



Comprehensive Annual Financial Report

Rockingham County, Virginia



Fiscal Year Ended June 30, 2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018



Prepared by:

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**COUNTY OF ROCKINGHAM, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

| <i>INTRODUCTORY SECTION</i> | |
|---|-----------|
| Letter of Transmittal | 1 – 5 |
| Directory of Principal Officials | 6 |
| Organizational Chart | 7 |
| Certificate of Achievement for Excellence in Financial Reporting – 2017 | 8 |
| <i>FINANCIAL SECTION</i> | |
| Independent Auditor's Report | 9 – 11 |
| Management's Discussion and Analysis | 12 – 26 |
| <i>Basic Financial Statements</i> | |
| Statement of net position | 27 – 28 |
| Statement of activities | 29 – 30 |
| Balance sheet – governmental funds | 31 |
| Reconciliation of the balance sheet of the governmental funds to the statement of net position | 32 |
| Statement of revenues, expenditures and changes in fund balances – governmental funds | 33 |
| Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities | 34 |
| Statement of revenues, expenditures and changes in fund balance – budget and actual – general fund | 35 |
| Statement of net position – proprietary funds | 36 |
| Statement of revenues, expenses and changes in net position – proprietary funds | 37 |
| Statement of cash flows – proprietary funds | 38 – 39 |
| Statement of net position – fiduciary funds | 40 |
| Notes to financial statements | 41 – 131 |
| <i>Required Supplementary Information</i> | |
| Schedule of changes in the County and the District net pension liability and related ratios – Virginia Retirement System | 132 |
| Schedule of changes in the School Board non-professional net pension liability and related ratios – Virginia Retirement System | 133 |
| Schedule of School Board share of net pension liability – VRS Teacher Retirement Plan (cost-sharing) – Virginia Retirement System | 134 |
| Schedule of County and District contributions – Virginia Retirement System | 135 |
| Schedule of School Board non-professional contributions – Virginia Retirement System | 136 |
| Schedule of School Board professional contributions – Virginia Retirement System | 137 |
| Notes to required supplementary information – Virginia Retirement System | 138 – 140 |
| Schedule of changes in the County and the District's total OPEB liability and related ratios – Medical Insurance Program | 141 |
| Schedule of changes in the School Board's total OPEB liability and related ratios – Medical Insurance Program | 142 |

Required Supplementary Information (Continued)

| | |
|---|-----------|
| Schedule of the County and the District's plan contributions – OPEB – Medical Insurance Program | 143 |
| Schedule of School Board plan contributions – OPEB – Medical Insurance Program | 144 |
| Schedule of Employer's share of net OPEB liability – Group Life Insurance Program | 145 |
| Schedule of Employer contributions – OPEB – Group Life Insurance Program | 146 |
| Schedule of changes in the School Board non-professional plan's net OPEB liability and related ratios – Health Insurance Credit Program | 147 |
| Schedule of School Board non-professional Plan contributions – OPEB – Health Insurance Credit Program | 148 |
| Schedule of changes in the School Board professional plan's net OPEB liability and related ratios – Health Insurance Credit Program | 149 |
| Schedule of School Board professional plan contributions – OPEB – Health Insurance Credit Program | 150 |
| Notes to required supplementary information – Other Postemployment Benefits | 151 – 153 |

Supplementary Information

| | |
|---|-----------|
| Combining statement of net position – nonmajor proprietary funds | 154 |
| Combining statement of revenues, expenses and changes in net position – nonmajor proprietary funds | 155 |
| Combining statement of cash flows – nonmajor proprietary funds | 156 |
| Combining statement of net position – Internal Service Funds | 157 |
| Combining statement of revenues, expenses and changes in net position – Internal Service Funds | 158 |
| Combining statement of cash flows – Internal Service Funds | 159 |
| Combining statement of net position – fiduciary funds | 160 |
| Combining statement of changes in assets and liabilities – all agency funds | 161 – 163 |
| Combining balance sheet – discretely presented component unit – School Board | 164 |
| Combining statement of revenues, expenditures and changes in fund balances – discretely presented component unit – School Board | 165 |
| Combining statement of net position – School Board – fiduciary funds | 166 |
| Combining statement of changes in assets and liabilities – School Board – all agency funds | 167 |
| Combining balance sheet – discretely presented component unit – Harrisonburg-Rockingham Social Services District | 168 |
| Combining statement of revenues, expenditures and changes in fund balances – discretely presented component unit – Harrisonburg-Rockingham Social Services District | 169 |
| Combining statement of net position – nonmajor discretely presented component units | 170 |
| Combining statement of revenues, expenses and changes in net position – nonmajor discretely presented component units | 171 |
| Combining statement of cash flows – nonmajor discretely presented component units | 172 |

Supplemental Schedules

| | |
|--|-----------|
| Governmental funds and major discretely presented component units – schedule of revenues – budget and actual | 173 – 181 |
| Governmental funds and major discretely presented component units – schedule of expenditures – budget and actual | 182 – 187 |

STATISTICAL SECTION

Tables

| | | |
|----|--|-----------|
| 1 | Comments relative to statistical section | 188 |
| 2 | Net position/assets by component | 189 – 190 |
| 3 | Changes in net position/assets | 191 – 194 |
| 4 | Program revenues by function/program | 195 |
| 5 | Fund balances – governmental funds | 196 |
| 6 | Changes in fund balances – governmental funds | 197 – 199 |
| 7 | Tax revenues by source – governmental funds | 200 |
| 8 | Assessed value and estimated actual value of taxable property | 201 |
| 9 | Direct and overlapping property tax rates | 202 |
| 10 | Principal property taxpayers | 203 |
| 11 | Real property tax levies and collections | 204 |
| 12 | Ratios of outstanding debt by type and general bonded debt outstanding | 205 |
| 13 | Direct and overlapping governmental activities debt | 206 |
| 14 | Pledged-revenue coverage | 207 – 208 |
| 15 | Demographic and economic statistics | 209 |
| 16 | Principal employers | 210 |
| 17 | Full-time equivalent County government employees by function/program | 211 – 212 |
| 18 | Operating indicators by function/program | 213 – 214 |
| 19 | Capital asset statistics by function/program | 215 – 216 |

COMPLIANCE SECTION

| | |
|---|-----------|
| Schedule of Expenditures of Federal Awards | 217 – 219 |
| Notes to Schedule of Expenditures of Federal Awards | 220 – 221 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 222 – 223 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance | 224 – 225 |
| Schedule of Findings and Questioned Costs | 226 |
| Summary Schedule of Prior Audit Findings | 227 – 230 |

INTRODUCTORY SECTION



STEPHEN G. KING
County Administrator



ROCKINGHAM COUNTY

BOARD OF SUPERVISORS

PABLO CUEVAS

Election District No. 1

SALLIE WOLFE-GARRISON

Election District No. 2

RICK L. CHANDLER

Election District No. 3

WILLIAM B. KYGER, JR.

Election District No. 4

MICHAEL A. BREEDEN

Election District No. 5

November 27, 2018

Board of Supervisors
County of Rockingham
20 East Gay Street
Harrisonburg, VA 22802

Gentlemen:

It is my pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This report has been prepared in accordance with Section 15.2-2503 of the *Code of Virginia*, 1950, as amended. The report is designed to present fairly the respective financial position of the government activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County in all material respects, and to demonstrate compliance with applicable finance-related legal and contractual provisions.

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 has been established for this purpose. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgements by management.

Upon completing your review of this introductory section, you are encouraged to review the narrative introduction, overview, and analysis found in management's discussion and analysis (MD&A) for a more detailed overview of the County's financial position. The MD&A immediately follows the independent auditors report, compliments this letter and should be read in conjunction with it.

Profile of the Government

The County of Rockingham, located in the heart of the Shenandoah Valley, is the third largest county in Virginia in land area with 853.65 square miles and an estimated population of 80,666. The independent city of Harrisonburg, with an estimated population of 54,689 serves as the County seat, and is the largest city in western Virginia between the Roanoke and the Washington, D.C. metropolitan areas.

The County was established in 1778 by an act of the Virginia General Assembly, and is organized under the traditional form of County government. Under this form, the County's governmental operations are directed by a five-member Board of Supervisors (Board) who are elected by election districts. The Board is responsible for establishing the policies and ordinances that provide the direction for the government and for approving the annual budget.

This report includes the financial activities of the County (primary government); as well as, the financial activities of the County's component units. Component units are legally separate entities for which the primary government is financially accountable and, therefore, are included in the primary government's CAFR.

The County provides a full range of services including law enforcement, emergency medical response, and fire protection; judicial services; correctional facilities; disposal of solid waste; utility services; planning and zoning; and recreational and cultural activities.

The County provides courthouse and jail facilities; as well as, the services of the Sheriff, Commonwealth's Attorney, and Clerk of the Circuit Court for the City of Harrisonburg (City). The total costs of these services are presented in this report and supporting schedules. The City reimburses the County for one-half of the net local cost incurred in the provision of these services.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The Rockingham County School Board is a legally separate entity and is reported as a major discretely presented component unit. The Economic Development Authority is a separate legal entity and is reported as a nonmajor discretely presented component unit. The Rockingham Recreation Foundation is a separate legal entity and is reported as a nonmajor discretely presented component unit. The County has consolidated social service operations with the City which is named the Harrisonburg-Rockingham Social Services District (District). The District is also a separate legal entity and is a major discretely presented component unit in the government-wide financial statements.

The School Operating and School Cafeteria Funds are included in the supporting statistical schedules in this report since the Board is required to approve the budget for these operations. The County believes that the omission of these funds from the Statistical Section would not give the reader an accurate depiction of the overall results of the operations of County government.

Additional information on the financial reporting entity can be found in Note 1.A. in the notes to the financial statements.

State law requires the County Administrator to submit a balanced budget to the Board no later than April 15th of each year. Each department and agency prepares its budget request for review and amendment by the County Administrator prior to inclusion in the County's general operating budget. The School Board and Social Services Administrative Board prepare their budgets and transmit them to the County Administrator. The County Administrator then submits his recommendation to the Board's Finance Committee for consideration and recommendation to the full Board.

The Board establishes a time and place for a public hearing on the budget. A hearing must be held at least seven days prior to the adoption of the budget. Except for the School's budget, which may only be increased or decreased by major category or as a whole, the Board may insert new items of expenditure or may increase, decrease or remove items of expenditure (other than debt service or other legal requirements). On April 26, 2017, the Board approved the budget for fiscal year 2018. During the fiscal year 2018, as is customary, the Board also approved supplemental budget amendments.

Local Economy

The County continues to enjoy a relatively stable and diverse local economy. The County has a varied manufacturing, industrial, distribution, services, and higher education base that adds to the relative stability of the unemployment rate (currently 2.4%). Major industries with headquarters or divisions located within the County's boundaries include a chemical manufacturer, brewery, printer, foodservice marketer and distributor, retail distributors, four-season resort, and several poultry processors. Higher education also has a major presence within the area with a state university, private university, and a private college with a combined full-time enrollment of over 30,500 students.

According to the 2012 U.S. Census of Agriculture, Rockingham County is ranked 1st in the state for total value of agricultural products sold (\$659 million) with 1,902 farms totaling 222,049 acres. Also from the census, Rockingham County is ranked 1st in the state for the following four commodity group sales: Milk and other dairy products from cows, cattle and calves, poultry and eggs, and other crops and hay. Rockingham County further ranked 1st in the state for all five livestock categories.

The economy of the region remains relatively strong, influenced by the steady growth of three local universities and colleges (James Madison University, Eastern Mennonite University and Bridgewater College), and a very diverse local economy. Despite the economic challenges in other areas of Virginia and the United States which impact the funding received from other governments, the County is meeting critical service demands for its citizens. As a result of the Commonwealth's budget difficulties and continued uncertainty of federal funding, management continues a restrained, targeted strategy for local operations with close coordination with the School Board and the Constitutional Officers.

Existing businesses in the County have experienced growth over the last several years and other businesses are planning for growth in the next two to five years. Those businesses include, Miller-Coors, Merck, Sysco, Danone Wave, Shenandoah Growers and Virginia Poultry Growers Cooperative. Private commercial development continues along the new Stone Spring Road corridor, particularly in the area of Port Republic Road and Reservoir Street.

Significant events and actions during this past year include:

- Completion of Phase 1 School renovation projects at John Wayland Elementary and Pleasant Valley Elementary Schools and construction of a new Dayton Learning Center, now called Rockingham Academy. All formally opened in September of this year.
- Implemented device deployment at all Elementary Schools in the County. Fiscal Year 2018 completed the digital technology efforts. Every student in the County, first grade and higher has access to a device appropriate for their grade level.
- Began Phase 2 School renovation projects at John C. Myers and Fulks Run Elementary Schools with the design phase. The projects are to be bid in early 2019.
- Solicited proposals for the design and construction of a new Fire and Rescue response facility to be located on Port Republic Road. Construction is expected to begin in early 2019.
- Solicited proposals for the design and modification of the existing Fire and Rescue training rooms at 20 East Gay Street to house Adult Court Services and finish out the second floor to provide new space for Fire and Rescue training. Construction is expected to be completed in the first quarter of 2019.

- Awarded a contract for design and will solicit proposals to construction a new courtroom and supporting office space in the area currently occupied by Adult Court Services, in order to provide a courtroom for a new Juvenile and Domestic Relations judge expected to be assigned in July of 2019.
- Also worked with the Virginia Department of Transportation (VDOT), to complete critical road infrastructure projects:
 - Completed the widening of Reservoir Street in coordination with the City of Harrisonburg (City) to improve Reservoir Street east from the City limits to Stone Spring Road.
 - Completed the construction of a third lane on Route 33 eastbound, between Stone Spring Road and Massanetta Springs Road.
 - Completed design of the Massanetta Springs Road improvement project in cooperation with the Preston Lake development. The project will begin from just north of the Massanetta Springs conference center and extend to Route 33, with construction expected to be completed in calendar year 2019.
 - Began design of Bike and Buggy Lanes on Route 42 in the Town of Dayton, extended from the town limits to Erickson Avenue, with construction to be completed in calendar year 2019.
- Completed construction of a new Landfill cell.
- Continued the phased upgrade of the County's financial management software. Payroll and Human Resources modules were implemented in early 2015. The next phases are the Commissioner of the Revenue, Treasurer, and Utilities billing systems to be implemented in Fiscal Year 2019.
- Continued design and construction of heating, ventilation, and air conditioning (HVAC) system upgrades in the Harrisonburg-Rockingham Regional Jail.

Looking to the future, there are several projects and financial issues which need to be part of the County's short- and long-term financial planning.

These items include:

- Continue to work toward a long-term plan to address space needs in the District Courts and Circuit Courts buildings.
- Evaluate partnerships with the City and the seven towns in the County to develop water supply resources and related delivery infrastructure, and look to acquire additional wastewater treatment capacity to meet long-term County needs.
- The demand for County-funded fire and rescue services continues to grow as volunteer participation wanes.

The Board of Supervisors and School Board are to be commended for collaborating to maintain a high-quality education system, which is critical for the development of an educated workforce. An educated workforce stimulates economic activity by encouraging private sector business investment in our community.

Rockingham County holds a financial rating from the United States' three largest credit rating agencies - Standard & Poor's, Moody's Investor Service, and Fitch Ratings, including a "AAA" from Standard & Poor's, and a "AA" from Moody's and Fitch. In 2015, the County was notified by Standard & Poor's that after a review of the County's financial position the firm was upgrading Rockingham County from a "AA+" to "AAA" indicating that the agency found the County's economy strong and that the actions taken by the Board to sustain the County's financial strength were significant. These strong ratings reflect recognition by the credit ratings agencies of the strong leadership of the Board and the County's economic viability.

The policies and actions by the Board of Supervisors encourage steady, sustainable growth, fostering a strong local economy. For more information on the services provided by the County, please refer to the County's website at www.rockinghamcountyva.gov.

The Government Finance Officers Association of the United States and Canada has awarded the County a Certificate of Achievement for Excellence in Financial Reporting for thirty-four consecutive years. This award certifies the County's continuing efforts to achieve the highest standards in government accounting and financial reporting.

On behalf of the County's management team, we extend our sincerest appreciation to the members of County staff that assisted and contributed in the preparation of this report and to the Board of Supervisors for the confidence expressed and resources entrusted to us throughout the year, which allow for the implementation of the Board's policies. We look forward to continuing to work with you to provide high quality, efficient and effective services for our community.

