225,297	2,484,176	1,616,873	565,841	298,742	831,582	25,022,511



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COUNTY OF ROCKBRIDGE, VIRGINIA

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

	Fiscal Year				
	2008	2009	2010	2011 (1)	2012
General fund					
Reserved	\$ 1,404,760	\$ 1,863,469	\$ 2,531,217	\$ -	\$ -
Unreserved	14,292,634	15,037,799	13,602,863	-	-
Nonspendable	-	-	-	102,799	121,348
Restricted	-	-	-	1,018,434	1,002,603
Committed	-	-	-	856,172	646,172
Assigned	-	-	-	1,259,523	2,061,918
Unassigned	-	-	-	14,124,282	15,284,213
Total general fund	\$ 15,697,394	\$ 16,901,268	\$ 16,134,080	\$ 17,361,210	\$ 19,116,254
All other governmental funds					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned, reported in:					
Capital projects funds	-	-	-	278,115	5,434,345
Unassigned, reported in:					
Special revenue funds	-	-	-	(90,345)	(947,976)
Capital projects funds	6,620,625	535,995	314,661	-	-
Total all other governmental funds	\$ 6,620,625	\$ 535,995	\$ 314,661	\$ 187,770	\$ 4,486,369

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

Table 4

Fiscal Year				
2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
116,671	112,861	111,886	104,915	97,188
1,075,361	1,000,439	988,933	63,889	281,823
707,419	385,973	175,973	-	78,036
1,934,997	2,194,043	2,004,485	2,021,502	3,673,682
<u>17,219,353</u>	<u>18,317,586</u>	<u>21,085,055</u>	<u>20,713,488</u>	<u>21,887,717</u>
<u>\$ 21,053,801</u>	<u>\$ 22,010,902</u>	<u>\$ 24,366,332</u>	<u>\$ 22,903,794</u>	<u>\$ 26,018,446</u>
\$ 4,384,475	\$ 331,856	\$ 201,961	\$ 168,890	\$ 170,098
254,255	260,564	232,578	4,119,737	2,076,736
(229,603)	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,409,127</u>	<u>\$ 592,420</u>	<u>\$ 434,539</u>	<u>\$ 4,288,627</u>	<u>\$ 2,246,834</u>