Respectfully submitted,


Stephen G. King
County Administrator


Patricia D. Davidson
Director of Finance

COUNTY OF ROCKINGHAM, VIRGINIA

Directory of Principal Officials June 30, 2018

Board of Supervisors

| | |
|---|-----------------------------|
| Pablo Cuevas, Chairman District 1 | |
| Michael A. Breeden, Vice-Chairman District 5 | |
| Sallie Wolfe-Garrison District 2 | Rich Chandler District 3 |
| William B. Kyger Jr. District 4 | |

County Administrator

Stephen G. King

School Board

| | |
|---|---------------------------|
| Dan Breeden, Chairman District 5 | |
| Dr. Charlette E. McQuilkin, Vice-Chairman District 4 | |
| Jackie Lohr District 1 | Lowell Fulk District 2 |
| Renee A. Reed District 3 | |

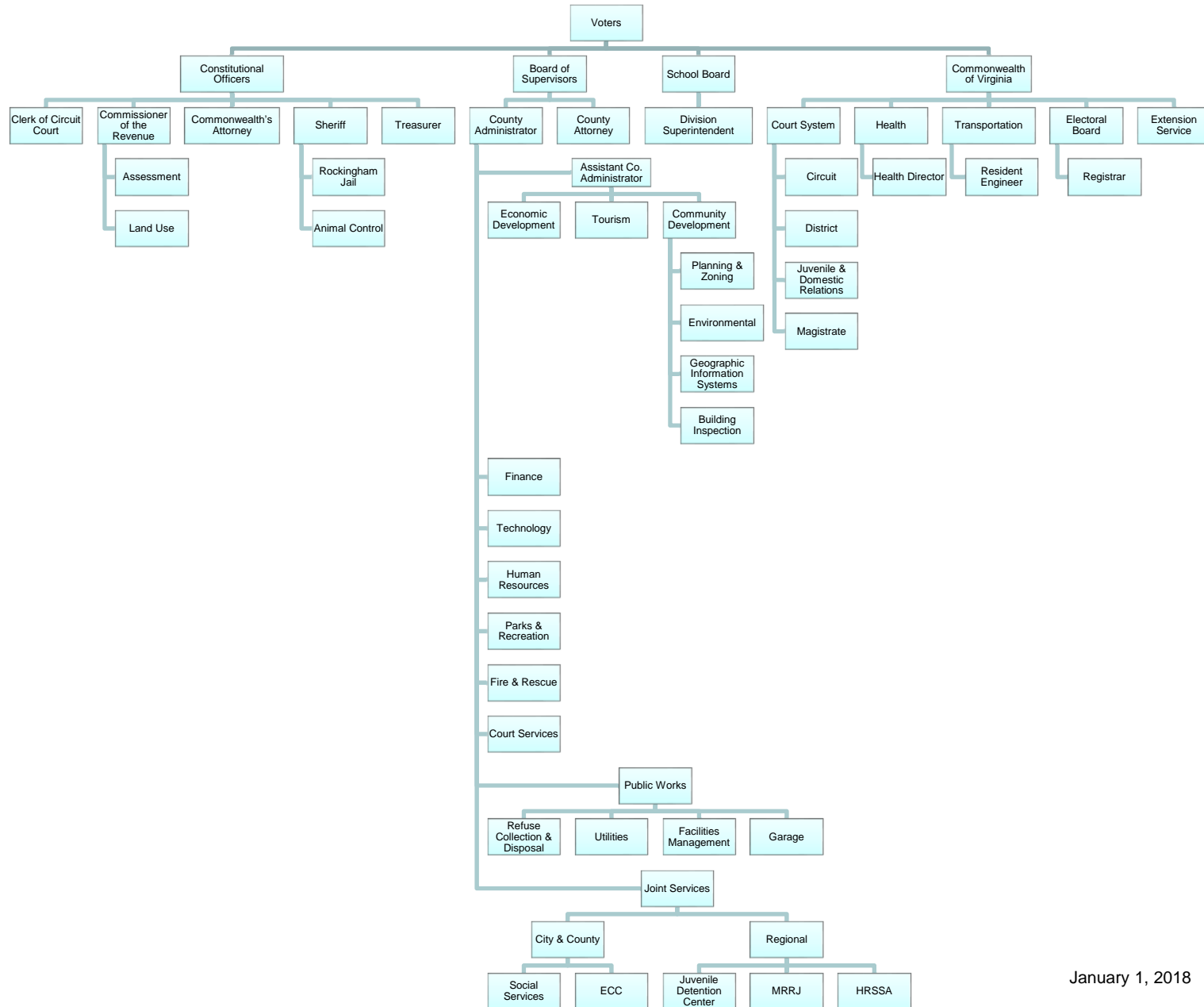
Superintendent of Schools

Dr. Oskar Scheikl

Other Officials

| | |
|-----------------------|-----------------------------------|
| Casey Armstrong | Assistant County Administrator |
| Thomas H. Miller, Jr. | County Attorney |
| Lowell R. Barb | Commissioner of the Revenue |
| Bryan F. Hutcheson | Sheriff |
| L. Todd Garber | Treasurer |
| Marsha L. Garst | Commonwealth Attorney |
| Chaz W. Haywood | Clerk of the Circuit Court |
| Patricia D. Davidson | Director of Finance |
| Celest D. Williams | Director of Social Services |
| Terri M. Perry | Director of Technology |
| Kirby Dean | Director of Parks and Recreation |
| Phillip Rhodes | Director of Public Works |
| Ann Marie Freeman | Director of Court Services |
| Jennifer J. Mongold | Director of Human Resources |
| Lisa B. Gooden | Registrar |
| Jeremy C. Holloway | Director of Fire and Rescue |
| Casey Armstrong | Director of Community Development |

Rockingham County, VA Government Organizational Chart



January 1, 2018



Government Finance Officers Association

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

Presented to

**County of Rockingham
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors
County of Rockingham, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's 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 and specifications require 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 auditor's 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 County'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 County'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 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2018, the respective changes in financial position and the budgetary comparison of the General Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 24 to the financial statements, the County restated beginning net position of the Governmental Activities, Business-Type Activities, Water and Sewer Fund, Solid Waste Fund, and Component Units, School Board and Harrisonburg-Rockingham Social Services District, in order to record the liabilities for other postemployment benefits and related components in accordance with the implementation of GASB Statement No. 75.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 12-26 and 132-153, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules listed in the table of contents as supplementary information, supplemental schedules, introductory section, 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, supplementary information, and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, supplementary information and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, 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 27, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

PB Mares, LLP

Harrisonburg, Virginia
November 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Rockingham, Virginia, (County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the letter of transmittal in the Introductory Section of this report and the County's financial statements following this analysis. **All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

Financial Highlights

- The County's total net position, excluding component units, totaled \$27,053 at June 30, 2018. Of this amount, there was \$76,463 invested in the County's capital assets, net of related debt, \$5,143 in restricted funds assets, and a negative \$54,553 in unrestricted funds.
- The negative \$54,533 in unrestricted funds is a result of recording \$79,062 in debt for the component unit – School Board within the governmental activities. Debt is recorded within the primary government since the County is legally obligated to make payments for this debt; however, the corresponding assets are reported in the component unit – School Board statements since the School Board holds title to the assets.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$38,820. Approximately 68 percent of this total amount, \$26,465 is available for spending at the government's discretion (unassigned fund balance). There is an additional \$3,979 in the General Capital Projects Fund assigned to unspecified future capital outlays that could be returned to the General Fund at the Board of Supervisors' (Board) discretion.
- At the end of the current fiscal year, the unassigned fund balance in the General Fund was \$26,465, which represents 18 percent of total General Fund expenditures. As mentioned above, an additional 3,979, which represents 3 percent of total General Fund expenditures, is assigned to future unspecified capital outlays in the General Capital Projects Fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise 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.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and social services, education, parks, recreation and cultural, and community development. The business-type activities of the County include water and sewer, solid waste, and other proprietary fund operations.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board, legally separate social services district, legally separate economic development authority, and a legally separate recreation foundation, for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 27-30 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County 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 reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the General Capital Projects Fund, which are considered to be major funds and the Asset Forfeiture Fund, which is considered to be a nonmajor fund.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 31-34 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer activities and for its solid waste operation. *Internal service funds* are used to accumulate and allocate costs internally among the County's various functions. The County has two internal service funds. The Central Stores Fund accounts for providing office supplies to various departments or agencies of the County and recording the related costs. The Self-Insurance Fund accounts for the costs associated with providing health insurance benefits and managing claims for employees of the County and its component units.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Smith Creek Water & Waste Authority, and Solid Waste Funds, all of which are considered to be major funds of the County. Conversely, the non-major enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 36-39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 40 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's pension plans and its obligation to provide pension benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$27,053 at the close of the most recent fiscal year. This is a decrease of \$17,621 in comparison with the prior year's net position. The explanation for this change is provided below.

By far, the largest portion of the County's net position, \$76,463, reflects its investment in capital assets (e.g. land, easements, buildings, improvements, machinery and equipment, software, and construction in progress, net of accumulated depreciation and amortization), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not readily 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 would not likely be used to liquidate these liabilities. The balance increased from the prior year balance of \$66,820 to \$76,463.

An additional portion of the County's net position, \$5,143, represents resources that are subject to external restrictions on how they may be used. There was a decrease of \$5,659 in restricted net assets reported in connection with the County's business-type activities and governmental activities.

The unrestricted portion of the County's net position for the primary government's governmental activities decreased from negative \$29,622 to negative \$54,553. This change in the unrestricted portion of the County's net position was impacted by the recording of construction in progress.

The unrestricted portion of the County's net position for the primary government is also lower than the preferred balance due to the County financing the necessary capital asset projects of the component unit School Board. Since the County is legally obligated for the retirement of the debt, it is required to record the liability for this financing; however, the capital asset which statutorily is owned by the School Board is recorded with the component unit. Please refer to Note 1(E)(10) of the financial statements for further explanation.

The largest portion of the component unit School Board's net position reflects its investment in capital assets (e.g. land, easements, buildings, improvements, equipment, and construction in progress, net of accumulated depreciation and amortization). As explained above and in Note 1(E)(10) of the financial statements, the School Board does not have taxing authority by law and, therefore, cannot incur debt through general obligation bonds for its capital assets.

County of Rockingham, Virginia
Summary Statement of Net Position
June 30, 2018 and 2017

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------------------|----------------------------|-----------------|-----------------------------|------------------|-----------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 55,814 | \$ 58,747 | \$ 27,431 | \$ 29,097 | \$ 83,245 | \$ 87,844 |
| Capital assets, net | 53,105 | 50,975 | 65,164 | 57,339 | 118,269 | 108,314 |
| Total assets | 108,919 | 109,722 | 92,595 | 86,436 | 201,514 | 196,158 |
| Deferred outflows of resources | 2,922 | 3,992 | 728 | 856 | 3,650 | 4,848 |
| Other liabilities | 9,018 | 7,660 | 2,514 | 1,788 | 11,532 | 9,448 |
| Noncurrent liabilities | 118,921 | 101,436 | 45,394 | 41,884 | 164,315 | 143,320 |
| Total liabilities | 127,939 | 109,096 | 47,908 | 43,672 | 175,847 | 152,768 |
| Deferred inflows of resources | 2,077 | 224 | 185 | 14 | 2,262 | 238 |
| Net position: | | | | | | |
| Net investment in capital assets | 42,693 | 38,693 | 33,770 | 28,127 | 76,463 | 66,820 |
| Restricted | 404 | 235 | 4,739 | 10,567 | 5,143 | 10,802 |
| Unrestricted (deficit) | (61,273) | (34,534) | 6,720 | 4,912 | (54,553) | (29,622) |
| Total net position | \$ (18,176) | \$ 4,394 | \$ 45,229 | \$ 43,606 | \$ 27,053 | \$ 48,000 |

| | Component Units | | | |
|---------------------------------------|------------------|------------------|--|-----------------|
| | School Board | | Harrisonburg- Rockingham Social Services District | |
| | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 38,479 | \$ 30,841 | \$ 9,008 | \$ 8,067 |
| Capital assets, net | 139,675 | 129,603 | 2,323 | 2,366 |
| Total assets | 178,154 | 160,444 | 11,331 | 10,433 |
| Deferred outflows of resources | 16,323 | 18,223 | 829 | 1,133 |
| Other liabilities | 25,365 | 26,061 | 1,828 | 1,348 |
| Noncurrent liabilities | 141,345 | 130,396 | 4,095 | 3,388 |
| Total liabilities | 166,710 | 156,457 | 5,923 | 4,736 |
| Deferred inflows of resources | 13,843 | 4,426 | 590 | 44 |
| Net position: | | | | |
| Net investment in capital assets | 139,675 | 129,603 | 2,323 | 2,366 |
| Restricted | 4,134 | - | 2,121 | 2,020 |
| Unrestricted (deficit) | (129,884) | (111,819) | 1,204 | 2,400 |
| Total net position | \$ 13,925 | \$ 17,784 | \$ 5,648 | \$ 6,786 |

County of Rockingham, Virginia
Summary Statement of Changes in Net Position
Years Ended June 30, 2018 and 2017

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------------------|----------------------------|----------------|-----------------------------|---------------|-----------------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 11,284 | \$ 10,574 | \$ 13,529 | \$ 12,601 | \$ 24,813 | \$ 23,175 |
| Operating grants and contributions | 10,458 | 10,897 | 1,415 | 2,192 | 11,873 | 13,089 |
| Capital grants and contributions | 3,141 | 306 | - | - | 3,141 | 306 |
| General revenues: | | | | | | |
| General property taxes | 88,480 | 81,434 | - | - | 88,480 | 81,434 |
| Other local taxes | 11,722 | 11,484 | - | - | 11,722 | 11,484 |
| Intergovernmental non-categorical aid | 8,584 | 8,051 | - | - | 8,584 | 8,051 |
| Use of money and property | 712 | 1,133 | 273 | 172 | 985 | 1,305 |
| Miscellaneous | 536 | 628 | 775 | 763 | 1,311 | 1,391 |
| Total revenues | 134,917 | 124,507 | 15,992 | 15,728 | 150,909 | 140,235 |
| Expenses: | | | | | | |
| General government administration | 5,955 | 5,933 | - | - | 5,955 | 5,933 |
| Judicial administration | 4,831 | 4,107 | - | - | 4,831 | 4,107 |
| Public safety | 30,668 | 27,124 | - | - | 30,668 | 27,124 |
| Public works | 9,565 | 3,365 | 13,990 | 13,188 | 23,555 | 16,553 |
| Health and social services | 8,212 | 5,786 | - | - | 8,212 | 5,786 |
| Education | 85,021 | 60,962 | - | - | 85,021 | 60,962 |
| Parks, recreation and cultural | 2,504 | 2,434 | - | - | 2,504 | 2,434 |
| Community development | 4,383 | 4,745 | - | - | 4,383 | 4,745 |
| Interest | 3,401 | 3,149 | - | - | 3,401 | 3,149 |
| Total expenses | 154,540 | 117,605 | 13,990 | 13,188 | 168,530 | 130,793 |
| Change in net position | (19,623) | 6,902 | 2,002 | 2,540 | (17,621) | 9,442 |
| Net position, beginning, as restated | 1,447 | (2,508) | 43,227 | 41,066 | 44,674 | 38,558 |
| Net position, ending | \$ (18,176) | \$ 4,394 | \$ 45,229 | \$ 43,606 | \$ 27,053 | \$ 48,000 |

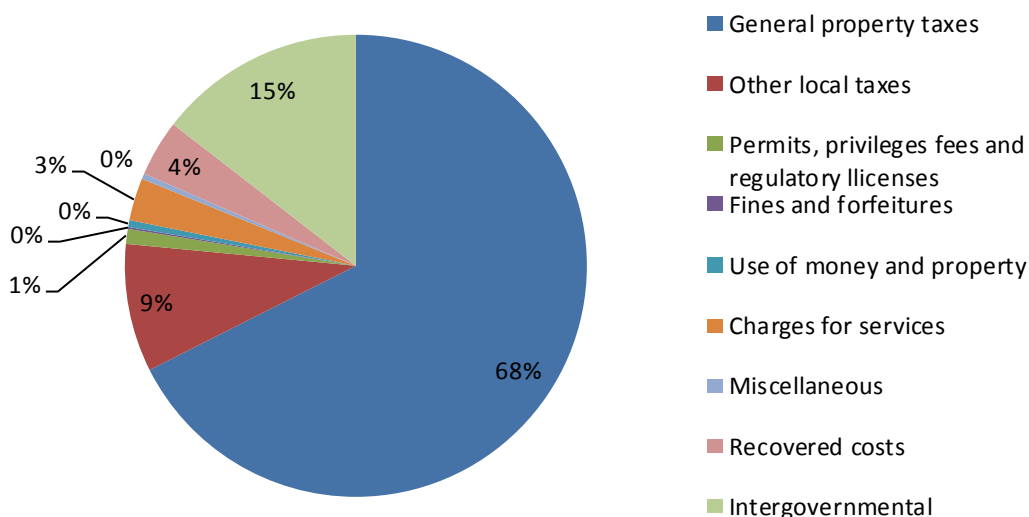
County of Rockingham, Virginia
Summary Statement of Changes in Net Position (Continued)
Years Ended June 30, 2018 and 2017

| | Component Units | | | |
|--|-----------------|----------------|--|---------------|
| | School Board | | Harrisonburg-Rockingham Social Services District | |
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 5,452 | \$ 5,596 | \$ - | \$ - |
| Operating grants and contributions | 79,994 | 76,639 | 17,606 | 17,128 |
| Capital grants and contributions | 99 | 176 | - | - |
| General revenues: | | | | |
| Grants and contributions not restricted to specific programs | 85,030 | 60,962 | 8,209 | 8,092 |
| Intergovernmental non-categorical aid | 74 | 77 | - | - |
| Use of money and property | 137 | 44 | 41 | 32 |
| Miscellaneous | 250 | 543 | 49 | 50 |
| Total revenues | 171,036 | 144,037 | 25,905 | 25,302 |
| Expenses: | | | | |
| Health and social services | - | - | 26,332 | 24,120 |
| Education | 148,669 | 147,967 | - | - |
| Total expenses | 148,669 | 147,967 | 26,332 | 24,120 |
| Change in net position | 22,367 | (3,930) | (427) | 1,182 |
| Net position, beginning, as restated | (8,442) | 21,714 | 6,075 | 5,604 |
| Net position, ending | \$ 13,925 | \$ 17,784 | \$ 5,648 | \$ 6,786 |

Governmental activities. Governmental activities increased the deficit in the County's net position by \$19,623 compared to a decreased deficit in the County's net position by \$6,902 in fiscal year 2017. Key factors for this change are as follows:

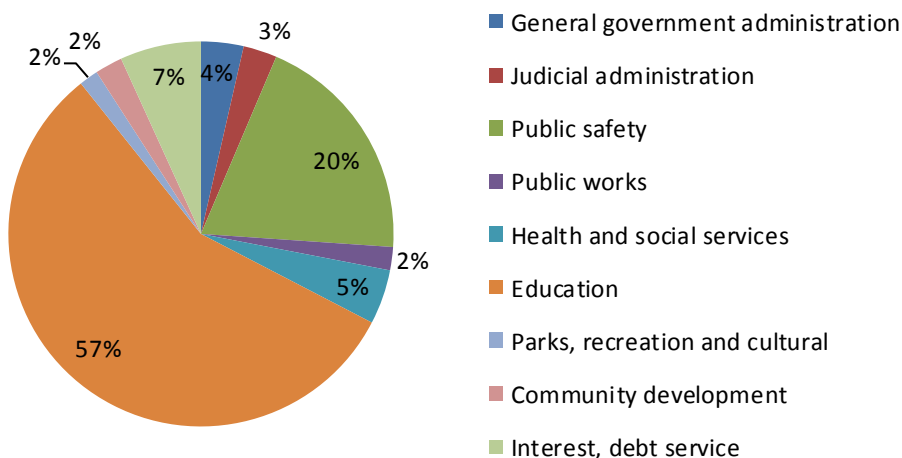
Total revenues increased \$10,410 (from \$124,507 to \$134,917) compared to last year. Revenues by source are shown in the chart below. Revenues from general property taxes make up 68 percent of total revenues.

Revenues by Source - Governmental Activities



Total expenses increased by \$36,935 (from \$117,605 to \$154,540) compared to last year. The local transfer to Education in the amount of \$85,030 makes up 55 percent of total Governmental activities with Public Safety coming in second at 20 percent of the total.

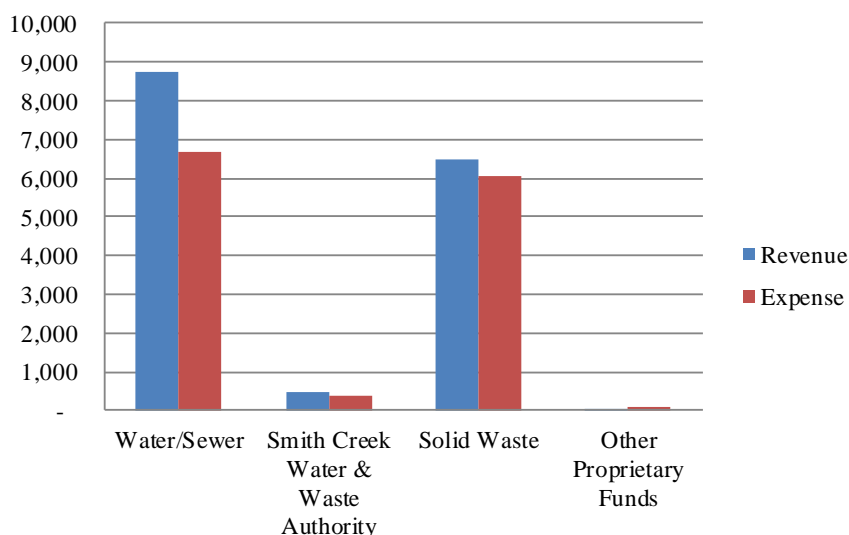
Expenditures by Type - Governmental Activities



A detailed explanation of the key components for the revenue and expense changes is outlined on pages 20-21 under the Financial Analysis of the Government's Funds.