COUNTY OF ROCKBRIDGE, VIRGINIA

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

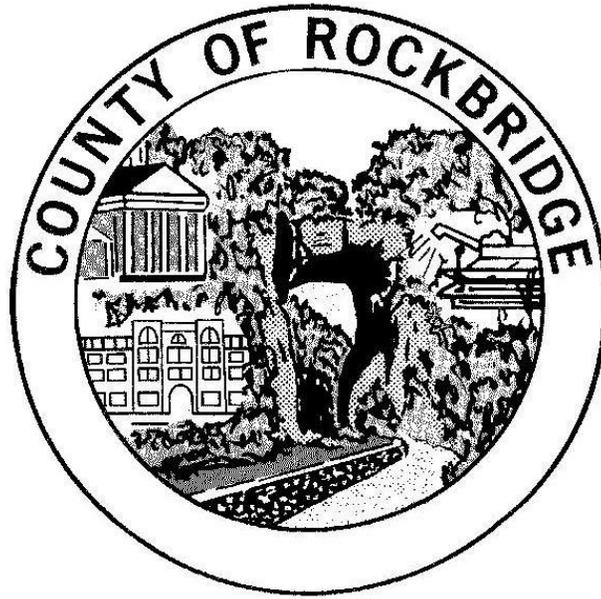
	Fiscal Year			
	2008	2009	2010	2011
Revenues				
General property taxes	\$ 19,267,635	\$ 19,905,850	\$ 19,568,375	\$ 19,778,269
Other local taxes	8,276,451	7,859,118	7,710,929	7,727,630
Permits, privilege fees and regulatory licenses	335,529	188,491	202,087	181,875
Fines and forfeitures	196,529	177,259	153,837	223,673
Revenue from use of money and property	1,461,742	462,662	240,641	145,518
Charges for services	1,569,157	1,378,732	1,468,108	1,298,983
Miscellaneous	657,112	363,416	257,616	239,873
Recovered costs	8,187,010	3,798,055	359,866	343,712
Intergovernmental:				
Commonwealth	4,904,117	4,686,608	4,652,229	4,935,567
Federal	228,606	607,153	299,277	500,911
Total revenues	\$ 45,083,888	\$ 39,427,344	\$ 34,912,965	\$ 35,376,011
Expenditures				
General government administration	\$ 1,592,669	\$ 1,592,002	\$ 1,774,607	\$ 1,642,181
Judicial administration	1,149,258	1,292,358	1,199,478	1,183,984
Public safety	5,081,176	5,144,522	5,334,327	5,198,378
Public works	2,853,198	2,709,261	2,911,708	2,944,557
Health and welfare	1,471,189	1,527,091	1,459,363	1,498,725
Education	12,166,930	12,259,269	12,565,769	11,514,555
Parks, recreation and cultural	1,230,352	1,248,904	1,257,674	1,170,665
Community development	2,093,877	1,838,680	2,101,876	2,998,230
Non-Departmental	1,698,751	1,733,021	1,932,209	1,747,190
Capital projects	17,915,845	9,482,489	62,263	36,677
Debt service:				
Principal	3,923,340	2,326,302	2,320,388	1,758,226
Interest and other fiscal charges	2,040,141	2,172,542	2,033,512	1,939,473
Bond issue costs	-	-	-	-
Total expenditures	\$ 53,216,726	\$ 43,326,441	\$ 34,953,174	\$ 33,632,841
Excess of revenues over (under) expenditures	\$ (8,132,838)	\$ (3,899,097)	\$ (40,209)	\$ 1,743,170
Other financing sources (uses)				
Transfers in	\$ 1,750,000	\$ -	\$ 175,135	\$ -
Transfers out	(2,640,124)	(981,659)	(1,123,448)	(859,771)
Issuance of refunding bonds	-	-	-	-
Bonds issued	6,000,000	-	-	-
Premium on bonds issued	-	-	-	-
Capital leases	157,000	-	-	216,840
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	\$ 5,266,876	\$ (981,659)	\$ (948,313)	\$ (642,931)
Net change in fund balances	\$ (2,865,962)	\$ (4,880,756)	\$ (988,522)	\$ 1,100,239
Debt service as a percentage of noncapital expenditures	16.89%	13.29%	12.48%	11.01%

Table 5

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 20,928,182	\$ 22,414,930	\$ 23,372,482	\$ 24,016,493	\$ 24,843,541	\$ 25,725,668	
7,890,010	8,157,801	8,294,715	8,619,694	9,009,065	9,116,958	
192,207	172,766	210,464	432,008	275,060	255,426	
284,725	235,024	451,140	521,412	445,370	601,336	
74,448	78,229	58,003	57,337	113,017	169,275	
1,588,288	1,482,185	1,559,528	1,451,034	1,444,588	1,634,679	
2,150,539	2,471,378	1,213,388	943,636	833,978	1,514,145	
303,718	350,799	272,277	317,364	469,735	460,945	
4,733,732	4,847,109	4,910,801	4,955,261	4,965,583	4,993,539	
2,278,613	4,416,673	886,137	475,937	207,913	252,729	
\$ 40,424,462	\$ 44,626,894	\$ 41,228,935	\$ 41,790,176	\$ 42,607,850	\$ 44,724,700	
\$ 1,612,340	\$ 1,588,585	\$ 1,667,257	\$ 1,586,194	\$ 2,117,583	\$ 2,023,012	
1,188,236	1,278,954	1,295,768	1,381,899	1,472,432	1,497,223	
5,535,432	5,784,020	7,683,885	6,492,485	7,403,041	8,292,069	
2,956,944	3,082,574	2,506,757	2,893,763	3,312,600	3,377,393	
1,503,694	1,413,425	1,412,588	1,329,207	1,639,246	1,617,640	
12,848,581	14,216,366	13,747,740	13,829,192	13,082,282	13,875,717	
1,197,527	1,345,586	1,243,472	1,442,883	1,427,654	1,389,469	
6,177,505	7,337,211	2,633,159	3,185,514	2,808,451	2,791,218	
1,730,059	1,723,096	1,749,577	1,757,409	1,780,693	1,805,264	
2,335,173	21,849,069	4,579,992	130,640	486,825	2,098,566	
1,854,205	3,674,994	2,107,993	2,053,317	2,502,118	2,064,665	
2,026,423	2,311,965	2,724,423	2,600,518	2,746,012	2,371,678	
-	287,772	-	-	-	-	
\$ 40,966,119	\$ 65,893,617	\$ 43,352,611	\$ 38,683,021	\$ 40,778,937	\$ 43,203,914	
\$ (541,657)	\$ (21,266,723)	\$ (2,123,676)	\$ 3,107,155	\$ 1,828,913	\$ 1,520,786	
\$ 1,087,294	\$ -	\$ 28,328	\$ 27,786	\$ 4,575,622	\$ 61,675	
(2,198,309)	(1,234,972)	(764,258)	(937,392)	(5,025,573)	(509,602)	
-	11,760,000	-	-	4,985,000	-	
7,500,000	21,895,000	-	-	-	-	
-	2,533,876	-	-	835,950	-	
206,315	-	-	-	-	-	
-	(13,086,006)	-	-	(5,579,876)	-	
\$ 6,595,300	\$ 21,867,898	\$ (735,930)	\$ (909,606)	\$ (208,877)	\$ (447,927)	
\$ 6,053,643	\$ 601,175	\$ (2,859,606)	\$ 2,197,549	\$ 1,620,036	\$ 1,072,859	
10.05%	13.59%	12.59%	12.12%	13.15%	10.77%	