Business-type activities. Business-type activities increased the County’s net position by \$2,002 compared to an increase of \$2,540 last fiscal year. Each of these businesses is monitored on a regular basis to assure that they are operating as a self-sustaining enterprise.

Revenues and Expenses – Business-type Activities



Component Unit – School Board. The School Board’s net position increased by \$22,367 this fiscal year compared to a decrease of \$3,930 in fiscal year 2017. Key elements of this increase are as follows:

1. Revenues increased by \$26,999 (from \$144,037 to \$171,036) primarily due to an increase in the local transfer from government (from \$60,962 to \$85,030).
2. Expenses also increased by a total of \$702 (from \$147,967 to \$148,669) due to slightly higher operating costs.
3. Included in 2018 Expenses are depreciation and amortization totaling \$8,791, which are a non-cash reduction in net position.

Financial Analysis of the Government’s Funds

As noted earlier, 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 *spendable* resources. Such information is useful in assessing the County’s financing requirements. In particular, *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.

As of the end of the current fiscal year, the County’s governmental funds reported combined ending fund balances of \$38,820, a decrease of \$448 in comparison with the prior year.

Approximately 68 percent of this total amount (\$26,465) constitutes unassigned general fund balance, which is available for spending at the government's discretion. In addition, another 10 percent of this total amount (\$3,979) constitutes fund balance assigned to future unspecified capital outlays in the General Capital Projects Fund. However, these funds may be returned to the General Fund at the Board's discretion.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$26,465, while total fund balance reached \$30,473. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18 percent of total General Fund expenditures, while total fund balance represents 20 percent of that same amount.

The fund balance of the County's General Fund increased \$3,042 during the current fiscal year compared to a decrease of \$2,900 for fiscal year 2017. This \$3,042 increase is significantly better than the original budget, which projected a \$2,925 decrease, and the final budget projecting a \$6,662 decrease. The key factors influencing these results are as follows:

- Total expenditures increased by \$23,922 compared to last year. Many of the expenditure categories remained relatively flat. The key components with changes were:
 - General government administration decreased \$194 compared to the prior fiscal year total of \$5,543.
 - Judicial administration increased \$76 compared to the prior fiscal year total of \$4,156.
 - Public safety increased \$911 compared to the prior fiscal year total of \$28,634.
 - Public works was decreased \$180 compared to the prior fiscal year total of \$3,108.
 - Health and social services increased \$696 compared to the prior fiscal year total of \$6,171.
 - Education increased \$24,223 compared to the prior fiscal year total of \$60,756 due to a carryforward of loan proceeds from fiscal year 2017.
 - Community development decreased \$480 compared to prior fiscal year total of \$3,959.
 - Parks, Recreation and cultural increased \$26 compared to prior fiscal year total of \$2,365.
 - Principal and interest decreased \$1,156 compared to the prior fiscal year total of \$11,368.

The General Capital Projects Fund has a total fund balance of \$8,129, of which the entire amount is committed to specified future capital outlays or assigned to unspecified future capital outlays. The County had capital outlays of \$14,218 during the current fiscal year, which were funded by revenues and the fund balance.

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

Net position of these funds increased \$2,002 this fiscal year to \$45,229. The largest portion of the net position, \$33,769, continues to reflect the County's net investment in capital assets.

Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Total revenues were \$3,169 over the final budgeted amounts and the key factors for this were:

- General property taxes were \$3,199 greater than the budget due to the reassessment of real property in 2018, an increase in Personal Property tax assessments and Machinery and Tools tax assessed values as several large businesses in the County expanded.

Total expenditures were \$6,515 under the final budgeted amounts and the key factors were:

- The appropriation to the Rockingham County School Board for general operations was less than the final budget by \$2,825. The remaining funds were left unspent at year-end by the School Board in recognition of the need to conserve resources.
- Public Safety was \$1,326 less than budgeted primarily due to the Lighting Upgrades and HVAC renovations in the jail. Much of the work remains to be completed in fiscal year 2019.
- Most of the other expenditure categories were less than the final budget amounts to varying degrees, but primarily due to containment of costs.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounted to \$118,269 (net of accumulated depreciation and amortization). This investment in capital assets includes land, easements, construction in progress, buildings, improvements, machinery and equipment, and software. The County's investment in capital assets for the current fiscal year increased to \$118,269 compared to \$108,314 last year.

County of Rockingham, Virginia Summary Statement of Capital Assets June 30, 2018 and 2017

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|----------------------------|------------------|-----------------------------|------------------|-----------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Non-depreciable assets: | | | | | | |
| Land | \$ 3,226 | \$ 3,226 | \$ 2,549 | \$ 2,449 | \$ 5,775 | \$ 5,675 |
| Easements | - | - | 227 | 227 | 227 | 227 |
| Construction in progress | 8,835 | 4,778 | 14,566 | 4,443 | 23,401 | 9,221 |
| Depreciable capital assets: | | | | | | |
| Buildings | 49,279 | 49,279 | 929 | 929 | 50,208 | 50,208 |
| Improvements | 11,802 | 11,774 | 77,399 | 77,043 | 89,201 | 88,817 |
| Machinery and equipment | 21,098 | 19,378 | 5,933 | 5,945 | 27,031 | 25,323 |
| Software | 1,803 | 1,803 | 44 | 44 | 1,847 | 1,847 |
| Accumulated depreciation and amortization | (42,938) | (39,263) | (36,483) | (33,741) | (79,421) | (73,004) |
| Capital assets, net | \$ 53,105 | \$ 50,975 | \$ 65,164 | \$ 57,339 | \$ 118,269 | \$ 108,314 |

Major capital expenditures during the current fiscal year for the primary government included:

- Construction in progress under Governmental Activities of \$3,726 for Rockingham Park.
- Construction in progress under Governmental Activities of \$570 for the Jail HVAC renovation.
- Construction in progress under Business-type Activities of \$8,030 for a new landfill cell.
- Construction in progress under Business-type Activities of \$1,794 for the McGaheysville Waterline Project.
- Construction in progress under Business-type Activities of \$356 for the 3 Springs Water Treatment Plant Finish Pump Project.
- Machinery and equipment under Governmental Activities of \$579 for a Sutphen Pumper Tanker.

County of Rockingham, Virginia
Summary Statement of Capital Assets (Continued)
June 30, 2018 and 2017

| | Component Units | | | |
|---|-------------------|-------------------|--|-----------------|
| | School Board | | Harrisonburg-Rockingham Social Services District | |
| | 2018 | 2017 | 2018 | 2017 |
| Non-depreciable assets: | | | | |
| Land | \$ 5,470 | \$ 5,470 | \$ 202 | \$ 202 |
| Easements | 37 | 37 | - | - |
| Construction in progress | 22,796 | 5,813 | - | - |
| Depreciable capital assets: | | | | |
| Buildings | 176,649 | 176,685 | 501 | 501 |
| Improvements | 54,868 | 54,032 | 1,976 | 1,929 |
| Machinery and equipment | 41,677 | 40,826 | 688 | 625 |
| Software | 49 | 49 | - | - |
| Accumulated depreciation and amortization | (161,871) | (153,309) | (1,044) | (891) |
| Capital assets, net | \$ 139,675 | \$ 129,603 | \$ 2,323 | \$ 2,366 |

The increase in construction in progress for the component unit School Board of \$16,983 was the renovation of John Wayland Elementary School, Pleasant Valley Elementary School and construction of Rockingham Academy. Architectural services for renovations at Fulks Run Elementary and John C. Myers Elementary are also included.

The increase in improvements for the component unit School Board of \$593 was for the replacement of chillers and HVAC equipment in several schools.

The increase in machinery and equipment for the component unit School Board was the purchase of \$692 for the replacement of 7 passenger buses and 5 other vehicles during the current fiscal year.

The increase in improvements for the component unit Harrisonburg-Rockingham Social Services District was furniture and fixtures for the remodel of the Human Services Building.

More detailed information about the County's capital assets is presented in Note 5 of the financial statements.

Long-term obligations. At the end of the current fiscal year, the County had total net bonded debt outstanding of \$83,340. All general obligation bonds issued by the County are for educational purposes, primarily for the construction of school facilities.

County of Rockingham, Virginia
Summary Statement of Long-Term Obligations
June 30, 2018 and 2017

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-------------------------------|----------------------------|-------------------|-----------------------------|------------------|-----------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| General obligation bonds | \$ 79,062 | \$ 61,627 | \$ - | \$ - | \$ 79,062 | \$ 61,627 |
| Unamortized premiums | 4,278 | 2,634 | 3,334 | 3,118 | 7,612 | 5,752 |
| Capital leases | 10,411 | 12,283 | - | - | 10,411 | 12,283 |
| Note payable | 9,886 | 7,827 | - | - | 9,886 | 7,827 |
| Revenue bonds | - | - | 28,511 | 26,594 | 28,511 | 26,594 |
| Landfill obligation | - | - | 11,929 | 10,833 | 11,929 | 10,833 |
| Compensated absences | 808 | 910 | 178 | 197 | 986 | 1,107 |
| Net pension liability | 8,629 | 13,902 | 770 | 872 | 9,399 | 14,774 |
| Other postemployment benefits | 5,847 | 2,253 | 672 | 270 | 6,519 | 2,523 |
| | <u>\$ 118,921</u> | <u>\$ 101,436</u> | <u>\$ 45,394</u> | <u>\$ 41,884</u> | <u>\$ 164,315</u> | <u>\$ 143,320</u> |

Article VII, Section 10(b), *Constitution of Virginia*, stipulates that no debt shall be contracted by or on behalf of any county or district thereof unless approved by an affirmative vote of a majority of the qualified voters of the County. No referendum was called to issue general obligation debt in the fiscal year.

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the County's debt position to management, citizens, and investors. Data for the County at the end of the 2018 fiscal year is presented as actual amounts as follows:

| Estimated Population | Assessed Valuation of All Taxable Property | Net Bonded Debt | Ratio of Debt to Assessed Valuation | Net Bonded Debt per Capita |
|-------------------------|---|-----------------------|--|-------------------------------------|
| 80,666 | \$ 9,703,239,006 | \$ 83,339,596 | 0.0086 | \$ 1,033 |

More detailed information about the County's long-term obligations is presented in Note 8 of the financial statements.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for September 2018 in Rockingham County was 2.4 percent, which is lower than the 3.9 percent rate a year ago. This compares close to the Virginia statewide unemployment rate of 2.7 percent and the United States national average of 3.7 percent.
- Fiscal year 2019 General Fund Revenue is budgeted to increase 4.3 percent to \$133,308 in comparison to the fiscal year 2018 Amended Budget of \$127,783.
- Federal revenues are primarily from grant sources, and with the federal fiscal year not beginning until October 1, it is difficult to project which grants will be approved. However, it is important to mention that those expenditures dependent upon federal grants will not be incurred until the grant is approved and the County has assurances that it will receive those funds.

- Revenue estimates continue to be projected conservatively by staff to be responsible to the County's citizens in funding planned levels of service for next year.
- Fiscal year 2019 General Fund Expenditures are budgeted to decrease in 14.82 percent to \$133,308 in comparison to the fiscal year 2018 Amended Budget of \$156,502.
- The unassigned fund balance in the General Fund at fiscal year-end was \$26,465. The County has appropriated \$1,686 of this amount for spending in the fiscal year 2019 budget. The drawdown in the fund balance is used for one-time capital and maintenance expenditures and, therefore, lessens the need to raise taxes.

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

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, County of Rockingham, P.O. Box 1252, Harrisonburg, Virginia 22803, telephone (540) 564-3010. The County's website address is www.rockinghamcountyva.gov.

BASIC FINANCIAL STATEMENTS

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2018

| | Primary Government | | | Component Units | | |
|--|----------------------------|-----------------------------|--------------------|--------------------|--|---------------|
| | Governmental Activities | Business-type Activities | Totals | School Board | Harrisonburg- Rockingham Social Services District | Nonmajor |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 20,802,546 | \$ 8,046,470 | \$ 28,849,016 | \$ 15,227,333 | \$ 2,622,945 | \$ 47,929 |
| Investments | 14,874,346 | 12,131,892 | 27,006,238 | 9,765,240 | 2,232,855 | 2,994 |
| Receivables, net: | | | | | | |
| Property taxes | 3,687,455 | - | 3,687,455 | - | - | - |
| Utility taxes | 162,624 | - | 162,624 | - | - | - |
| Trade and other accounts | 1,011,123 | 2,257,105 | 3,268,228 | 235,768 | 33,388 | 6,018 |
| Accrued interest | 99,579 | 47,579 | 147,158 | 33,053 | 10,832 | - |
| Due from other governments | 10,759,343 | - | 10,759,343 | 5,165,267 | 3,975,970 | - |
| Internal balances | 138,754 | (138,754) | - | - | - | - |
| Prepaid items | 536,555 | 80,262 | 616,817 | 3,731,277 | 132,016 | - |
| Inventory | 25,933 | 266,997 | 292,930 | 187,726 | - | - |
| Restricted cash | 187,667 | 4,739,335 | 4,927,002 | 4,133,596 | - | - |
| Investment in Harrisonburg-Rockingham Social Services District | 3,527,818 | - | 3,527,818 | - | - | - |
| Capital assets, net of accumulated depreciation and amortization: | | | | | | |
| Land | 3,225,766 | 2,549,023 | 5,774,789 | 5,469,535 | 202,036 | - |
| Easements | - | 227,156 | 227,156 | 36,654 | - | - |
| Buildings and improvements | 49,279,517 | 929,335 | 50,208,852 | 176,649,350 | 500,979 | - |
| Improvements other than buildings | 11,801,902 | 77,399,190 | 89,201,092 | 54,868,412 | 1,975,985 | - |
| Machinery and equipment | 21,097,570 | 5,933,160 | 27,030,730 | 41,676,745 | 688,085 | - |
| Software | 1,802,762 | 44,004 | 1,846,766 | 49,407 | - | - |
| Construction in progress | 8,835,185 | 14,564,929 | 23,400,114 | 22,796,266 | - | - |
| Less accumulated depreciation and amortization | (42,937,878) | (36,482,945) | (79,420,823) | (161,870,953) | (1,043,752) | - |
| Total assets | 108,918,567 | 92,594,738 | 201,513,305 | 178,154,676 | 11,331,339 | 56,941 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred charge on refunding | - | 450,166 | 450,166 | - | - | - |
| Pension plan | 2,370,009 | 213,829 | 2,583,838 | 13,126,550 | 677,436 | - |
| Other postemployment benefits | 552,178 | 63,774 | 615,952 | 3,196,934 | 151,845 | - |
| Total deferred outflows of resources | 2,922,187 | 727,769 | 3,649,956 | 16,323,484 | 829,281 | - |

| | | | | | | |
|--|------------------------|----------------------|----------------------|----------------------|---------------------|------------------|
| LIABILITIES | | | | | | |
| Accounts payable | 2,282,843 | 1,586,106 | 3,868,949 | 4,599,831 | 1,537,118 | - |
| Accrued payroll | 1,132,406 | 112,698 | 1,245,104 | 16,863,796 | 290,875 | - |
| Accrued liabilities | 374,998 | - | 374,998 | - | - | - |
| Accrued interest | 2,019,356 | 315,766 | 2,335,122 | - | - | - |
| Unearned revenue | 2,550,179 | 499,023 | 3,049,202 | 1,773,840 | - | - |
| Insurance and benefit claims | 658,545 | - | 658,545 | 1,975,634 | - | - |
| Due to other governments | - | - | - | 151,503 | - | - |
| Noncurrent liabilities: | | | | | | |
| Due within one year: | | | | | | |
| Bonds payable | 5,771,477 | 1,915,135 | 7,686,612 | - | - | - |
| Capital leases | 1,897,218 | - | 1,897,218 | - | - | - |
| Notes payable | 1,566,077 | - | 1,566,077 | - | - | - |
| Compensated absences | 515,463 | 101,387 | 616,850 | 2,753,169 | 23,471 | - |
| Due in more than one year: | | | | | | |
| Bonds payable, net | 77,568,119 | 29,929,210 | 107,497,329 | - | - | - |
| Capital leases | 8,514,297 | - | 8,514,297 | - | - | - |
| Notes payable | 8,320,437 | - | 8,320,437 | - | - | - |
| Landfill obligation | - | 11,928,910 | 11,928,910 | - | - | - |
| Compensated absences | 292,087 | 77,086 | 369,173 | 1,039,495 | 15,322 | - |
| Net pension liability | 8,628,783 | 770,283 | 9,399,066 | 100,666,111 | 2,449,846 | - |
| Other postemployment benefits | 5,846,977 | 672,383 | 6,519,360 | 36,886,324 | 1,605,869 | - |
| Total liabilities | 127,939,262 | 47,907,987 | 175,847,249 | 166,709,703 | 5,922,501 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Pension plan | 1,911,258 | 170,616 | 2,081,874 | 12,881,001 | 542,636 | - |
| Other postemployment benefits | 166,046 | 14,847 | 180,893 | 962,378 | 47,107 | - |
| Total deferred inflows of resources | 2,077,304 | 185,463 | 2,262,767 | 13,843,379 | 589,743 | - |
| NET POSITION | | | | | | |
| Net investment in capital assets | 42,693,309 | 33,769,673 | 76,462,982 | 139,675,416 | 2,323,333 | - |
| Restricted: | | | | | | |
| Nonexpendable minority interest | - | - | - | - | 2,120,558 | - |
| Capital projects | - | 4,739,335 | 4,739,335 | 4,133,596 | - | - |
| Judicial administration | 66,878 | - | 66,878 | - | - | - |
| Public safety | 149,638 | - | 149,638 | - | - | - |
| Capital outlay | 187,667 | - | 187,667 | - | - | - |
| Unrestricted (deficit) | (61,273,304) | 6,720,049 | (54,553,255) | (129,883,934) | 1,204,485 | 56,941 |
| Total net position | \$ (18,175,812) | \$ 45,229,057 | \$ 27,053,245 | \$ 13,925,078 | \$ 5,648,376 | \$ 56,941 |

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF ACTIVITIES Year Ended June 30, 2018

| | | | | | Net (Expense) Revenue and Changes in Net Position | | | | | | |
|---------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|--|----------|----------|-------------------------------|
| | | | | | | | | Component Units | | | |
| | | | | | Primary Government | | | Harrisonburg-Rockingham Social Services District | | | Nonmajor Discretely Presented |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Totals | School Board | | | |
| Primary Government: | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | |
| General government administration | \$ 5,954,830 | \$ 1,727 | \$ 434,401 | \$ - | \$ (5,518,702) | \$ - | \$ (5,518,702) | \$ - | \$ - | \$ - | \$ - |
| Judicial administration | 4,830,865 | 1,417,626 | 2,345,308 | - | (1,067,931) | - | (1,067,931) | - | - | - | - |
| Public safety | 30,667,940 | 7,833,177 | 7,448,343 | - | (15,386,420) | - | (15,386,420) | - | - | - | - |
| Public works | 9,564,783 | 1,161,736 | - | 3,140,931 | (5,262,116) | - | (5,262,116) | - | - | - | - |
| Health and social services | 8,212,284 | 26,013 | 230,468 | - | (7,955,803) | - | (7,955,803) | - | - | - | - |
| Education | 85,021,862 | - | - | - | (85,021,862) | - | (85,021,862) | - | - | - | - |
| Parks, recreation and cultural | 2,503,886 | 843,541 | - | - | (1,660,345) | - | (1,660,345) | - | - | - | - |
| Community development | 4,382,927 | 143 | - | - | (4,382,784) | - | (4,382,784) | - | - | - | - |
| Interest | 3,400,804 | - | - | - | (3,400,804) | - | (3,400,804) | - | - | - | - |
| Total governmental activities | 154,540,181 | 11,283,963 | 10,458,520 | 3,140,931 | (129,656,767) | - | (129,656,767) | - | - | - | - |
| Business-type activities: | | | | | | | | | | | |
| Water and sewer | 7,873,463 | 7,478,485 | 1,341,662 | - | - | 946,684 | 946,684 | - | - | - | - |
| Solid waste | 6,116,340 | 6,050,596 | 73,273 | - | - | 7,529 | 7,529 | - | - | - | - |
| Total business-type activities | 13,989,803 | 13,529,081 | 1,414,935 | - | - | 954,213 | 954,213 | - | - | - | - |
| Total primary government | \$ 168,529,984 | \$ 24,813,044 | \$ 11,873,455 | \$ 3,140,931 | (129,656,767) | 954,213 | (128,702,554) | - | - | - | - |
| Component Units: | | | | | | | | | | | |
| Rockingham County School Board: | | | | | | | | | | | |
| Education: | | | | | | | | | | | |
| Instruction | \$ 115,650,916 | \$ 3,576,935 | \$ 76,540,455 | \$ 98,915 | - | - | - | (35,434,611) | - | - | - |
| Administration, attendance and health | 4,995,480 | - | - | - | - | - | - | (4,995,480) | - | - | - |
| Pupil transportation services | 9,519,163 | - | - | - | - | - | - | (9,519,163) | - | - | - |
| Operation and maintenance services | 13,290,806 | - | - | - | - | - | - | (13,290,806) | - | - | - |
| School food services | 5,213,331 | 1,874,744 | 3,453,858 | - | - | - | - | 115,271 | - | - | - |
| Total school board | 148,669,696 | 5,451,679 | 79,994,313 | 98,915 | - | - | - | (63,124,789) | - | - | - |

Harrisonburg-Rockingham Social

Services District:

Social Services:

| | | | | | | | | | | |
|---------------------|-----------|---|-----------|---|---|---|---|---|-------------|---|
| Public assistance | 7,451,225 | - | 5,034,759 | - | - | - | - | - | (2,416,466) | - |
| Children's services | 9,755,890 | - | 5,527,679 | - | - | - | - | - | (4,228,211) | - |
| Administration: | | | | | | | | | | |
| Welfare | 9,037,932 | - | 6,956,814 | - | - | - | - | - | (2,081,118) | - |
| VJCCA | 86,672 | - | 86,831 | - | - | - | - | - | 159 | - |

Total social services district

| | | | | | | | | | |
|------------|---|------------|---|---|---|---|---|-------------|---|
| 26,331,719 | - | 17,606,083 | - | - | - | - | - | (8,725,636) | - |
|------------|---|------------|---|---|---|---|---|-------------|---|

Economic Development Authority:

Economic development

| | | | | | | | | | |
|-----------|-------|---|-----------|---|---|---|---|---|-------|
| 1,381,314 | 6,000 | - | 1,379,696 | - | - | - | - | - | 4,382 |
|-----------|-------|---|-----------|---|---|---|---|---|-------|

Rockingham County Recreation Foundation:

Parks and recreation

| | | | | | | | | | |
|-----|---|---|---|---|---|---|---|---|-------|
| 200 | - | - | - | - | - | - | - | - | (200) |
|-----|---|---|---|---|---|---|---|---|-------|

Total component units

| | | | | | | | | | |
|----------------|--------------|---------------|--------------|---|---|---|--------------|-------------|-------|
| \$ 176,382,929 | \$ 5,457,679 | \$ 97,600,396 | \$ 1,478,611 | - | - | - | (63,124,789) | (8,725,636) | 4,182 |
|----------------|--------------|---------------|--------------|---|---|---|--------------|-------------|-------|

General revenues:

Taxes:

| | | | | | | |
|--|------------|---------|------------|------------|-----------|-----|
| General property taxes | 88,479,898 | - | 88,479,898 | - | - | - |
| Other local taxes: | | | | | | |
| Local sales and use | 6,276,421 | - | 6,276,421 | - | - | - |
| Consumer utility | 1,116,085 | - | 1,116,085 | - | - | - |
| Motor vehicle licenses | 1,304,491 | - | 1,304,491 | - | - | - |
| Food and beverage | 1,242,234 | - | 1,242,234 | - | - | - |
| Other | 1,782,847 | - | 1,782,847 | - | - | - |
| Grants and contributions not restricted to specific programs | - | - | - | 85,030,486 | 8,209,413 | - |
| Intergovernmental, non-categorical aid | 8,583,682 | - | 8,583,682 | 74,224 | - | - |
| Use of money and property | 711,810 | 272,958 | 984,768 | 137,296 | 40,755 | 66 |
| Miscellaneous | 536,673 | 774,434 | 1,311,107 | 249,859 | 48,830 | 100 |

Total general revenues

| | | | | | |
|-------------|-----------|-------------|------------|-----------|-----|
| 110,034,141 | 1,047,392 | 111,081,533 | 85,491,865 | 8,298,998 | 166 |
|-------------|-----------|-------------|------------|-----------|-----|

Change in net position

| | | | | | |
|--------------|-----------|--------------|------------|-----------|-------|
| (19,622,626) | 2,001,605 | (17,621,021) | 22,367,076 | (426,638) | 4,348 |
|--------------|-----------|--------------|------------|-----------|-------|

Net position, beginning, as restated

| | | | | | |
|-----------|------------|------------|-------------|-----------|--------|
| 1,446,814 | 43,227,452 | 44,674,266 | (8,441,998) | 6,075,014 | 52,593 |
|-----------|------------|------------|-------------|-----------|--------|

Net position, ending

| | | | | | |
|-----------------|---------------|---------------|---------------|--------------|-----------|
| \$ (18,175,812) | \$ 45,229,057 | \$ 27,053,245 | \$ 13,925,078 | \$ 5,648,376 | \$ 56,941 |
|-----------------|---------------|---------------|---------------|--------------|-----------|

COUNTY OF ROCKINGHAM, VIRGINIA

BALANCE SHEET – GOVERNMENTAL FUNDS June 30, 2018

| | General | General Capital Projects | Nonmajor Governmental Fund - Asset Forfeiture | Total Governmental Funds |
|---|----------------------|--------------------------------|---|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 14,932,429 | \$ 3,906,364 | \$ 197,474 | \$ 19,036,267 |
| Investments | 10,250,017 | 2,665,694 | 134,757 | 13,050,468 |
| Receivables, net: | | | | |
| Property taxes | 3,687,455 | - | - | 3,687,455 |
| Utility taxes | 162,624 | - | - | 162,624 |
| Trade and other accounts | 999,478 | 6,216 | - | 1,005,694 |
| Accrued interest | 75,235 | 16,733 | 789 | 92,757 |
| Due from other governments | 3,979,949 | 2,973,949 | - | 6,953,898 |
| Prepaid items | 536,555 | - | - | 536,555 |
| Inventory | 19,698 | - | - | 19,698 |
| Advance to other funds | 138,754 | - | - | 138,754 |
| Restricted cash | - | 187,667 | - | 187,667 |
| Investment in Harrisonburg-Rockingham Social Services District | 3,088,162 | - | - | 3,088,162 |
| Total assets | \$ 37,870,356 | \$ 9,756,623 | \$ 333,020 | \$ 47,959,999 |
| LIABILITIES | | | | |
| Accounts payable | \$ 805,571 | \$ 1,252,022 | \$ 3,374 | \$ 2,060,967 |
| Accrued payroll | 1,131,253 | - | 1,153 | 1,132,406 |
| Accrued liabilities | - | 374,998 | - | 374,998 |
| Unearned revenue | 1,846,922 | - | 111,977 | 1,958,899 |
| Total liabilities | 3,783,746 | 1,627,020 | 116,504 | 5,527,270 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 3,256,954 | - | - | 3,256,954 |
| Unavailable revenue - radio lease | 355,785 | - | - | 355,785 |
| Total deferred inflows of resources | 3,612,739 | - | - | 3,612,739 |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid items | 536,555 | - | - | 536,555 |
| Inventory | 19,698 | - | - | 19,698 |
| Advance to other funds | 138,754 | - | - | 138,754 |
| Restricted for: | | | | |
| Harrisonburg-Rockingham Social Services District | 3,088,162 | - | - | 3,088,162 |
| Judicial administration | - | - | 66,878 | 66,878 |
| Public safety | - | - | 149,638 | 149,638 |
| Capital outlay | - | 187,667 | - | 187,667 |
| Committed to: | | | | |
| Public safety | 171,434 | - | - | 171,434 |
| Parks, recreation and cultural | - | 3,962,920 | - | 3,962,920 |
| Assigned to: | | | | |
| General government administration | 16,814 | - | - | 16,814 |
| Public safety | 37,008 | - | - | 37,008 |
| Capital outlay | - | 3,979,016 | - | 3,979,016 |
| Unassigned: | | | | |
| General fund | 26,465,446 | - | - | 26,465,446 |
| Total fund balances | 30,473,871 | 8,129,603 | 216,516 | 38,819,990 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 37,870,356 | \$ 9,756,623 | \$ 333,020 | \$ 47,959,999 |

COUNTY OF ROCKINGHAM, VIRGINIA

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

| | Governmental Funds |
|---|------------------------|
| Total fund balances - total governmental funds | \$ 38,819,990 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | |
| Governmental capital assets | \$ 96,042,702 |
| Less accumulated depreciation and amortization | (42,937,878) |
| Net capital assets | 53,104,824 |
| Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds. | 3,612,739 |
| Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | |
| Investment in Harrisonburg-Rockingham Social Services District | 439,656 |
| Deferred outflows of resources represent a consumption of net position that applies to a future period and are not recognized as deferred outflows of resources in the governmental funds. | |
| Pension plan | 2,370,009 |
| Other postemployment benefits | 552,178 |
| | 2,922,187 |
| Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. | 2,136,942 |
| Long-term due from other government - pension | 2,374,633 |
| Long-term due from other government - other postemployment benefits | 1,430,812 |
| Long-term liabilities, including bonds payable, are not due and payable in the funds. | |
| General obligation bonds, including unamortized premiums | (83,339,596) |
| Capital leases | (10,411,515) |
| Note payable | (9,886,514) |
| Compensated absences | (807,550) |
| Interest payable | (2,019,356) |
| Other postemployment benefits | (5,846,977) |
| Net pension liability | (8,628,783) |
| | (120,940,291) |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not recognized as deferred inflows of resources in the governmental funds. | |
| Pension plan | (1,911,258) |
| Other postemployment benefits | (166,046) |
| | (2,077,304) |
| Net position of governmental activities | \$ (18,175,812) |

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS Year Ended June 30, 2018

| | General | General Capital Projects | Nonmajor Governmental Fund - Asset Forfeiture | Total Governmental Funds |
|--|---------------------|--------------------------------|---|--------------------------------|
| Revenues: | | | | |
| General property taxes | \$ 88,474,133 | \$ - | \$ - | \$ 88,474,133 |
| Other local taxes | 11,722,078 | - | - | 11,722,078 |
| Permits, privilege fees and regulatory licenses | 1,364,545 | - | - | 1,364,545 |
| Fines and forfeitures | 177,819 | - | 30,232 | 208,051 |
| Use of money and property | 633,771 | 51,414 | 2,752 | 687,937 |
| Charges for services | 3,898,039 | - | - | 3,898,039 |
| Miscellaneous | 498,862 | 37,575 | 236 | 536,673 |
| Recovered costs | 5,172,691 | 284,852 | - | 5,457,543 |
| Intergovernmental | 19,011,239 | 3,140,931 | 30,963 | 22,183,133 |
| Total revenues | 130,953,177 | 3,514,772 | 64,183 | 134,532,132 |
| Expenditures: | | | | |
| Current: | | | | |
| General government administration | 5,349,427 | - | - | 5,349,427 |
| Judicial administration | 4,232,928 | - | 46,107 | 4,279,035 |
| Public safety | 29,545,996 | - | 36,668 | 29,582,664 |
| Public works | 2,927,766 | - | - | 2,927,766 |
| Health and social services | 6,868,468 | - | - | 6,868,468 |
| Education | 84,980,486 | 50,000 | - | 85,030,486 |
| Parks, recreation and cultural | 2,392,388 | - | - | 2,392,388 |
| Community development | 3,479,239 | - | - | 3,479,239 |
| Capital outlays | - | 14,168,378 | - | 14,168,378 |
| Debt service: | | | | |
| Principal | 6,975,972 | - | - | 6,975,972 |
| Interest and fiscal charges | 3,235,080 | - | - | 3,235,080 |
| Total expenditures | 149,987,750 | 14,218,378 | 82,775 | 164,288,903 |
| Deficiency of revenues under expenses | (19,034,573) | (10,703,606) | (18,592) | (29,756,771) |
| Other financing sources (uses): | | | | |
| Issuance of general obligation bond | 22,540,000 | - | - | 22,540,000 |
| Premium on the issuance of general obligation bond | 1,962,256 | - | - | 1,962,256 |
| Issuance of note payable | 3,282,000 | - | - | 3,282,000 |
| Transfers in | 1,525,000 | 7,232,000 | - | 8,757,000 |
| Transfers out | (7,232,000) | - | - | (7,232,000) |
| Other financing sources, net | 22,077,256 | 7,232,000 | - | 29,309,256 |
| Net change in fund balances | 3,042,683 | (3,471,606) | (18,592) | (447,515) |
| Fund balance, beginning | 27,431,188 | 11,601,209 | 235,108 | 39,267,505 |
| Fund balance, ending | \$ 30,473,871 | \$ 8,129,603 | \$ 216,516 | \$ 38,819,990 |

COUNTY OF ROCKINGHAM, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2018

| | Governmental Funds | |
|--|--------------------|---------------------|
| Net change in fund balances - total governmental funds | \$ | (447,515) |
| Reconciliation of amounts reported for governmental activities in the Statement of Activities: | | |
| 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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period. | | |
| Expenditures for capital assets | \$ | 5,912,172 |
| Less depreciation and amortization expense | | (3,738,082) |
| Excess of capital outlays over depreciation and amortization | | 2,174,090 |
| The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position. | | (44,267) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Unavailable revenue | | 361,550 |
| Investment in Harrisonburg-Rockingham Social Services District | | (1,300,079) |
| Long-term due from other government - pension | | (1,737,483) |
| Long-term due from other government - other postemployment benefits | | 374,698 |
| | | (2,301,314) |
| Deferred outflows of resources - pension plan contributions subsequent to measurement date | | 2,045,446 |
| Deferred outflows of resources - other postemployment benefits contributions subsequent to measurement date | | 514,383 |
| The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | |
| Issuance of debt: | | |
| General obligation debt | | (22,540,000) |
| Premium on general obligation debt | | (1,962,256) |
| Note payable | | (3,282,000) |
| | | (27,784,256) |
| Principal repayments: | | |
| General obligation debt | | 5,105,034 |
| Capital leases | | 1,870,938 |
| Notes payable - payments recorded in public safety | | 1,222,438 |
| | | 8,198,410 |
| 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. | | |
| Accrued interest | | (489,615) |
| Compensated absences | | 102,774 |
| Arbitrage | | 5,352 |
| Other postemployment benefits expense | | (293,701) |
| Amortization of premium | | 318,539 |
| Pension expense | | (81,223) |
| | | (437,874) |
| Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net loss of the Internal Service Funds are reported with governmental activities. | | |
| Total revenues | | 7,321,899 |
| Total expenses | | (8,861,628) |
| | | (1,539,729) |
| Change in net position of governmental activities | \$ | (19,622,626) |

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2018

| | General Fund | | | |
|--|--------------------|---------------------|---------------------|--|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
| | Original | Final | | |
| Revenues: | | | | |
| General property taxes | \$ 85,274,500 | \$ 85,274,500 | \$ 88,474,133 | \$ 3,199,633 |
| Other local taxes | 11,521,350 | 11,521,350 | 11,722,078 | 200,728 |
| Permits, privilege fees and regulatory licenses | 1,340,300 | 1,340,300 | 1,364,545 | 24,245 |
| Fines and forfeitures | 121,500 | 121,500 | 177,819 | 56,319 |
| Use of money and property | 638,608 | 638,608 | 633,771 | (4,837) |
| Charges for services | 3,634,650 | 3,634,650 | 3,898,039 | 263,389 |
| Miscellaneous | 261,486 | 336,976 | 498,862 | 161,886 |
| Recovered costs | 6,049,771 | 5,570,036 | 5,172,691 | (397,345) |
| Intergovernmental | 18,812,629 | 19,345,720 | 19,011,239 | (334,481) |
| Total revenues | 127,654,794 | 127,783,640 | 130,953,177 | 3,169,537 |
| Expenditures: | | | | |
| Current: | | | | |
| General government administration | 6,003,725 | 6,043,725 | 5,349,427 | (694,298) |
| Judicial administration | 4,325,409 | 4,674,847 | 4,232,928 | (441,919) |
| Public safety | 31,569,943 | 30,872,556 | 29,545,996 | (1,326,560) |
| Public works | 3,390,952 | 3,584,815 | 2,927,766 | (657,049) |
| Health and social services | 6,027,160 | 7,042,160 | 6,868,468 | (173,692) |
| Education | 62,503,791 | 87,806,047 | 84,980,486 | (2,825,561) |
| Parks, recreation and cultural | 2,552,573 | 2,552,573 | 2,392,388 | (160,185) |
| Community development | 3,439,470 | 3,729,030 | 3,479,239 | (249,791) |
| Debt service: | | | | |
| Principal | 6,975,972 | 6,975,972 | 6,975,972 | - |
| Interest and fiscal charges | 3,221,106 | 3,221,106 | 3,235,080 | 13,974 |
| Total expenditures | 130,010,101 | 156,502,831 | 149,987,750 | (6,515,081) |
| Deficiency of revenues under expenditures | (2,355,307) | (28,719,191) | (19,034,573) | 9,684,618 |
| Other financing sources (uses): | | | | |
| Issuance of general obligation bond | - | 22,540,000 | 22,540,000 | - |
| Premium on the issuance of general obligation bond | - | 1,962,256 | 1,962,256 | - |
| Issuance of note payable | - | 3,267,274 | 3,282,000 | 14,726 |
| Transfers in | - | 1,525,000 | 1,525,000 | - |
| Transfers out | (569,740) | (7,237,014) | (7,232,000) | 5,014 |
| Total other financing sources (uses), net | (569,740) | 22,057,516 | 22,077,256 | 19,740 |
| Net change in fund balance | (2,925,047) | (6,661,675) | 3,042,683 | 9,704,358 |
| Fund balance, beginning | 2,925,047 | 6,661,675 | 27,431,188 | 20,769,513 |
| Fund balance, ending | \$ - | \$ - | \$ 30,473,871 | \$ 30,473,871 |