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Business License Tax	Total
2017 \$	25,725,668 \$	2,684,576 \$	1,465,354 \$	531,868 \$	203,536 \$	872,532 \$	31,483,534
2016	24,843,541	2,720,814	1,488,723	540,217	181,979	849,796	30,625,070
2015	24,016,493	2,561,164	1,509,304	531,093	184,098	873,386	29,675,538
2014	23,372,482	2,439,476	1,514,494	535,776	208,339	882,478	28,953,045
2013	22,414,930	2,392,591	1,522,050	537,855	191,861	913,827	27,973,114
2012	20,928,182	2,292,809	1,520,806	537,280	199,362	851,571	26,330,010
2011	19,778,269	2,226,190	1,541,967	542,034	182,274	775,021	25,045,755
2010	19,568,375	2,238,747	1,538,143	547,407	192,183	723,687	24,808,542
2009	19,905,850	2,337,807	1,529,343	556,865	208,782	855,953	25,394,600
2008	19,267,635	2,484,176	1,616,873	565,841	298,742	831,582	25,064,849



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COUNTY OF ROCKBRIDGE, VIRGINIA

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

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Machinery and Tools	Public Service (2)	Total Taxable Assessed Value
2017	\$ 2,631,621,600	\$ 201,464,825	\$ 6,550,990	\$ 15,378,673	\$ 184,195,145	\$ 3,039,211,233
2016	2,439,031,715	193,324,971	6,606,563	15,010,380	179,117,907	2,833,091,536
2015	2,427,102,558	185,452,684	6,526,117	14,293,472	158,517,874	2,791,892,705
2014	2,409,180,980	182,796,656	6,654,724	14,745,031	146,349,769	2,759,727,160
2013	2,406,225,814	181,627,780	6,529,754	14,352,182	130,966,279	2,739,701,809
2012	2,393,006,606	174,030,130	6,943,019	13,415,023	118,289,855	2,705,684,633
2011	2,381,260,966	168,167,630	9,112,766	10,822,737	113,384,467	2,682,748,566
2010	2,436,189,073	161,297,226	9,172,343	11,287,004	92,656,310	2,710,601,956
2009	2,403,426,774	185,101,529	9,042,587	11,098,157	85,950,278	2,694,619,325
2008	2,361,326,219	178,824,784	9,418,745	11,110,174	99,002,561	2,659,682,483

Source: Commissioner of the Revenue

- (1) Real estate is assessed at 100% of market value.
- (2) Assessed values are established by the State Corporation Commission
- (3) Source: Virginia Department of Taxation

Table 7

Estimated Actual Taxable Value	State Sales Assessment Ratio (3)	Total Direct Rate
\$ 2,977,867,169	102.06%	\$ 8.24
2,872,735,283	98.62%	8.26
2,788,824,998	100.11%	8.24
2,848,309,588	96.89%	8.19
2,827,641,458	96.89%	8.14
2,792,532,390	96.89%	8.08
2,697,042,893	99.47%	8.02
2,668,966,085	101.56%	7.98
2,930,845,470	91.94%	7.98
3,041,375,052	87.45%	7.94