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS June 30, 2018

| | Business-type Activities - Enterprise Funds | | | | | Governmental |
|---|---|---------------------|---------------------|-------------------|----------------------|---------------------|
| | Smith Creek | | | | | Activities - |
| | Water and | Water & | Solid | Nonmajor | | Internal |
| | Sewer | Waste | Waste | Proprietary | Totals | Service |
| | | Authority | | Funds | | Funds |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 7,148,543 | \$ 6,333 | \$ 840,125 | \$ 51,469 | \$ 8,046,470 | \$ 7,038,475 |
| Investments | 4,878,149 | 4,321 | 7,214,299 | 35,123 | 12,131,892 | 4,803,039 |
| Trade and other accounts receivable | 1,079,041 | 52,666 | 1,119,108 | 6,290 | 2,257,105 | 11,739 |
| Accrued interest | 28,399 | - | 18,977 | 203 | 47,579 | 27,290 |
| Prepaid items | 29,056 | - | 51,206 | - | 80,262 | - |
| Inventory | 266,997 | - | - | - | 266,997 | 6,235 |
| Restricted cash | 2,646,672 | - | 2,092,663 | - | 4,739,335 | - |
| Total current assets | 16,076,857 | 63,320 | 11,336,378 | 93,085 | 27,569,640 | 11,886,778 |
| Noncurrent assets: | | | | | | |
| Capital assets: | | | | | | |
| Land | 362,198 | - | 2,166,225 | 20,600 | 2,549,023 | - |
| Easements | 206,525 | - | - | 20,631 | 227,156 | - |
| Buildings and improvements | 12,995 | - | 916,340 | - | 929,335 | - |
| Improvements other than buildings | 42,080,762 | 6,616,233 | 26,783,092 | 1,919,103 | 77,399,190 | - |
| Machinery and equipment | 1,334,177 | 332,937 | 4,237,154 | 28,892 | 5,933,160 | - |
| Software | - | - | 44,004 | - | 44,004 | - |
| Construction in progress | 2,418,613 | - | 12,146,316 | - | 14,564,929 | - |
| Less accumulated depreciation and amortization | (15,646,492) | (2,208,298) | (18,171,078) | (457,077) | (36,482,945) | - |
| Total capital assets, net of accumulated depreciation and amortization | 30,768,778 | 4,740,872 | 28,122,053 | 1,532,149 | 65,163,852 | - |
| Total noncurrent assets | 30,768,778 | 4,740,872 | 28,122,053 | 1,532,149 | 65,163,852 | - |
| Total assets | 46,845,635 | 4,804,192 | 39,458,431 | 1,625,234 | 92,733,492 | 11,886,778 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred charge on refunding | 450,166 | - | - | - | 450,166 | - |
| Pension plan | 101,802 | - | 112,027 | - | 213,829 | - |
| Other postemployment benefits | 29,249 | - | 34,525 | - | 63,774 | - |
| Total deferred outflows of resources | 581,217 | - | 146,552 | - | 727,769 | - |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and deposits | 640,088 | 41,945 | 900,021 | 4,052 | 1,586,106 | 885,543 |
| Compensated absences | 46,493 | - | 54,894 | - | 101,387 | - |
| Accrued payroll | 52,199 | - | 60,499 | - | 112,698 | - |
| Accrued interest | 143,729 | 15,211 | 149,061 | 7,765 | 315,766 | - |
| Advance from other funds | - | - | - | 138,754 | 138,754 | - |
| Unearned revenue | - | - | 499,023 | - | 499,023 | 2,365,120 |
| Insurance and benefit claims | - | - | - | - | - | 2,634,179 |
| Revenue bonds | 750,000 | 198,912 | 915,000 | 51,223 | 1,915,135 | - |
| Total current liabilities | 1,632,509 | 256,068 | 2,578,498 | 201,794 | 4,668,869 | 5,884,842 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 34,021 | - | 43,065 | - | 77,086 | - |
| Revenue bonds | 13,871,855 | 1,231,350 | 14,301,864 | 524,141 | 29,929,210 | - |
| Net pension liability | 360,923 | - | 409,360 | - | 770,283 | - |
| Other postemployment benefits liability | 307,335 | - | 365,048 | - | 672,383 | - |
| Landfill obligation | - | - | 11,928,910 | - | 11,928,910 | - |
| Total noncurrent liabilities | 14,574,134 | 1,231,350 | 27,048,247 | 524,141 | 43,377,872 | - |
| Total liabilities | 16,206,643 | 1,487,418 | 29,626,745 | 725,935 | 48,046,741 | 5,884,842 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Pension plan | 79,944 | - | 90,672 | - | 170,616 | - |
| Other postemployment benefits | 6,933 | - | 7,914 | - | 14,847 | - |
| Total deferred inflows of resources | 86,877 | - | 98,586 | - | 185,463 | - |
| NET POSITION | | | | | | |
| Net investment in capital assets | 16,597,089 | 3,310,610 | 12,905,189 | 956,785 | 33,769,673 | - |
| Restricted - capital projects | 2,646,672 | - | 2,092,663 | - | 4,739,335 | - |
| Unrestricted (deficit) | 11,889,571 | 6,164 | (5,118,200) | (57,486) | 6,720,049 | 6,001,936 |
| Total net position | \$ 31,133,332 | \$ 3,316,774 | \$ 9,879,652 | \$ 899,299 | \$ 45,229,057 | \$ 6,001,936 |

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS Year Ended June 30, 2018

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Funds |
|--|---|--|------------------|----------------------------------|-------------------|--|
| | Water and Sewer | Smith Creek Water & Waste Authority | Solid Waste | Nonmajor Proprietary Funds | Totals | |
| Operating revenues: | | | | | | |
| Charges for services | \$ 6,992,601 | \$ 348,682 | \$ 6,050,596 | \$ 66,588 | \$ 13,458,467 | \$ 29,052,492 |
| Sale of processed gas | - | - | 488,493 | - | 488,493 | - |
| Connection fees | 57,861 | 12,753 | - | - | 70,614 | - |
| Other revenue | 160,169 | 445 | 125,305 | 22 | 285,941 | - |
| Total operating revenues | 7,210,631 | 361,880 | 6,664,394 | 66,610 | 14,303,515 | 29,052,492 |
| Operating expenses: | | | | | | |
| Personal services | 886,393 | - | 1,101,092 | - | 1,987,485 | - |
| Fringe benefits | 465,215 | - | 600,644 | - | 1,065,859 | - |
| Contractual services | 432,540 | 123,686 | 634,295 | 11,510 | 1,202,031 | 2,915,710 |
| Regional Sewer Authority assessment: | | | | | | |
| Operations and maintenance | 1,274,757 | - | - | - | 1,274,757 | - |
| Debt service | 1,611,468 | - | - | - | 1,611,468 | - |
| Risk financing and benefit payments | - | - | - | - | - | 26,244,427 |
| Internal services | 69,074 | - | 47,036 | - | 116,110 | - |
| Electrical services | 335,362 | 12,275 | 50,177 | - | 397,814 | - |
| Repairs and maintenance | - | - | 197,876 | - | 197,876 | - |
| Landfill closure | - | - | 1,095,446 | - | 1,095,446 | - |
| Other charges | 663,170 | 137,954 | 372,052 | 25,658 | 1,198,834 | 46,594 |
| Depreciation and amortization | 1,033,352 | 132,325 | 1,720,654 | 42,228 | 2,928,559 | - |
| Total operating expenses | 6,771,331 | 406,240 | 5,819,272 | 79,396 | 13,076,239 | 29,206,731 |
| Operating income (loss) | 439,300 | (44,360) | 845,122 | (12,786) | 1,227,276 | (154,239) |
| Nonoperating revenues (expenses): | | | | | | |
| Connection availability fees | 1,099,364 | 242,298 | - | - | 1,341,662 | - |
| Intergovernmental | - | - | 73,273 | - | 73,273 | - |
| Loss on disposal of capital assets | - | - | - | (67,961) | (67,961) | - |
| Interest revenue | 141,446 | 1,479 | 128,814 | 1,219 | 272,958 | 95,491 |
| Interest expense | (488,149) | (41,737) | (297,068) | (18,649) | (845,603) | - |
| Total nonoperating revenues (expenses), net | 752,661 | 202,040 | (94,981) | (85,391) | 774,329 | 95,491 |
| Income (loss) before transfers | 1,191,961 | 157,680 | 750,141 | (98,177) | 2,001,605 | (58,748) |
| Transfers out | - | - | - | - | - | (1,525,000) |
| Change in net position | 1,191,961 | 157,680 | 750,141 | (98,177) | 2,001,605 | (1,583,748) |
| Total net position, beginning, as restated | 29,941,371 | 3,159,094 | 9,129,511 | 997,476 | 43,227,452 | 7,585,684 |
| Total net position, ending | \$ 31,133,332 | \$ 3,316,774 | \$ 9,879,652 | \$ 899,299 | \$ 45,229,057 | \$ 6,001,936 |

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2018**

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activity - Internal Service Funds |
|--|---|--|---------------------|----------------------------------|--------------------|--|
| | Water and Sewer | Smith Creek Water & Waste Authority | Solid Waste | Nonmajor Proprietary Funds | Totals | |
| Cash flows from operating activities: | | | | | | |
| Receipts from interfund services provided | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 29,117,136 |
| Receipts from customers | 6,625,595 | 348,462 | 5,983,261 | 67,159 | 13,024,477 | - |
| Claims and benefits paid | - | - | - | - | - | (25,686,897) |
| Payments to suppliers for goods and services | (4,333,545) | (246,110) | (1,928,589) | (35,788) | (6,544,032) | (2,154,489) |
| Payments to employees for services | (1,290,300) | - | (1,599,348) | - | (2,889,648) | - |
| Internal activity - payments to other funds | (69,074) | - | (47,036) | - | (116,110) | - |
| Other receipts | 160,169 | 445 | 613,798 | 22 | 774,434 | - |
| Net cash provided by operating activities | 1,092,845 | 102,797 | 3,022,086 | 31,393 | 4,249,121 | 1,275,750 |
| Cash flows from noncapital financing activities: | | | | | | |
| Intergovernmental - grants | - | - | 73,273 | - | 73,273 | - |
| Transfers to other funds | - | - | - | - | - | (1,525,000) |
| Net cash provided by noncapital financing activities | - | - | 73,273 | - | 73,273 | (1,525,000) |
| Cash flows from capital and related financing activities: | | | | | | |
| Advance from (payment to) other funds | - | (98,867) | - | 14,149 | (84,718) | - |
| Connection availability fees | 1,099,364 | 242,298 | - | - | 1,341,662 | - |
| Proceeds from issuance of debt | 3,695,000 | - | - | - | 3,695,000 | - |
| Premium on issuance of bond | 456,180 | - | - | - | 456,180 | - |
| Principal paid on bonds | (610,000) | (193,305) | (925,000) | (49,755) | (1,778,060) | - |
| Interest paid and fiscal charges on outstanding debt | (499,011) | (43,748) | (384,137) | (19,383) | (946,279) | - |
| Acquisition and construction of capital assets | (2,367,492) | - | (7,757,703) | - | (10,125,195) | - |
| Net cash provided by (used in) capital and related financing activities | 1,774,041 | (93,622) | (9,066,840) | (54,989) | (7,441,410) | - |
| Cash flows from investing activities: | | | | | | |
| Proceeds on sale of investments | 474,150 | - | - | 14,849 | 488,999 | 699,908 |
| Purchases of investments | - | (4,321) | (4,728,468) | - | (4,732,789) | - |
| Interest received on investment securities | 146,193 | 1,479 | 136,943 | 1,322 | 285,937 | 102,284 |
| Net cash provided by (used in) investing activities | 620,343 | (2,842) | (4,591,525) | 16,171 | (3,957,853) | 802,192 |
| Net change in cash and cash equivalents | 3,487,229 | 6,333 | (10,563,006) | (7,425) | (7,076,869) | 552,942 |
| Cash and cash equivalents: | | | | | | |
| Beginning | 6,307,986 | - | 13,495,794 | 58,894 | 19,862,674 | 6,485,533 |
| Ending | \$ 9,795,215 | \$ 6,333 | \$ 2,932,788 | \$ 51,469 | \$ 12,785,805 | \$ 7,038,475 |

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2018**

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activity - Internal Service Funds |
|--|---|--|---------------------|----------------------------------|---------------------|--|
| | Water and Sewer | Smith Creek Water & Waste Authority | Solid Waste | Nonmajor Proprietary Funds | Totals | |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | | | |
| Operating income (loss) | \$ 439,300 | \$ (44,360) | \$ 845,122 | \$ (12,786) | \$ 1,227,276 | \$ (154,239) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | 1,033,352 | 132,325 | 1,720,654 | 42,228 | 2,928,559 | - |
| Pension expense | 81,702 | - | 123,815 | - | 205,517 | - |
| Other postemployment benefits expense | 12,314 | - | 14,907 | - | 27,221 | - |
| Change in assets and liabilities: | | | | | | |
| Decrease (increase) in: | | | | | | |
| Trade and other accounts receivable | (424,867) | (12,973) | (566,358) | 571 | (1,003,627) | (3,413) |
| Prepaid items | 354 | - | (1,099) | - | (745) | - |
| Inventory | (90,544) | - | - | - | (90,544) | (595) |
| Increase (decrease) in: | | | | | | |
| Accounts payable and deposits | 73,942 | 27,805 | (673,090) | 1,380 | (569,963) | 808,410 |
| Accrued liabilities | (3,520) | - | (4,818) | - | (8,338) | - |
| Unearned revenue | - | - | 499,023 | - | 499,023 | 68,057 |
| Insurance and benefit claims | - | - | - | - | - | 557,530 |
| Deferred outflows - pension plan | (5,454) | - | (3,221) | - | (8,675) | - |
| Deferred outflows - other postemployment benefits | (23,734) | - | (28,295) | - | (52,029) | - |
| Landfill obligation | - | - | 1,095,446 | - | 1,095,446 | - |
| Net cash provided by operating activities | \$ 1,092,845 | \$ 102,797 | \$ 3,022,086 | \$ 31,393 | \$ 4,249,121 | \$ 1,275,750 |
| Schedule of noncash capital and related financing activities: | | | | | | |
| Capital assets acquired through incurrence of accounts payable | \$ 315,454 | \$ - | \$ 380,169 | \$ - | \$ 695,623 | \$ - |

COUNTY OF ROCKINGHAM, VIRGINIA

**STATEMENT OF NET POSITION –
FIDUCIARY FUNDS
June 30, 2018**

| | Agency Funds |
|---------------------------|---------------------------------|
| <hr/> | |
| ASSETS | |
| Cash and cash equivalents | \$ 1,431,308 |
| Accounts receivable | <hr/> 236,579 |
| Total assets | <hr/> \$ 1,667,887 <hr/> |
| | |
| LIABILITIES | |
| Accounts payable | <hr/> \$ 1,667,887 |
| Total liabilities | <hr/> \$ 1,667,887 <hr/> |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

The financial statements of the County of Rockingham, Virginia (County), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As required by GAAP, these financial statements present the activities of the County and its component units.

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and 34*. Component units include any legally separate organizations for which the Board of Supervisors is financially accountable. Financial accountability results where 1) there is fiscal dependence and a financial benefit or burden relationship, 2) there is a voting majority of the organization's governing body appointed by the Board of Supervisors and a financial benefit or burden relationship, or 3) there is a voting majority of the organization's governing body appointed by the Board of Supervisors and the Board of Supervisors has the ability to impose its will on the organization.

Even if financial accountability is not established, a potential component unit may still need to be reported simply because it would be misleading to exclude it.

A. Reporting Entity

The County was created by an act of the General Assembly of Virginia in 1778, and provides a wide range of municipal services contemplated by statute or charter. As required by GAAP, these financial statements present the County (primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they legally separate from the government. Each blended and discretely presented component unit has a June 30 year end.

Blended Component Units:

Blended component units, although legally separate entities, are, in substance, part of the County's operations, and function as an integral part of the primary government, so data from these units are combined with data of the County.

The Lilly Subdivision Sanitary District, the Smith Creek Water & Waste Authority, the Penn Laird Sewer Authority, and the Countryside Sanitary District serve the citizens of the primary government that are in their respective districts and authorities and are governed by a board comprised of the primary government's Board of Supervisors. The rates for user charges and bond issuances are approved by the primary government, and the primary government is primarily obligated to provide resources in case there are deficits in debt service payments. The districts and authorities are reported as enterprise funds and do not issue separate financial statements.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units:

The County reports the following two major discretely presented component units:

1) School Board

The School Board is responsible for elementary and secondary education within the County's jurisdiction and is elected by the voters of the County. The School Board is fiscally dependent upon the government because the County's Board of Supervisors approves the School Board's budget, levies taxes and must approve any debt issuances of the School Board. School Board related debt, including leases, is expected to be repaid entirely or almost entirely with the resources of the primary government. The School Board is presented as a governmental fund type and consists of three special revenue funds and one capital projects fund which include the following:

School Operating Fund accounts for the general operations of the School Board. Financing is provided by specific allocations from the state and federal governments, by appropriation from the General Fund of the primary government by the Board of Supervisors, and charges for services.

School Cafeteria Fund accounts for the centralized school cafeteria operations.

School Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities of the School Board, other than those financed by the Massanutten Technical Center.

Massanutten Technical Center – Operating Fund accounts for the general operations of the Massanutten Technical Center. The Massanutten Technical Center funds are under the control of the Massanutten Technical Center Board of Control appointed by the Rockingham County School Board and Harrisonburg City School Board.

Additionally, the School Board reports two agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds consist of the School Activity Fund and Massanutten Technical Center Activity Fund.

The Component Unit – School Board does not issue a separate set of financial statements. All independently audited financial information of the School Board is presented within this Comprehensive Annual Financial Report.

Complete financial statements for the School Activity Fund, Massanutten Technical Center – Operating Fund, and Massanutten Technical Center Activity Fund can be obtained from their respective administrative offices.

Rockingham County School Board
100 Mt. Clinton Pike
Harrisonburg, Virginia 22802

Massanutten Technical Center
325 Pleasant Valley Road
Harrisonburg, Virginia 22801

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units: (Continued)

2) Harrisonburg-Rockingham Social Services District

The Harrisonburg-Rockingham Social Services District (District) is a regional district created by the governing bodies of the County of Rockingham and City of Harrisonburg to provide social services for the residents of the County of Rockingham and the City of Harrisonburg. The City and County each appoint 50% of the governing board. The District is a legally separate organization and its financial statements are presented as a discrete presentation of the County's financial statements because the District is fiscally dependent on the County and has a financial benefit or burden relationship with the County. The County has the ability to impose its will on the District. The District cannot enter into a contract or issue debt without the County's and City's approvals. The District is presented as a governmental fund type consisting of two funds as follows:

Social Services Operating Fund accounts for the general operations of the District. Financing is provided by specific allocations from the state and federal governments, by appropriation from the General Fund of the County by the Board of Supervisors, and by the City of Harrisonburg.

Special Revenue Fund – Children's Services Act (CSA) accounts for funds designated for the CSA program.

The Component Unit - Harrisonburg-Rockingham Social Services District does not issue a separate set of financial statements. All financial information of the District is presented within this Comprehensive Annual Financial Report.

The County reports the following two nonmajor discretely presented component units:

1) Economic Development Authority

The Economic Development Authority of Rockingham County, Virginia (Authority), formerly the Industrial Development Authority, was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of the County of Rockingham, Virginia on December 11, 1972, pursuant to the provisions of the Economic Development and Revenue Bond Act, Title 15.2, Chapter 49, Sections 15.2-4900 et seq. (formerly Title 15.1, Chapter 33, Sections 15.1-1373, et seq.) of the *Code of Virginia* of 1950, as amended. The Authority is governed by seven directors appointed by the Board of Supervisors of the County of Rockingham, Virginia. The Authority is empowered, among other things, to acquire, own, lease, and dispose of any of its facilities and to make loans or grants in furtherance of its purposes as set forth by law, including to promote industry and develop trade by indicating manufacturing, economic, governmental, nonprofit and commercial enterprises and institutions of higher education to locate in or remain in the Commonwealth of Virginia and further the use of its agricultural products and natural resources.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units: (Continued)

1) Economic Development Authority (Continued)

The Authority is specifically authorized to issue revenue bonds for any of its purposes, including the payment of the cost of its facilities and the payment or retirement of bonds previously issued by the Authority. All bonds issued by the Authority are payable solely from the revenues and receipts derived from the leasing or sale by the Authority of its facilities or any part thereof, or from the payments received by the Authority in connection with its loans. In addition, depending upon the financing structure, the bonds of the Authority may be further secured by a deed of trust or other collateral documents. No bonds of the Authority shall be deemed to constitute a debt or pledge of the faith or credit of the Commonwealth of Virginia or any political subdivision thereof, including the County.

The Authority is reported as a discretely presented component unit because the voting majority of the Authority's governing body is appointed by the Board of Supervisors and there is a benefit and burden relationship. The Authority is fiscally dependent on the County. The Authority does not issue separate financial statements but is included in the County's financial statements for fiscal year ended June 30, 2018 as a discretely presented component unit.

2) Rockingham County Recreation Foundation

The Recreation Foundation of Rockingham County, Virginia was created as a non-stock corporation duly formed under the provisions of the Virginia Non-stock Corporation Act. The Foundation was organized on September 21, 2015 and is governed by a five-member Board. The members consist of two members of the Board of Supervisors of Rockingham County, two members of the Rockingham County Recreation Commission and the County Administrator. The Foundation was created to provide diverse opportunities that enhance the quality of life and deliver accessible recreation and leisure to the community for a lifetime.

The Foundation is reported as a discretely presented component unit because the voting majority of the Foundation's governing body is appointed by the Board of Supervisors and there is a benefit and burden relationship. The Foundation does not issue separate financial statements but is included in the County's financial statements for fiscal year ended June 30, 2018 as a discretely presented component unit.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a *particular* function. Indirect expense allocations made in the funds have been reversed for the Statement of Activities. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as *general revenues*.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus*. The government-wide, proprietary, and fiduciary fund financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from the property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end, except property taxes which are recognized as revenue if they have been collected within 45 days after year-end. Property taxes, sales taxes, franchise taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted components of net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues to fund the program.

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Operating expenses include cost of services, administrative expenses and depreciation and amortization on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

General Capital Projects Fund. This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The County reports the following major enterprise funds:

Water and Sewer Fund. This fund accounts for services to the general public which are financed primarily by charges to users of such services.

Smith Creek Water & Waste Authority. This fund accounts for services provided to those areas within the Smith Creek Water & Waste Authority and is financed primarily by charges to users of such services. This fund has been judgmentally determined to be major for public interest reasons, in that the presentation is of particular importance to the financial statement users.

Solid Waste Fund. This fund accounts for the operation, maintenance, and development of various landfills and disposal sites.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The County reports the following Internal Service Funds:

Central Stores Fund. This fund accounts for revenue and expenses associated with providing office supplies to other departments or agencies of the County on a cost-reimbursement basis.

Self-Insurance Fund. This fund accounts for the costs associated with providing health insurance benefits to employees of the County, School Board, and Harrisonburg-Rockingham Social Services District and with managing claims pertaining thereto.

The County also reports the following fund type:

Agency Funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds consist of the following: Special Welfare, Employee Benefits, Bond Escrow, Massanutten Technical Center, Emergency Medical Services, Soil and Water Conservation, and Laird L Conrad Law Library.

D. Budgetary Data

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, School Operating Fund, School Cafeteria Fund, Massanutten Technical Center, enterprise funds, Children's Services Act, Department of Social Services and debt service. The Capital Projects Fund is appropriated on a project basis with carry forwards approved each year. Other special revenue funds and the Permanent Fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The School Operating Fund, School Cafeteria Fund and Massanutten Technical Center are appropriated in total, with reference to specific departments and accounts. The legal level of budgetary control is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position

1. Deposits and Investments

Cash and Cash Equivalents

For purposes of reporting cash flows, the County considers all cash accounts, including cash on hand, demand deposits, and all short-term investments with a maturity of three months or less to be cash equivalents.

Investments

Cash of individual funds other than the Special Welfare, School Activity, and the Massanutten Technical Center Activity Fund is combined to form a pool of cash and investments. The pool consists primarily of government and corporate obligations, money market mutual funds, and an external local government investment pool. The government and corporate securities are stated at fair value based on quoted market prices (level 1 inputs). The external local government investment pool is reported at amortized cost and classified as cash and cash equivalents. The money market mutual funds are reported at fair value based on quoted market prices and classified as cash and cash equivalents. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on average monthly balances.

2. Property Taxes

Property taxes are levied as of January 1 with real estate values reassessed every four years and personal property values assessed annually. The last general real property reassessment was effective January 1, 2018. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are due and collectible twice a year, by June 5 and December 5 in the same year as levied. Personal property taxes are due and collectible annually by December 5 in the same year as levied. That portion of the taxes receivable which is not collected within 45 days after June 30 is shown as deferred revenue. A penalty of 10% of the tax is assessed after the applicable payment date. Interest is charged to all unpaid accounts beginning July 1 and January 1, as applicable, at an annual rate of 10%.

3. Prepaid Items

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

4. Inventory

Inventories are stated at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

5. Restricted Cash

A portion of the General Capital Projects, School Capital Projects, Water and Sewer, and Solid Waste Funds cash balance is restricted due to unspent bond proceeds.

6. Capital Assets

Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and are accounted for at cost. Assets acquired by gift are accounted for at the asset's acquisition value at the date the property was received. The Commonwealth of Virginia, not the County, has primary responsibility to construct and maintain infrastructure, such as streets, roads, and bridges, within the County. The County may, at its option, contribute to improvements to the road system. Such expenditures would be expensed during the year incurred. Interest incurred during construction on governmental activities' capital assets is not capitalized. 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. Capitalized interest is amortized using the straight-line method over the useful life of the asset. In the current year \$202,907 and \$14,634 was capitalized in the Solid Waste Fund and Water and Sewer Fund, respectively.

The County's intangible assets include land easements and software. Land easements have indefinite useful lives and thus are not subject to amortization.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|----------------|
| Buildings | 20 to 30 years |
| Improvements other than buildings | 5 to 50 years |
| Machinery and equipment | 5 to 15 years |
| Software | 3 to 5 years |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

7. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 and so will not be recognized as an outflow of resources (expenditure) until then. The County and discretely presented component units, the School Board and the District, have several items that qualify for reporting in this category. The first item is a deferred charge on refunding resulting from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded or refunding debt. The remaining items relate to the pension plan and the other postemployment benefits (OPEB) plans. See Notes 10 through 13 for details regarding these items.

In addition to liabilities, the Statement of Net 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 and so will not be recognized as an inflow of resources (revenue) until that time. Several types of items qualify for reporting in this category. Accordingly, one item, unavailable revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The remaining items relate to the pension plan and the OPEB plans. See Notes 10 through 13 for details regarding these items.

8. Compensated Absences

Legacy employees, hired before January 1, 2014, accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement based on full-time or part-time status. In the primary government and the discretely presented component unit, the District, an employee can accumulate up to 42 days of vacation and no more than \$5,000 of sick leave liability. In the District, an employee will receive an accrued sick leave payout upon retiring after five years of continuous service.

Employees hired on or after January 1, 2014, accumulate paid time off (PTO) for subsequent use or for payment upon termination, death or retirement based on full-time status. In the primary government and the discretely presented component unit, the District, an employee may carry forward to a new calendar year PTO leave balance of no more than the applicable maximum annual hours per year. In the County, an employee will receive a PTO payout upon leaving their employment no more than the applicable maximum.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

8. Compensated Absences (Continued)

Also, in the primary government, compensatory time can be earned at 1½ hours in lieu of overtime pay. Accumulated compensatory time will be paid out to the employee in the months of June and December.

Compensated absences are accrued when incurred in proprietary funds and reported as a fund liability. The General Fund is responsible for paying the liability for compensated absences for general government employees and has been used in prior years to liquidate the governmental funds' liability.

In the discretely presented component unit, the School Board, a 12-month employee can accumulate up to 36 days of vacation and an unlimited amount of sick leave. An employee earns one day of sick leave at the end of each month worked up to a maximum of 12 days per year. A new employee is eligible to transfer up to 90 sick leave days from another Virginia school district. Upon retirement after age 55, all full-time school employees will be compensated at one day for every three days of unused sick leave up to a maximum of two months of current salary.

Compensated absences expected to be liquidated with expendable available resources are reported as expenditures and fund liabilities of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured. All amounts accrued for compensated absences are recorded on the entity-wide statements.

9. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other 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 straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, 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 are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

10. Net Position

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement to its capital assets. That responsibility lies with the local governing body who issues the debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Position, this scenario presents a dilemma for the primary government. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net position of the primary government. The corresponding capital assets are reported by the Component Unit – School Board (title holder), thereby increasing their net position.

The Virginia General Assembly legislature amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. The legislation also allows local governments to elect not to acquire a tenancy in common by adopting a resolution to that effect.

The County concluded, while joint tenancy would resolve a deficit in the primary government's net position, the continual computation process that would be required to allocate principal, interest, asset amount, and depreciation between the County and the School Board would be cumbersome and not provide any added benefit to the financial statements. Therefore, the Board of Supervisors adopted a resolution declining tenancy in common for current and future obligations.

11. Fund Balance

In the fund financial statements, governmental funds report classifications of fund balance as follows:

Nonspendable fund balance – amounts not in a spendable form or are required to be maintained intact (such as prepaid items, inventory, and the principal of a permanent fund that is legally or contractually required to be maintained intact).

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, creditors, or laws and regulations of other governments), or by law through constitutional provisions or enabling legislation.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

11. Fund Balance (Continued)

Committed fund balance – amounts constrained to specific purposes by the Board of Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless the Board of Supervisors takes the action to remove or change the constraint.

Assigned – amounts intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has by resolution authorized the Director of Finance to assign fund balance. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund and negative unassigned fund balances of other governmental funds.

The Board of Supervisors, as the highest level of authority within the County, establishes the commitment of fund balance by resolutions. All subsequent changes to the budget plan to add, reduce, or redirect resources to other purposes are also accomplished by Board resolution. As a result, all unrestricted amounts directed toward a purpose are shown as committed. Balances shown as assigned in the General Fund represent encumbrances which would otherwise be unassigned.

The County considers restricted balances to be expended first in cases where both restricted and unrestricted amounts are available. When utilizing unrestricted balances, committed balances are applied first, followed by assigned then unassigned balances.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of Rockingham and its component units, the Harrisonburg-Rockingham Social Services District and the Rockingham County School Board, retirement plans and the additions to/deductions from the County, the Harrisonburg-Rockingham Social Services District, and the Rockingham County School Board's retirement plans net fiduciary positions have been determined on the same basis as they were reported by the 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.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

13. Other Postemployment Benefits

Medical Insurance Program

The Medical Insurance Program is a single-employer plan. Experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is seven years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

Group Life Insurance Program

The VRS Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the total GLI other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Health Insurance Credit Program

The School Board non-professional Health Insurance Credit (HIC) Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The School Board professional HIC Program is a multiple-employer, cost-sharing plan. Both HIC Programs were established pursuant to Section 51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provide the authority under which benefit terms are established or may be amended. For purposes of measuring both HIC Programs' total OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the HIC Programs' OPEB, and the HIC Programs' OPEB expense, information about the fiduciary net position of the HIC Programs; and the additions to/deductions from both of the HIC Programs net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

F. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Subsequent Events

The County has evaluated subsequent events through November 27, 2018, the date on which the financial statements were available to be issued.

Note 2. Deposits and Investments

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

Custodial Credit Risk (Deposits). This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires all deposits to be insured under FDIC or comply with the Act. At year end, none of the County's deposits were exposed to custodial credit risk.

Investments. The State Treasurer's Local Government Investment Pool (LGIP) is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The County's investment in the LGIP, totaling \$45,554,604, are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year. The County also has investments in an LGIP Extended Maturity portfolio, totaling \$10,588,917, which is stated at fair value and classified as investments. The LGIP Extended Maturity has been assigned an "AAAf/S1" rating by Standard & Poor's. The maturity of the LGIP Extended Maturity is greater than one year.

Investment Policy

State statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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, bankers' acceptances, repurchase agreements, and the LGIP.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

The goal of the County is to obtain the highest possible yield on available financial assets invested consistent with state law, while observing the primary goal of preservation of principal and providing necessary liquidity to meet cash flow needs.

As of June 30, 2018, the County's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

| Permitted Investment | Sector Limit | Issuer Limit |
|---|--------------|--------------|
| U.S. Treasury Obligations | 100% | 100% |
| Federal Agency Obligations | 100% | 35% |
| Municipal Obligations | 20% | 5% |
| Commercial Paper | 25% | 5% |
| Bankers' Acceptances | 25% | 5% |
| Corporate Notes | 20% | 5% |
| Negotiable Certificates of Deposit and Bank Deposit Notes | 20% | 5% |
| Money Market Mutual Funds | 100% | 50% |
| LGIP | 100% | 100% |
| Repurchase Agreements | 35% | 35% |

The Sector Limit and Issuer Limit should be applied to the total investment portfolio value at the date of acquisition.

Credit Risk

As of June 30, 2018, as required by state statute, the Policy requires commercial paper, with a maturity of 270 days or less, have a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the Nationally Recognized Statistical Rating Organizations (NRSROs). Corporate notes with final maturity of less than five years must have a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investors Service. Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks, maturing in one year or less, must have a rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks, maturing over one year but less than five years, must have a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investors Service. Federal agency obligations, with final maturity less than five years, must have a rating of at least "AA" (or its equivalent) by at least two of the NRSROs, one of which will be either Moody's Investors Service or Standard & Poor's. Municipal obligations, with final maturity less than five years, must have a rating of at least "AA" by Standard & Poor's and/or "Aa" by Moody's Investors Service. Bankers' Acceptances, with a maturity of 180 days or less, must have a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the NRSROs. Money market mutual funds must be rated at least "AAA" or the equivalent by at least two of the following: Moody's Investors Service, Standard & Poor's, Fitch Investors Service, or Duff and Phelps, Inc.

As of June 30, 2018, 48% was invested in "AA+" U.S. Agency Securities, 21% was invested in "AAA, AA+, AA-, AA, A-1, A-1+, and A-" Corporate obligations, and 31% was invested in "AAAm" rated Short-Term Investment Funds (STIF) and Money Market Funds. All credit ratings presented in this paragraph are Standard & Poor's ratings.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2018, there were no investments in any single issuer that exceed 5% of the total portfolio.

Interest Rate Risk

Interest rate risk is defined as the risk that changes of interest rates will adversely affect the fair value of an investment.

| | Fair Value | Investment Maturities | |
|----------------------------|----------------------|-----------------------|--------------|
| | | Less Than 1 Year | 1 - 5 Years |
| U.S. Treasury Obligations | \$ 10,194,061 | \$ 1,275,311 | \$ 8,918,750 |
| Money Market Mutual Funds | 25,888 | 25,888 | - |
| Corporate Notes | 6,973,059 | 2,978,646 | 3,994,413 |
| Federal Agency Obligations | 6,182,775 | - | 6,182,775 |
| LGIP Extended Maturity | 10,588,917 | - | 10,588,917 |
| | <u>\$ 33,964,700</u> | | |

To manage the volatility of the Investment Portfolio, the County shall determine an appropriate duration or weighted average maturity target for each component of the Investment Portfolio. At no time shall the duration of the weighted average maturity of any component of the Investment Portfolio exceed two years.

The average duration of the Investment Portfolio will not deviate by more than +/- 25% of the average duration of the performance benchmark.

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of June 30, 2018:

- U.S. Treasury obligations of \$10,194,061 are valued using quoted market prices (Level 1 inputs).
- Federal agency obligations of \$6,182,775 are valued using quoted market prices (Level 1 inputs).
- Money market mutual funds of \$25,888 are valued using quoted market prices (Level 1 inputs).
- Corporate notes of \$6,973,059 are valued using quoted market prices (Level 1 inputs).
- LGIP Extended Maturity of \$10,588,917 are valued using quoted market prices (Level 1 input).

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables, Unavailable and Unearned Revenues

Receivables at June 30, 2018 for the County's individual major funds and nonmajor and Internal Service Funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

| | General Fund | General Capital Projects | Water and Sewer Fund | Smith Creek Water & Waste Authority |
|--|---------------------|-----------------------------|-------------------------|---|
| Property taxes | \$ 4,487,455 | \$ - | \$ - | \$ - |
| Utility taxes | 162,624 | - | - | - |
| Trade and other accounts | 999,478 | 6,216 | 1,094,541 | 56,966 |
| Gross receivables | 5,649,557 | 6,216 | 1,094,541 | 56,966 |
| Less allowance for uncollectable accounts | 800,000 | - | 15,500 | 4,300 |
| Net receivables | \$ 4,849,557 | \$ 6,216 | \$ 1,079,041 | \$ 52,666 |

| | Solid Waste Fund | Nonmajor Proprietary Funds | Internal Service Funds | Totals |
|--|---------------------|----------------------------------|---------------------------|---------------------|
| Property taxes | \$ - | \$ - | \$ - | \$ 4,487,455 |
| Utility taxes | - | - | - | 162,624 |
| Trade and other accounts | 1,126,108 | 12,190 | 11,739 | 3,307,238 |
| Gross receivables | 1,126,108 | 12,190 | 11,739 | 7,957,317 |
| Less allowance for uncollectable accounts | 7,000 | 5,900 | - | 832,700 |
| Net receivables | \$ 1,119,108 | \$ 6,290 | \$ 11,739 | \$ 7,124,617 |

The County determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to \$832,700 as of June 30, 2018.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables, Unavailable and Unearned Revenues (Continued)

Primary Government (Continued)

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable and unearned revenue* reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---|---------------------|---------------------|
| Delinquent property taxes receivable (General Fund) | \$ 3,256,954 | \$ - |
| Radio Agreement with other localities (General Fund) | 355,785 | - |
| Advance collection of 2018-2019 taxes (General Fund) | - | 1,115,601 |
| Personal Property Tax Relief Act – state reimbursement (General Fund) | - | 731,321 |
| Equitable Sharing Program (Asset Forfeiture Fund) | - | 111,977 |
| | <u>\$ 3,612,739</u> | <u>\$ 1,958,899</u> |

Component Units – School Board and Harrisonburg-Rockingham Social Services District

The component units' receivables are considered fully collectible and, therefore, an allowance for uncollectible accounts is not applicable for those receivables.