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

Direct Rates						
Tax Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Total Direct Rate	
2017	\$ 0.700	\$ 4.25	\$ 0.74	\$ 2.55	\$ 8.24	
2016	0.735	4.25	0.72	2.55	8.26	
2015	0.715	4.25	0.72	2.55	8.24	
2014	0.715	4.25	0.67	2.55	8.19	
2013	0.67	4.25	0.67	2.55	8.14	
2012	0.64	4.25	0.64	2.55	8.08	
2011	0.61	4.25	0.61	2.55	8.02	
2010	0.59	4.25	0.59	2.55	7.98	
2009	0.59	4.25	0.59	2.55	7.98	
2008	0.59	4.25	0.55	2.55	7.94	

Source: Commissioner of the Revenue

(1) Per \$100 of assessed value.

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 27,587,034	\$ 26,685,209	96.73%	\$ -	\$ 26,685,209	96.73%
2016	26,614,006	25,756,651	96.78%	488,795	26,245,446	98.62%
2015	25,839,111	24,786,530	95.93%	836,722	25,623,252	99.16%
2014	25,571,272	24,997,455	97.76%	450,009	25,447,464	99.52%
2013	23,894,710	23,332,287	97.65%	460,285	23,792,572	99.57%
2012	23,041,039	22,189,814	96.31%	837,385	23,027,199	99.94%
2011	21,983,597	21,203,088	96.45%	769,875	21,972,963	99.95%
2010	21,601,653	20,791,246	96.25%	800,672	21,591,918	99.95%
2009	22,272,956	21,510,651	96.58%	754,080	22,264,731	99.96%
2008	21,315,874	20,582,879	96.56%	727,298	21,310,177	99.97%

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

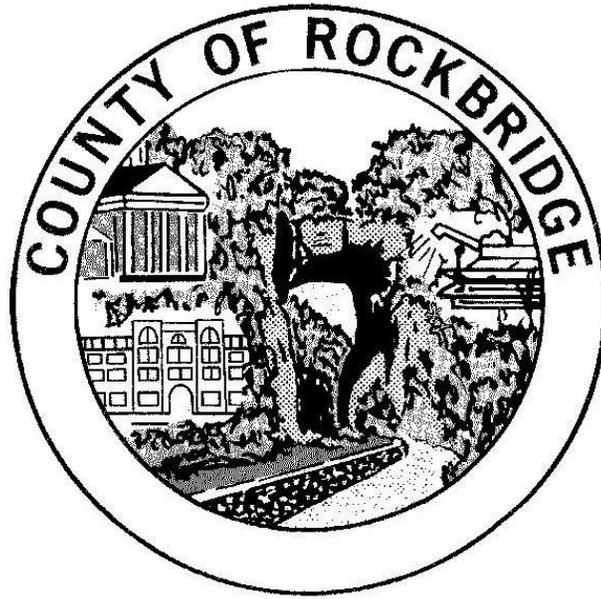
- (1) Exclusive of penalties and interest, includes Commonwealth of Virginia PPTRA reimbursement.
- (2) Does not include land redemptions.

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2017		Fiscal Year 2008	
		2017 Assessed Valuation	% of Total Assessed Valuation	2008 Assessed Valuation	% of Total Assessed Valuation
Virginia Elec. & Power Company	Utility	\$ 127,696,522	4.863%	\$ n/a	n/a
Lexington Retirement Community, Inc.	Health Provider	31,700,300	1.207%	18,834,000	0.716%
BARC Electric	Utility	22,336,396	0.851%	n/a	n/a
Lowe's Home Center	Retail	10,870,100	0.414%	7,711,700	0.293%
BJB Properties LLC	Industry & Service	10,364,600	0.395%	n/a	n/a
Virginia Conservation Legacy*	Hospitality	9,963,900	0.379%	15,865,300	0.603%
Wal-Mart Real Estate Business Trust	Retail	9,934,500	0.378%	8,556,300	0.325%
White's Truck Stop	Industry & Service	9,727,400	0.370%	9,326,100	0.355%
Aladdin Manufacturing Corporation	Industry	9,096,516	0.346%	8,959,700	0.341%
Elmech, Inc.	Hospitality	8,607,200	0.328%	7,826,300	0.297%
		<u>\$ 250,297,434</u>	<u>9.532%</u>	<u>\$ 77,079,400</u>	<u>2.930%</u>