Internal Service Funds – Self-Insurance

Internal Service Funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the component of *unearned revenue* reported in the Internal Service Funds was as follows:

| | |
|---------------------------|---------------------|
| Health insurance premiums | <u>\$ 2,365,120</u> |
|---------------------------|---------------------|

Solid Waste Fund

At the end of the current fiscal year, the component of *unearned revenue* reported in the Solid Waste Fund was as follows:

| | |
|-------------------------|-------------------|
| Processed gas agreement | <u>\$ 499,023</u> |
|-------------------------|-------------------|

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments

Amounts due from other governments include the following:

Primary Government:

Governmental Funds:

General Fund:

Commonwealth of Virginia:

| | |
|------------------------------------|--------------|
| Local sales and use taxes | \$ 1,166,239 |
| Communications sales and use taxes | 233,914 |

Categorical aid:

Shared costs:

| | |
|-----------------------------|---------|
| Commissioner of the Revenue | 17,040 |
| Commonwealth Attorney | 73,821 |
| Sheriff | 523,679 |
| Clerk of Circuit Court | 48,587 |
| Treasurer | 15,690 |
| Other | 212,840 |

Federal government:

| | |
|--------------------------------|--------|
| Boarding and care of prisoners | 28,656 |
|--------------------------------|--------|

Categorical aid:

| | |
|-----------------------------------|---------|
| Homeland Security Program - SAFER | 145,049 |
| Ground transportation | 10,998 |
| Emergency Management Performance | 19,022 |
| Bureau of Justice Assistance | 13,150 |
| Other | 1,251 |

| | |
|----------------------|-----------|
| City of Harrisonburg | 1,081,665 |
|----------------------|-----------|

| | |
|-------------------------|---------|
| Other local governments | 388,348 |
|-------------------------|---------|

| | |
|---------------------------|------------------|
| Total General Fund | 3,979,949 |
|---------------------------|------------------|

General Capital Projects Fund:

Commonwealth of Virginia:

| | |
|-----------------|-----------|
| Revenue sharing | 2,894,630 |
|-----------------|-----------|

| | |
|----------------------|--------|
| City of Harrisonburg | 79,319 |
|----------------------|--------|

| | |
|--|------------------|
| Total General Capital Projects Fund | 2,973,949 |
|--|------------------|

| | |
|---------------------------------|------------------|
| Total Governmental Funds | 6,953,898 |
|---------------------------------|------------------|

Government-wide:

Governmental Activities:

| | |
|--|-----------|
| City of Harrisonburg – pension plan | 2,374,633 |
| City of Harrisonburg – other postemployment benefits | 1,430,812 |

| | |
|--------------------------------------|------------------|
| Total Governmental Activities | 3,805,445 |
|--------------------------------------|------------------|

| | |
|---------------------------------|----------------------|
| Total Primary Government | \$ 10,759,343 |
|---------------------------------|----------------------|

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments (Continued)

Component Unit - School Board:

Governmental Funds:

School Operating Fund:

Commonwealth of Virginia:

State sales tax receipts

\$ 1,669,719

Other

84,671

Federal government:

Education grants

786,125

Total School Operating Fund

2,540,515

School Cafeteria Fund:

Federal government:

School food program

70,577

Total School Cafeteria Fund

70,577

Massanutten Technical Center:

Federal government:

Education grants

121,443

Total Massanutten Technical Center

121,443

Total Component Unit - School Board - Governmental Funds

2,732,535

Government-wide:

Governmental Activities:

City of Harrisonburg – pension plan

1,995,636

City of Harrisonburg – other postemployment benefits

437,096

Total Component Unit – School Board - Governmental Activities

\$ 5,165,267

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments (Continued)

Component Unit - Harrisonburg-Rockingham Social Services District:

Governmental Funds:

Operating Fund:

Commonwealth of Virginia:

Public assistance and administration

\$ 346,090

Federal government:

Public assistance and administration

576,886

Total Operating Fund

922,976

Special Revenue – Children's Services Act Fund:

Commonwealth of Virginia:

Children's Services Act

1,081,701

Total Special Revenue Fund

1,081,701

**Total Component Unit – Harrisonburg-Rockingham
Social Services District – Governmental Funds**

2,004,677

Government-wide:

Governmental Activities:

City of Harrisonburg – pension plan

1,224,923

City of Harrisonburg – other postemployment benefits

746,370

**Total Component Unit – Harrisonburg-Rockingham
Social Services District - Governmental Activities**

\$ 3,975,970

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

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

Primary Government

| | Beginning Balance | Increases | (Deletions)/ Reclassifications/ Transfers | Ending Balance |
|---|----------------------|--------------------|---|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated or amortized: | | | | |
| Land | \$ 3,225,766 | \$ - | \$ - | \$ 3,225,766 |
| Construction in progress | 4,777,700 | 4,609,711 | (552,226) | 8,835,185 |
| Total capital assets not being depreciated or amortized | 8,003,466 | 4,609,711 | (552,226) | 12,060,951 |
| Capital assets being depreciated or amortized: | | | | |
| Buildings and improvements | 49,279,517 | - | - | 49,279,517 |
| Improvements other than buildings | 11,774,542 | 40,089 | (12,729) | 11,801,902 |
| Machinery and equipment | 19,377,964 | 1,262,372 | 457,234 | 21,097,570 |
| Software | 1,802,762 | - | - | 1,802,762 |
| Total capital assets being depreciated or amortized | 82,234,785 | 1,302,461 | 444,505 | 83,981,751 |
| Less accumulated depreciation and amortization for: | | | | |
| Buildings and improvements | (22,989,049) | (1,620,111) | - | (24,609,160) |
| Improvements other than buildings | (5,035,972) | (540,788) | 2,546 | (5,574,214) |
| Machinery and equipment | (9,616,730) | (1,491,537) | 60,908 | (11,047,359) |
| Software | (1,621,499) | (85,646) | - | (1,707,145) |
| Total accumulated depreciation and amortization | (39,263,250) | (3,738,082) | 63,454 | (42,937,878) |
| Total capital assets being depreciated or amortized, net | 42,971,535 | (2,435,621) | 507,959 | 41,043,873 |
| Governmental activities capital assets, net | \$ 50,975,001 | \$ 2,174,090 | \$ (44,267) | \$ 53,104,824 |

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

| | |
|--|---------------------|
| Governmental activities: | |
| General government administration | \$ 531,422 |
| Judicial administration | 360,975 |
| Public safety | 1,717,506 |
| Public works | 174,148 |
| Health and social services | 43,730 |
| Parks, recreation and cultural | 80,138 |
| Community development | 830,163 |
| Total depreciation and amortization expense - governmental activities | \$ 3,738,082 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Primary Government (Continued)

| | Beginning Balance | Increases | (Deletions)/ Reclassifications/ Transfers | Ending Balance |
|--|----------------------|--------------------|---|---------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated or amortized: | | | | |
| Land | \$ 2,449,023 | \$ 100,000 | \$ - | \$ 2,549,023 |
| Easements | 227,156 | - | - | 227,156 |
| Construction in progress | 4,442,583 | 10,180,221 | (57,875) | 14,564,929 |
| Total capital assets not being depreciated or amortized | 7,118,762 | 10,280,221 | (57,875) | 17,341,108 |
| Capital assets being depreciated or amortized: | | | | |
| Buildings and improvements | 929,335 | - | - | 929,335 |
| Improvements other than buildings | 77,043,044 | 402,090 | (45,944) | 77,399,190 |
| Machinery and equipment | 5,945,181 | 138,507 | (150,528) | 5,933,160 |
| Software | 44,004 | - | - | 44,004 |
| Total capital assets being depreciated or amortized | 83,961,564 | 540,597 | (196,472) | 84,305,689 |
| Less accumulated depreciation and amortization for: | | | | |
| Buildings and improvements | (227,262) | (47,455) | - | (274,717) |
| Improvements other than buildings | (29,632,041) | (2,409,924) | 35,858 | (32,006,107) |
| Machinery and equipment | (3,844,799) | (463,846) | 150,528 | (4,158,117) |
| Software | (36,670) | (7,334) | - | (44,004) |
| Total accumulated depreciation and amortization | (33,740,772) | (2,928,559) | 186,386 | (36,482,945) |
| Total capital assets being depreciated and amortized, net | 50,220,792 | (2,387,962) | (10,086) | 47,822,744 |
| Business-type activities capital assets, net | \$ 57,339,554 | \$ 7,892,259 | \$ (67,961) | \$ 65,163,852 |

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

| | |
|---|---------------------|
| Business-type activities: | |
| Water and Sewer | \$ 1,033,352 |
| Solid Waste | 1,720,654 |
| Smith Creek Water & Waste Authority | 132,325 |
| Lilly Subdivision Sanitary District | 10,819 |
| Countryside Sanitary District | 6,121 |
| Penn Laird Sewer Authority | 25,288 |
| Total depreciation and amortization expense - business-type activities | \$ 2,928,559 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Component Unit – School Board

| | Beginning Balance | Increases | (Deletions)/ Reclassifications/ Transfers | Ending Balance |
|--|----------------------|--------------------|---|----------------------|
| Capital assets not being depreciated or amortized: | | | | |
| Land | \$ 5,469,535 | \$ - | \$ - | \$ 5,469,535 |
| Easements | 36,654 | - | - | 36,654 |
| Construction in progress | 5,813,081 | 16,983,185 | - | 22,796,266 |
| Total capital assets not being depreciated or amortized | 11,319,270 | 16,983,185 | - | 28,302,455 |
| Capital assets being depreciated or amortized: | | | | |
| Buildings and improvements | 176,685,780 | - | (36,430) | 176,649,350 |
| Improvements other than buildings | 54,031,695 | 908,851 | (72,134) | 54,868,412 |
| Machinery and equipment | 40,826,316 | 967,115 | (116,686) | 41,676,745 |
| Software | 49,407 | - | - | 49,407 |
| Total capital assets being depreciated or amortized | 271,593,198 | 1,875,966 | (225,250) | 273,243,914 |
| Less accumulated depreciation and amortization for: | | | | |
| Buildings and improvements | (96,419,339) | (5,159,357) | 26,151 | (101,552,545) |
| Improvements other than buildings | (23,993,858) | (2,109,529) | 71,146 | (26,032,241) |
| Machinery and equipment | (32,846,743) | (1,521,726) | 131,709 | (34,236,760) |
| Software | (49,407) | - | - | (49,407) |
| Total accumulated depreciation and amortization | (153,309,347) | (8,790,612) | 229,006 | (161,870,953) |
| Total capital assets being depreciated and amortized, net | 118,283,851 | (6,914,646) | 3,756 | 111,372,961 |
| School Board capital assets, net | \$ 129,603,121 | \$ 10,068,539 | \$ 3,756 | \$ 139,675,416 |

Depreciation and amortization expense was charged to functions of the Component Unit – School Board as follows:

Component Unit - School Board:

| | |
|--|---------------------|
| Instruction | \$ 6,757,697 |
| Administration, attendance and health | 5,968 |
| Pupil transportation services | 1,034,077 |
| Operation and maintenance services | 992,870 |
| Total depreciation and amortization expense - Component Unit - School Board | \$ 8,790,612 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Component Unit – Harrisonburg-Rockingham Social Services District

| | Beginning Balance | Increases | (Deletions)/ Reclassifications/ Transfers | Ending Balance |
|---|----------------------|------------------|---|--------------------|
| Capital assets not being depreciated or amortized: | | | | |
| Land | \$ 202,036 | \$ - | \$ - | \$ 202,036 |
| Total capital assets not being depreciated or amortized | 202,036 | - | - | 202,036 |
| Capital assets being depreciated or amortized: | | | | |
| Buildings and improvements | 500,979 | - | - | 500,979 |
| Improvements other than buildings | 1,929,189 | 46,796 | - | 1,975,985 |
| Machinery and equipment | 624,956 | 76,204 | (13,075) | 688,085 |
| Total capital assets being depreciated or amortized | 3,055,124 | 123,000 | (13,075) | 3,165,049 |
| Less accumulated depreciation and amortization for: | | | | |
| Buildings and improvements | (87,671) | (25,049) | - | (112,720) |
| Improvements other than buildings | (258,285) | (105,522) | - | (363,807) |
| Machinery and equipment | (544,888) | (35,412) | 13,075 | (567,225) |
| Total accumulated depreciation and amortization | (890,844) | (165,983) | 13,075 | (1,043,752) |
| Total capital assets being depreciated and amortized, net | 2,164,280 | (42,983) | - | 2,121,297 |
| Harrisonburg-Rockingham Social Services District capital assets, net | \$ 2,366,316 | \$ (42,983) | \$ - | \$ 2,323,333 |

Depreciation and amortization expense was charged to the function of the Component Unit – Harrisonburg-Rockingham Social Services District as follows:

| | |
|--|-------------------|
| Component Unit - Harrisonburg-Rockingham Social Services District: | |
| Administration - Welfare | \$ 165,983 |
| Total depreciation and amortization expense - Component Unit - Harrisonburg-Rockingham Social Services District | \$ 165,983 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Commitments

The County has active projects and significant project commitments as of June 30, 2018 as follows:

Primary Government

Governmental Activities

| Project | Expended to June 30, 2018 | Remaining Commitment |
|----------------------------------|------------------------------|-------------------------|
| Reservoir St. expansion | \$ 4,758,134 | \$ 97,584 |
| Rockingham Park project | 7,587,183 | 661,622 |
| Spotswood Trail Route 33 project | 2,600,297 | 149,590 |
| Jail HVAC | 591,971 | 4,275,021 |
| | <u>\$ 15,537,585</u> | <u>\$ 5,183,817</u> |

The Harrisonburg-Rockingham Social Services District entered into a lease agreement effective July 1, 2017 for office space under a lease expiring June 30, 2027, with the option to renew for an additional year. The first year annual rental of \$18,280, is payable in equal monthly installments of \$1,523. The annual rental shall increase by 1.5% each subsequent year.

The total minimum rental commitment at June 30, 2018, under this lease is as follows:

| | Minimum Rental Commitment |
|--|------------------------------|
| During the next five years | \$ 91,400 |
| During the remaining term of the lease | 73,120 |
| | <u>\$ 164,520</u> |

Business-type Activities

| Project | Expended to June 30, 2018 | Remaining Commitment |
|---------------------------------|------------------------------|-------------------------|
| Landfill phase five expansion | \$ 10,608,569 | \$ 345,127 |
| 3 Springs finished pump project | 356,047 | 627,516 |
| McGaheysville Waterline Project | 1,793,888 | 1,719,327 |
| | <u>\$ 12,758,504</u> | <u>\$ 2,691,970</u> |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Commitments (Continued)

School Board Component Unit

| Project | Expended to June 30, 2018 | Remaining Commitment |
|----------------------------|------------------------------|-------------------------|
| John Wayland renovation | \$ 9,814,539 | \$ 340,912 |
| Pleasant Valley renovation | 7,058,730 | 358,001 |
| Rockingham Academy | 5,035,516 | 43,997 |
| | <u>\$ 21,908,785</u> | <u>\$ 742,910</u> |

These projects are being financed through grants, revenue sharing agreements, and internal funding.

Note 7. Encumbrances

As discussed in Note 1.D., budgetary data, encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

| | |
|-----------------------|--------------------------|
| General fund | \$ 234,440 |
| Capital projects fund | 33,756 |
| Water and sewer fund | <u>92,235</u> |
| Total | <u><u>\$ 360,431</u></u> |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations

Primary Government

The following is a summary of long-term liability activity of the primary government for the year ended June 30, 2018:

Governmental Activities

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|----------------------|----------------------|-----------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds and notes payable: | | | | | |
| General obligation bonds | \$ 61,626,623 | \$ 22,540,000 | \$ (5,105,034) | \$ 79,061,589 | \$ 5,771,477 |
| Capital leases | 12,282,453 | - | (1,870,938) | 10,411,515 | 1,897,218 |
| Note payable | 7,826,952 | 3,282,000 | (1,222,438) | 9,886,514 | 1,566,077 |
| Unamortized premiums | 2,634,290 | 1,962,256 | (318,539) | 4,278,007 | - |
| | 84,370,318 | 27,784,256 | (8,516,949) | 103,637,625 | 9,234,772 |
| Compensated absences | 910,324 | 278,380 | (381,154) | 807,550 | 515,463 |
| Governmental activities long-term activities | \$ 85,280,642 | \$ 28,062,636 | \$ (8,898,103) | \$ 104,445,175 | \$ 9,750,235 |

Annual requirements to amortize long-term debt other than compensated absences are as follows:

| Year(s) Ending June 30, | General Obligation Bonds | | Capital Leases | |
|-------------------------|--------------------------|----------------------|----------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 5,771,477 | \$ 3,739,322 | \$ 1,897,218 | \$ 259,119 |
| 2020 | 6,165,890 | 3,239,418 | 1,919,297 | 202,160 |
| 2021 | 5,840,678 | 2,944,523 | 1,315,000 | 156,186 |
| 2022 | 5,793,635 | 2,654,478 | 1,315,000 | 121,614 |
| 2023 | 6,004,991 | 2,358,522 | 1,320,000 | 86,958 |
| 2024-2028 | 30,412,598 | 7,255,878 | 2,645,000 | 69,641 |
| 2029-2033 | 11,607,320 | 1,907,625 | - | - |
| 2034-2038 | 7,465,000 | 583,084 | - | - |
| | \$ 79,061,589 | \$ 24,682,850 | \$ 10,411,515 | \$ 895,678 |

| Year(s) Ending June 30, | Note Payable | |
|-------------------------|---------------------|-------------------|
| | Principal | Interest |
| 2019 | \$ 1,566,077 | \$ 197,327 |
| 2020 | 1,596,970 | 166,434 |
| 2021 | 1,628,482 | 134,923 |
| 2022 | 1,660,624 | 102,780 |
| 2023 | 1,349,857 | 69,994 |
| 2024-2025 | 2,084,504 | 68,093 |
| | \$ 9,886,514 | \$ 739,551 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Primary Government (Continued)

| | |
|---|-----------------------------|
| \$8,421,223 1999A series, issued November 1999, due in annual maturities of \$501,777 to \$517,103 through July 2019, plus interest at 6.10% | \$ 1,018,880 |
| \$4,190,343 2000 series, issued November 2000, due in annual maturities of \$237,704 to \$247,440 through July 2020, plus interest at 5.10% | 727,592 |
| \$5,077,993 2003 series, issued November 2003, due in annual maturities of \$271,438 to \$297,277 through July 2023, plus interest at 4.60% to 5.10% | 1,701,429 |
| \$9,404,190 2005 series, issued November 2005, due in annual maturities of \$483,001 to \$545,699 through July 2025, plus interest at 4.60% to 5.10% | 4,113,256 |
| \$13,147,200 2006 series, issued November 2006, due in annual maturities of \$672,186 to \$744,134 through July 15, 2026, plus interest at 4.35% to 4.60% | 6,347,362 |
| \$10,610,000 2007 series, issued May 2007, due in annual maturities of \$525,000 to \$810,000 through July 15, 2027, plus interest at 4.10% to 5.10% | 6,590,000 |
| \$6,364,713 2007 series, issued November 2007, due in annual maturities of \$317,799 to \$371,160 through July 2027, plus interest at 4.35% to 5.10% | 3,425,852 |
| \$11,630,000 2008 series, issued May 2008, due in annual maturities of \$545,000 to \$900,000 through July 2028, plus interest at 4.60% to 5.10% | 7,805,000 |
| \$12,701,410 2008 series, issued December 2008, due in annual maturities of \$612,572 to \$742,320 through July 2028, plus interest at 5.10% to 5.35% | 7,407,218 |
| \$24,560,000 2009 series, issued May 2009, due in annual maturities of \$1,100,000 to \$1,855,000 through July 2029, plus interest at 4.05% to 5.05% | 17,385,000 |
| \$22,540,000 2017 series, issued November 2017 due in annual maturities of \$505,000 to \$1,585,000 through July 2037, plus interest at 2.05% to 5.05% | <u>22,540,000</u> |
| Total General Obligation Bonds | <u><u>\$ 79,061,589</u></u> |

All general obligation bonds were issued for the purpose of school construction and renovation.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Primary Government (Continued)

The following capital leases were entered into for general government purposes:

Capital Leases:

Emergency Communications Center:

\$7,150,000 lease purchase contract, entered into December 2004, due in annual installments ranging from \$587,218 to \$609,297 through December 2019, plus interest payable semi-annually at 3.76% \$ 1,196,515

SRI Project - tax exempt:

\$7,875,000 lease purchase contract, entered into November 2007, due in annual installments ranging from \$785,000 to \$795,000 through October 2024, plus interest payable semi-annually at 2.15% 5,525,000

SRI Project - taxable:

\$5,250,000 lease purchase contract, entered into November 2007, due in annual installments ranging from \$525,000 to \$530,000 through October 2024, plus interest payable semi-annually at 3.35% 3,690,000

Total capital leases \$ 10,411,515

Pursuant to Article VII, Section 10, (b) of the *Constitution of Virginia*, no debt shall be contracted by or on behalf of any county or district thereof unless approved by a majority vote of the qualified voters of said county. There is no limit on the amount of debt which a county may incur. Repayment of the capital leases will be funded through the General Fund.