*Formerly associated with Natural Bridge of Virginia, LCC in FY 2008

Source: Commissioner of Revenue



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COUNTY OF ROCKBRIDGE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities	
	General Obligation Bonds	Revenue Bonds	Literary Fund Loans	Notes Payable	Capital Leases	General Obligation Bonds	Capital Leases
2017	\$ 40,365,658	\$ 16,745,000	\$ 895,000	\$ -	\$ -	\$ 7,143,851	\$ 643,359
2016	42,453,194	16,745,000	1,075,000	-	-	7,264,710	916,590
2015	43,604,236	17,390,000	1,255,000	-	-	724,462	449,111
2014	45,109,146	17,870,000	1,435,000	-	53,280	750,543	583,060
2013	46,590,095	18,359,697	1,635,000	-	173,515	776,624	317,405
2012	24,907,549	19,055,719	2,000,000	-	330,643	776,624	-
2011	18,537,312	19,523,530	2,200,000	-	226,105	-	-
2010	19,638,305	19,967,851	2,400,000	-	67,323	-	-
2009	21,079,658	20,474,555	2,600,000	-	284,800	-	-
2008	22,466,568	20,924,192	2,800,000	-	619,700	-	-

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

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

Table 11

	<u>Total Primary Government</u>	<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
\$	65,792,868	5.22%	\$ 2,958
	68,454,494	5.43%	3,089
	63,422,809	5.03%	2,862
	65,801,029	5.22%	2,939
	67,852,336	5.44%	3,038
	47,070,535	3.94%	2,131
	40,486,947	3.57%	1,827
	42,073,479	3.72%	1,886
	44,439,013	3.85%	1,975
	46,810,460	4.13%	2,085

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

Table 12

Fiscal Year	Population (1)	Assessed Value (2)	Gross and Net Bonded Debt (3)	Less: Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2017	22,241	\$ 2,631,621,600	\$ 41,260,658	\$ -	\$ 41,260,658	1.57%	\$ 1,855
2016	22,163	2,439,031,715	43,528,194	-	43,528,194	1.78%	1,964
2015	22,163	2,427,102,558	44,859,236	-	44,859,236	1.85%	2,024
2014	22,390	2,409,180,980	46,544,146	-	46,544,146	1.93%	2,079
2013	22,338	2,406,225,814	48,225,095	-	48,225,095	2.00%	2,159
2012	22,090	2,393,006,606	26,907,549	-	26,907,549	1.12%	1,218
2011	22,155	2,381,260,966	20,963,417	-	20,963,417	0.88%	946
2010	22,307	2,436,189,073	22,038,305	-	22,038,305	0.90%	988
2009	22,498	2,403,426,774	23,679,657	-	23,679,657	0.99%	1,053
2008	22,450	2,361,326,219	25,266,568	-	25,266,568	1.07%	1,125

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

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

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

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Landfill Revenue Bonds						Coverage
	Landfill Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2017	\$ 2,252,340	\$ 1,262,896	\$ 989,444	\$ 25,000	\$ 272,475	332.61%	
2016	2,113,441	1,005,416	1,108,025	20,000	29,656	2231.40%	
2015	1,583,311	892,831	690,480	20,000	40,173	1147.49%	
2014	936,618	1,138,798	(202,180)	20,000	31,456	-392.92%	
2013	1,035,112	892,364	142,748	-	28,107	507.87%	
2012	1,063,575	825,011	238,564	-	-	N/A	
2011	1,126,524	862,292	264,232	-	-	N/A	
2010	1,213,528	969,972	243,556	-	-	N/A	
2009	1,267,734	1,058,560	209,174	-	-	N/A	
2008	1,184,895	1,215,648	(30,753)	-	-	N/A	

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

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2017	22,241	\$ 827,587,610	\$ 37,210	47	2,737	4.60%
2016	22,163	772,070,268	34,836	47	2,755	4.40%
2015	22,163	772,070,268	34,836	47	2,613	5.80%
2014	22,390	779,978,040	34,836	47	2,604	5.40%
2013	22,338	748,859,112	33,524	47	2,594	6.00%
2012	22,090	736,767,770	33,353	47	2,546	5.60%
2011	22,155	714,232,890	32,238	47	2,499	5.90%
2010	22,307	688,327,099	30,857	47	2,505	6.30%
2009	22,498	690,306,134	30,683	40	2,677	6.70%
2008	22,450	703,470,750	31,335	40	2,801	4.10%

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

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

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Mohawk Industries, Inc.	730	1	7.57%	1,150	1	16.36%
Walmart	252	2	2.61%	n/a	3	2.13%
White's Travel Center	248	3	2.57%	n/a	n/a	n/a
Kendall	175	4	1.82%	n/a	n/a	n/a
Vesuvius Corporation	123	5	1.28%	90	8	1.28%
Lowe's	113	6	1.17%	n/a	n/a	n/a
Byers, Inc.	87	7	0.90%	n/a	n/a	n/a
Natural Bridge Hotel/Caverns	84	8	0.87%	90	7	1.28%
Devils Backbone	73	9	0.76%	n/a	n/a	n/a
Stella Jones (BPBC)	54	10	0.56%	105	5	1.49%
Totals	1,939		20.11%	n/a		n/a

Businesses with 2008 employment figure marked 'n/a' do not maintain their records to this timeframe, were unable to provide requested information, or were not in business at that time.

Sources: Individual company human resource departments.

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

COUNTY OF ROCKBRIDGE, VIRGINIA

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

Function	Fiscal Year			
	2008	2009	2010	2011
General government	16	16	16	16
County Administration	2	2	2	2
County Attorney	1	1	1	1
Central Accounting	3	3	3	2
Information Technology	1	1	1	1
Human Resources	0	0	0	0
Commissioner of the Revenues	4	4	4	4
Treasurer	4	4	4	4
Fiscal Services	1	1	1	2
Registrar	1	1	1	1
Judicial administration	18	18	18	18
Clerk of Circuit Court	5	5	5	5
Circuit Court	1	1	1	1
Combined Court Security	6	6	6	6
Commonwealth's Attorney	5	5	5	5
Victim Witness Coordinator	1	1	1	1
Public safety	42	41	42	42
Sheriff Office	34	32	34	34
Fire, Rescue, & Emergency Mgmt.	1	1	1	1
Building inspections	4	5	4	4
E&S Control-Storm Water Mgmt.	1	1	1	1
Special Enforcement	2	2	2	2
Public works	19	19	18	18
Refuse & Recycling Collections	2	2	2	5
Landfill (RCSWA)	11	10	10	7
Combined Courthouse Maint.	0	1	1	1
Engineering	1	1	0	0
Fleet Services	5	5	5	5
Health and welfare				
Department of Social Services	25	25	25	25
Culture and recreation	5	5	5	5
Parks and recreation	3	3	3	3
Preschool Program	2	2	2	2
Community development	5	6	6	6
Planning & Zoning	2	3	3	3
Geographic Information System	2	2	2	2
Rental Assistance	1	1	1	1
Totals	131	131	131	131

Source: Individual County departments

Table 16

Fiscal Year					
2012	2013	2014	2015	2016	2017
16	16	16	16	16	17
2	2	2	2	2	2
1	1	1	1	1	1
2	2	2	1	1	1
1	1	1	1	1	1
0	0	0	1	1	1
4	4	4	4	4	5
4	4	4	4	4	4
2	2	2	2	2	2
1	1	1	1	1	1
18	18	18	18	19	19
5	5	5	5	6	6
1	1	1	1	1	1
6	6	6	6	6	6
5	5	5	5	5	5
1	1	1	1	1	1
43	42	44	44	44	44
34	34	35	35	35	35
1	1	2	2	2	2
4	4	4	4	4	4
2	1	1	1	1	1
2	2	2	2	2	2
18	18	18	18	18	17
5	5	5	5	5	4
7	7	7	7	7	7
1	1	1	1	1	1
0	0	0	0	0	0
5	5	5	5	5	5
25	25	23	26	26	28
5	5	5	5	6	6
3	3	3	3	4	4
2	2	2	2	2	2
6	6	6	6	6	6
3	3	3	3	3	3
2	2	2	2	2	2
1	1	1	1	1	1
132	131	131	134	136	138

COUNTY OF ROCKBRIDGE, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2008	2009	2010	2011
Public safety				
Fire and rescue:				
Number of calls answered	4,962	4,876	4,876	4,983
Building inspections:				
Permits issued	409	281	294	310
Public works				
Landfill:				
Refuse collected (tons/day)	113	110	97	138
Recycling (tons/day)	15	16	13	11
Health and welfare				
Department of Social Services:				
Caseload	2,850	2,931	3,622	6,714

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

**Tons per day based on 305 work days

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

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

Table 17

Fiscal Year					
2012	2013	2014	2015	2016	2017
5,636	4,791	5,582	5,475	5,580	5908*
274	310	522	529	535	533
138	141	141	141	144	141**
11	13	15	17	13***	13***
6,714	6,366	6,275	6,286	6,239	5,829

COUNTY OF ROCKBRIDGE, VIRGINIA

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2008	2009	2010	2011
General government				
Administration buildings	1	1	1	1
Judicial Administration				
Courthouse	1	1	1	1
Vehicles (Courthouse Security)	3	3	3	3
Public safety				
Sheriff (Law Enforcement):				
Vehicles	37	38	38	39
Fire, EMS & Emg. Mgmt.:				
Vehicles	1	1	1	
Building inspections/maintenance:				
Vehicles	4	4	4	3
Animal control:				
Vehicles	2	2	2	2
Public works				
Collections:				
Vehicles	N/A	N/A	N/A	N/A
Sites	5	5	5	5
Landfill:				
Vehicles	N/A	N/A	N/A	N/A
Sites	1	1	1	1
Fleet Services:				
Vehicles	N/A	N/A	N/A	N/A
Facilities	1	1	1	1
Health and welfare				
Department of Social Services:				
Vehicles	1	1	1	4
Parks, culture and recreation				
Parks and recreation:				
Vehicles	3	3	3	3
Swimming pools	2	2	2	2
Community development				
Planning/GIS:				
Vehicles	3	3	3	3

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

Table 18

Fiscal Year					
2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	3	3	3
39	39	39	38	40	42
2	2	3	3	3	3
3	3	3	4	4	4
2	2	2	2	2	2
N/A	N/A	N/A	N/A	1	1
5	5	5	5	5	5
N/A	N/A	N/A	N/A	N/A	4
1	1	1	1	1	1
N/A	N/A	N/A	N/A	N/A	4
1	1	1	1	1	1
4	4	4	5	5	6
3	3	3	2	3	3
2	2	2	2	2	2
3	3	3	3	3	3

COUNTY OF ROCKBRIDGE, VIRGINIA

Schedule of the City of Lexington's and Buena Vista's Share of Certain General Government Expenditures
Year Ended June 30, 2017

Description	Total Cost to the County	State and Other Reimbursement	City of Lexington Share		
			Net County Cost	% Used	Total Cost
Clerk of the Circuit Court	\$ 457,417	\$ 272,449	\$ 184,968	24.95%	\$ 46,150
Circuit Court - Expenses	6,631	-	6,631	24.95%	1,654
General District and J&D Court	21,426	-	21,426	24.95%	5,346
Courthouse Maintenance	290,905	-	290,905	24.95%	72,581
Administration Building, 150 S. Main Street	108,307	-	108,307	5.90%	6,390
25th Court Services Unit-Juvenile Probation	5,404	-	5,404	20.37%	1,101
Commonwealth's Attorney	478,171	352,152	126,019	24.95%	31,442
Sheriff's Salary	123,725	93,845	29,880	24.95%	7,455
Advancement of Agriculture (City Agent)	<u>75,747</u>	<u>-</u>	<u>75,747</u>	15.00%	<u>11,362</u>
Totals	\$ <u>1,567,733</u>	\$ <u>718,446</u>	\$ <u>849,287</u>		\$ <u>183,480</u>

Table 19

<u>City of Buena Vista Share</u>	
<u>% Used</u>	<u>Total Cost</u>
-	\$ -
-	-
-	-
-	-
-	-
18.34%	991
-	-
-	-
-	-
	<u>-</u>
	\$ <u><u>991</u></u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Rockbridge, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Rockbridge, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2017

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Rockbridge, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Rockbridge, Virginia's major federal programs for the year ended June 30, 2017. County of Rockbridge, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Rockbridge, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2017

County of Rockbridge, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture: Pass Through Payments: Child Nutrition Cluster			
Department of Agriculture: Food Distribution	10.555	40623	\$ 76,647
Department of Education: National School Lunch Program	10.555	40,254	495,570
Total School Lunch Program			<u>\$ 572,217</u>
School Breakfast Program	10.553	40,253	\$ 134,717
Total Child Nutrition Cluster			<u>\$ 706,934</u>
Schools and Roads - Grants to States	10.665	43841	10,935
Total Department of Agriculture			<u>\$ 717,869</u>
Environmental Protection Agency: Pass Through Payments: Department of Environmental Quality: DEQ Royalty Grants	66.000	515002	\$ 316
Department of Justice: Pass Through Payments: Department of Criminal Justice Service: Crime Victims Assistance	16.575	17-T9578VW15	\$ 62,470
Bulletproof Vest Partnership Program	16.607	Not available	3,925
Violence Against Women Formula Grants	16.588	17-T9831VA16	37,609
Total Department of Justice			<u>104,004</u>
Department of Transportation: Pass Through Payments: Department of Motor Vehicles: Alcohol Open Container Requirements	20.607	154AL 16 56245	\$ 12,605
Highway Planning and Construction	20.205	Not available	6,550
Highway Safety Cluster: National Priority Safety Programs	20.616	M2HVE 17 57326	2,745
State and Community Highway Safety	20.600	Not available	7,215
Subtotal Highway Safety Cluster			<u>\$ 9,960</u>
Total Department of Transportation			<u>\$ 29,115</u>
Department of Homeland Security: Pass Through Payments: Department of Emergency Management: Emergency Management Performance Grants	97.042	DEM6274500	\$ 14,995

County of Rockbridge, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education-Basic Grants to States	84.002	42801	\$ 117,034
Title I: Grants to Local Educational Agencies	84.010	42901	594,252
Special Education Cluster:			
Special Education Grants to States	84.027	43071	578,253
Special Education Preschool Grants	84.173	62521	14,016
Total Special Education Cluster			<u>\$ 592,269</u>
Career and Technical Education - Basic Grants to States	84.048	61095	\$ 45,768
Supporting Effective Instruction State Grant	84.367	61480	230,138
Twenty-First Century Community Learning Centers	84.287	60565	111,138
Action Against Poverty	84.000	Not available	38,902
Advanced Placement Program	84.330	60957	760
Total Department of Education			<u>\$ 1,730,261</u>
Total Expenditures of Federal Awards			<u>\$ 2,596,560</u>

Notes to Schedule of Expenditures of Federal Awards:

NOTE 1-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Rockbridge, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Rockbridge, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Rockbridge, Virginia.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) County of Rockbridge, Virginia has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- (3) Pass-through entity identifying numbers are presented where available.

NOTE 3-FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, the County had food commodities totaling \$13,085 in inventory. The value of food commodities expended during the year ended June 30, 2017 amounted to \$76,647.

NOTE 4 - SUBRECIPIENTS

No awards were passed through to subrecipients.

NOTE 5 - RELATIONSHIP TO FINANCIAL STATEMENTS

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:			
Governmental funds			
General fund			\$ 252,729
Department of the Interior - Payment in Lieu of Taxes			(104,299)
Total primary government			<u>\$ 148,430</u>
Discretely presented component unit - School Board:			
School operating fund			\$ 1,741,196
School cafeteria fund			706,934
Total discretely presented component unit - School Board			<u>\$ 2,448,130</u>
Total federal expenditures per the Schedule of Expenditures of Federal awards			<u>\$ 2,596,560</u>

COUNTY OF ROCKBRIDGE, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553 School Breakfast Program
10.555 National School Lunch Program
10.555 Food Distribution

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

Auditee qualified as low-risk auditee? yes no

Section II-Financial Statement Findings

There are no financial statement findings to report.

Section III-Federal Award Findings and Questioned Costs

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

Section IV-Summary of Prior Year Findings

There were no prior year findings.