The capital lease obligation associated with the Emergency Communications Center was to finance the acquisition and construction of emergency use equipment and radio towers throughout the County. The obligation associated with the SRI Project lease was to finance the costs to construct and equip a research facility for the benefit of and use by SRI International in the County's technology park.

The assets acquired through capital leases, included in the Statement of Net Position, are as follows:

| | Governmental Activities | |
|-------------------------------|---------------------------------|----------------------|
| | Emergency Communications Center | SRI Project |
| Capital assets: | | |
| Buildings and improvements | \$ - | \$ 18,249,809 |
| Machinery and equipment | 9,449,729 | - |
| Less accumulated depreciation | (3,675,832) | (5,025,446) |
| | <u>\$ 5,773,897</u> | <u>\$ 13,224,363</u> |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Primary Government (Continued)

Notes Payable:

Augusta County, Virginia

\$10,771,794 to become a member jurisdiction of the Middle River Regional Jail Authority, entered into July 2015, due in annual installments ranging from \$926,220 to \$1,053,439 through December 2024, plus interest payable at 2.17%

\$ 6,920,498

Radio Agreement

\$3,282,000 note issued in October 2017, due in semi-annual installments ranging from \$318,639 to \$340,691 through October 2022, plus interest payable at 1.68%

2,966,016

Total notes payable

\$ 9,886,514

The debt service payments for the notes payable are recorded in the public safety department.

Business-type Activities

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Business-type activities: | | | | | |
| Revenue bonds | \$ 26,593,687 | \$ 3,695,000 | \$ (1,778,060) | \$ 28,510,627 | \$ 1,915,135 |
| Landfill obligation | 10,833,464 | 1,095,446 | - | 11,928,910 | - |
| Compensated absences | 197,043 | 330,603 | (349,173) | 178,473 | 101,387 |
| Unamortized premiums | 3,117,853 | 456,180 | (240,315) | 3,333,718 | - |
| Business-type activities long-term liabilities | \$ 40,742,047 | \$ 5,577,229 | \$ (2,367,548) | \$ 43,951,728 | \$ 2,016,522 |

Annual requirements to amortize the revenue bonds are as follows:

| Year(s) Ending June 30, | Revenue Bonds | |
|-------------------------|----------------------|---------------------|
| | Principal | Interest |
| 2019 | \$ 1,915,135 | \$ 1,190,504 |
| 2020 | 1,977,415 | 1,110,201 |
| 2021 | 1,824,907 | 1,033,009 |
| 2022 | 1,887,618 | 952,213 |
| 2023 | 1,889,772 | 862,967 |
| 2024-2028 | 9,652,246 | 2,943,590 |
| 2029-2033 | 6,793,534 | 1,090,585 |
| 2034-2038 | 2,570,000 | 181,059 |
| | \$ 28,510,627 | \$ 9,364,128 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Primary Government (Continued)

Water and Sewer Fund

Infrastructure Revenue Bonds (Virginia Pooled Financing Program):

\$3,065,000 issued June 2007, due in annual installments of \$290,000 through October 2018, plus interest payable semi-annually at 4.73% \$ 290,000

Infrastructure Revenue and Refunding Bonds (Virginia Pooled Financing Program):

\$9,630,000 issued August 2015, due in annual installments of \$345,000 to \$805,000 through October 2035, plus interest payable semi-annually ranging from 3.02% to 5.13% 9,125,000

Infrastructure Revenue Bonds (Virginia Pooled Financing Program):

\$3,695,000 issued November 2017, due in installments of \$115,000 to \$265,000 in October 2037, plus interest payable semi-annually ranging from 2.86% to 5.13% 3,695,000

Solid Waste Fund

Infrastructure Revenue Bonds (Virginia Pooled Financing Program):

\$2,280,000 issued June 2009, due in annual installments of \$225,000 through October 2019, plus interest payable semi-annually at 5.13% 450,000

Infrastructure Revenue Bond (Virginia Pooled Financing Program):

\$4,000,000 issued May 2016, due in annual installments of \$200,000 through October 2035, plus interest payable semi-annually ranging from 3.80% to 5.13% 3,600,000

Infrastructure Revenue Bond (Virginia Pooled Financing Program):

\$9,845,000 issued May 2017, due in annual installments of \$490,000 to \$870,000 through October 2031, plus interest payable semi-annually ranging from 3.05% to 5.13% 9,345,002

Smith Creek Water & Waste Authority

Virginia Revolving Loan Fund:

\$2,078,500 issued November 2001, due in semi-annual installments of \$60,991 to \$69,737 through September 2022, including interest at 3.0% 591,779

Wastewater System Revenue Refunding Bond, Series 2012:

\$1,250,936 issued in April 2012, due in annual installments of \$74,016 to \$94,037 through August 2027, including interest at 2.66% 838,483

Countryside Sanitary District

Virginia Revolving Loan Fund:

\$171,288 issued June 2006, due in semi-annual installments of \$4,453 to \$5,763 through April 2026, including interest at 3.25% 81,941

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Primary Government (Continued)

Lilly Subdivision Sanitary District

Infrastructure Revenue Bonds (Virginia Pooled Financing Program):

\$456,490 issued April 2008, due in semi-annual installments of \$9,997 to
\$13,531 through August 2028, including interest at 3.05% \$ 245,262

Penn Laird Sewer Authority

Wastewater System Revenue Refunding Bond Series 2012:

\$370,232 issued April 2012, due in annual installments of \$22,109 to \$28,089
through August 2027, including interest at 2.66% 248,161

\$ 28,510,627

Repayment of the revenue bonds will be funded through the Water and Sewer Fund, the Smith Creek Water & Waste Authority, Lilly Subdivision Sanitary District, Penn Laird Sewer Authority, Solid Waste Fund, and the Countryside Sanitary District.

A rate covenant exists with respect to the 2015 revenue bonds of the Water and Sewer Fund. The County has agreed that it will fix and collect rates, fees, and other charges to satisfy the required debt service in each fiscal year.

Information relative to the County's landfill obligation is contained in Note 17.

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

Component Unit – School Board

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|----------------------|----------------------|--------------|----------------|-------------------|------------------------|
| Compensated absences | \$ 3,287,848 | \$ 4,892,147 | \$ (4,387,331) | \$ 3,792,664 | \$ 2,753,169 |

The following is a summary of long-term liability activity of the Component Unit – Harrisonburg-Rockingham Social Services District, for the year ended June 30, 2018:

Component Unit – Harrisonburg-Rockingham Social Services District

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|----------------------|----------------------|-----------|-------------|-------------------|------------------------|
| Compensated absences | \$ 43,503 | \$ 44,302 | \$ (49,012) | \$ 38,793 | \$ 23,471 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Government Services Provided by Authorities

The County of Rockingham, City of Harrisonburg, and the Towns of Bridgewater, Mt. Crawford, and Dayton entered into a guaranty agreement with the Harrisonburg-Rockingham Regional Sewer Authority (Authority) dated December 15, 1992. Under the terms of this agreement, these municipalities jointly and severally guaranteed the Authority's 2007 Sewer Revenue Bonds and 2008 Sewer Revenue and Refunding Bonds. In December 2007, the Authority issued \$30,000,000 Sewer Revenue Bonds bearing interest at 2.52% to upgrade and expand its treatment plant due in semi-annual installments of combined principal and interest of \$984,273, final maturity at September 1, 2030. The bonds currently outstanding total \$20,995,747. In June 2008, the Authority issued \$12,650,000 Sewer Revenue and Refunding Bonds, Series 2008 bearing interest from 2.95% to 4.80% with final maturity at October 1, 2021. The bonds currently outstanding total \$4,424,604. In November 2008, the Authority issued \$33,219,297 Sewer Revenue Bonds, series 2008 bearing interest at 2.72%, due in semi-annual installments of combined principal and interest of \$1,116,129, with final maturity at September 1, 2030. The bonds currently outstanding total \$23,520,538. In February 2015, with an allonge dated September 2015, the Authority issued \$8,665,505 Sewer Revenue Bonds bearing interest at 1.2% due in semi-annual installments beginning November 1, 2017 of combined principal and interest of \$249,865 thereafter, with a final maturity at November 1, 2036. The bonds currently outstanding total \$8,267,301. In December 2017, the Authority issued \$12,740,000 Sewer Revenue Bonds bearing interest at 2.25% due in semi-annual installments beginning September 1, 2020 of combined principal and interest of \$339,637, with a final maturity at November 1, 2044. The bonds currently outstanding total \$1,975,988.

The County is obligated for 3.407% of the above debt service.

The Authority bills the localities a monthly charge, which includes an assessment for their respective shares of the Authority's debt service, construction, and operating expenditures based on the locality usage of the sewage treatment facilities. Based on the current average usage, the County's assessment for the Authority's operating and maintenance and capital outlay, construction, and debt service expenditures for the ensuing year will approximate \$1,200,000, \$1,700,000, and \$140,000, respectively. To obtain a copy of the audited financial statements, contact the Authority at 856 North River Road, P. O. Box 8, Mt. Crawford, Virginia 22841.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plans

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the County of Rockingham and its component units, the Harrisonburg-Rockingham Social Services District (the District) and the Rockingham County School Board (School Board), are automatically covered by the VRS Retirement Plan or the VRS Teacher Retirement Plan upon employment. These plans are 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 a 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:

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|--|--|--|
| <p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> | <p>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>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 (teachers).• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. |
| <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>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>*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. |
| <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> | <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> | <p>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>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</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>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>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> | |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|--|--|
| <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p> | <p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |
| <p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> | <p>Creditable Service Same as Plan 1.</p> | <p>Creditable Service <u>Defined Benefit Component</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> |
| | | <p><u>Defined Contribution Component</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|--|-----------------------------------|---|
| Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make. | Vesting Same as Plan 1. | Vesting <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. <u>Defined Contribution Component</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none">• After two years, a member is 50% vested and may withdraw 50% of employer contributions.• After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 1/2. |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

A. Plan Description (Continued)

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|--|---|--|
| Normal Retirement Age Age 65. Political subdivisions hazardous duty employees: Age 60. | Normal Retirement Age Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1. | Normal Retirement Age <u>Defined Benefit Component</u> Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service. | Earliest Unreduced Retirement Eligibility Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1. | Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component</u> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: Age 50 with at least five years of creditable service. | Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1. | Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|--|---|
| 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%. | Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%. | Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component</u> Same as Plan 2. |
| <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. | <u>Eligibility:</u> Same as Plan 1. | <u>Eligibility:</u> Same as Plan 1 and Plan 2. |
| <u>Exceptions to COLA</u> <u>Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <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 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. | <u>Exceptions to COLA</u> <u>Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: Same as Plan 1. | <u>Exceptions to COLA</u> <u>Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: Same as Plan 1 and Plan 2. |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|--|---|--|
| Cost-of-Living Adjustment (COLA) in Retirement (Continued) <u>Exceptions to COLA Effective Dates: (Continued)</u> School Division (Teachers) and Political Subdivision Employees (continued): <ul style="list-style-type: none">• 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.• Political subdivision employees: The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). | | |
| Disability Coverage Political subdivision employees: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. | Disability Coverage Political subdivision employees: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted. | Disability Coverage Employees of political subdivisions and school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|--|---|---|
| Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay. | Purchase of Prior Service Same as Plan 1. | Purchase of Prior Service Defined Benefit Component Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. Defined Contribution Component Not applicable. |

B. Employees Covered by Benefit Terms

County and the District Plan (Agent Plan)

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

| | Number |
|--|--------------|
| Inactive members or their beneficiaries currently receiving benefits | 267 |
| Inactive members: | |
| Vested | 89 |
| Non-vested | 139 |
| Active elsewhere in VRS | 282 |
| Total inactive members | 510 |
| Active members | 573 |
| Total covered employees | 1,350 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

B. Employees Covered by Benefit Terms (Continued)

School Board Non-Professional Plan (Agent Plan)

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

| | <u>Number</u> |
|--|-------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>231</u> |
| Inactive members: | |
| Vested | 36 |
| Non-vested | 66 |
| Active elsewhere in VRS | <u>45</u> |
| Total inactive members | <u>147</u> |
| Active members | <u>415</u> |
| Total covered employees | <u><u>793</u></u> |

C. Contributions

County and the District Plan (Agent Plan)

The contribution requirement for active employees is governed by Section 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 5.00% 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 five 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 County and the District's contractually required contribution rate for the year ended June 30, 2018 was 10.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County and the District were \$2,814,654 and \$2,705,378 and for the years ended June 30, 2018 and 2017, respectively.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

C. Contributions (Continued)

School Board Non-Professional Plan (Agent Plan)

The contribution requirement for active employees is governed by Section 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 5.00% 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 five 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 School Board non-professional's contractually required contribution rate for the year ended June 30, 2018 was 5.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were \$477,228 and \$464,646 for the years ended June 30, 2018 and 2017, respectively.

School Board Professional Plan (Cost-Sharing Plan)

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. The School Board professional's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016 and reflects the transfer in June 2016 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the professional plan were \$10,135,322 and \$8,895,330 for the years ended June 30, 2018 and 2017, respectively.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

D. Net Pension Liability

County, District and School Board Non-Professional Plans (Agent Plans)

The net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

School Board Professional Plan (Cost-Sharing Plan)

At June 30, 2018, the School Board reported a liability for the professional plan of \$100,671,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 0.81860% as compared to 0.82587% at June 30, 2016.

School Board Professional Plan (Cost-Sharing Plan)

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

| | Teacher Employee Retirement Plan |
|---|--|
| Total pension liability | \$ 45,417,520,000 |
| Plan fiduciary net position | 33,119,545,000 |
| Employers' net pension liability | \$ 12,297,975,000 |

| | |
|---|--------|
| Plan fiduciary net position as a percentage of the total pension liability | 72.92% |
|---|--------|

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

E. Actuarial Assumptions

County, District and School Board Non-Professional Plans (Agent Plans)

General Employees

The total pension liability for General Employee's in the County and the District's retirement plan and the total pension liability for the General Employees in the School Board non-professional retirement plan were based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 5.35% |
| Investment rate of return | 7.0%, net of pension plan investment 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 benefits.

Mortality Rates: 15% of deaths are assumed to be service related.

- Pre-retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BBG to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.
- Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

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

| | |
|--|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience each year, age and service through nine years of service |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

County, District and School Board Non-Professional Plans (Agent Plans) (Continued)

General Employees (Continued)

| | |
|-------------------------|--------------------------------|
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

County and the District Plan (Agent Plan)

Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County and the District's retirement plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2017.

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 4.75% |
| Investment rate of return | 7.0%, net of pension plan investment 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 benefits.

| | |
|---------------------|---|
| Mortality Rates: | 45% of deaths are assumed to be service related. |
| – Pre-retirement: | RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward one year. |
| – Post-retirement: | RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year, 1.0% increase compounded from ages 70 to 90; females set forward three years. |
| – Post-disablement: | RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years; unisex using 100% male. |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

County and the District Plan (Agent Plan) (Continued)

Public Safety Employees with Hazardous Duty Benefits (Continued)

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

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

School Board Professional Plan (Cost-Sharing Plan)

The total pension liability for the VRS Teacher retirement plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2017.

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 5.95% |
| Investment rate of return | 7.0%, net of pension plan investment 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 ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

School Board Professional Plan (Cost-Sharing Plan) (Continued)

Mortality Rates:

- Pre-retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

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

| | |
|--|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience each year, age and service through nine years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

F. Long-Term Expected Rate of Return

County, District and School Board Non-Professional Plans (Agent Plans) and the School Board Professional Plan (Cost-Sharing Plan)

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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

G. Discount Rate

County, District and School Board Non-Professional Plans (Agent Plans) and the School Board Professional Plan (Cost-Sharing Plan)

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

H. Changes in the Net Pension Liability (Asset)

County and the District Plan (Agent Plan)

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-----------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at June 30, 2016 | \$ 99,762,902 | \$ 82,236,567 | \$ 17,526,335 |
| Changes for the Year: | | | |
| Service cost | 2,913,015 | - | 2,913,015 |
| Interest | 6,822,375 | - | 6,822,375 |
| Changes in assumptions | (1,115,528) | - | (1,115,528) |
| Difference between expected and actual experience | (394,616) | - | (394,616) |
| Contributions – employer | - | 2,681,076 | (2,681,076) |
| Contributions – employee | - | 1,249,882 | (1,249,882) |
| Net investment income | - | 10,038,185 | (10,038,185) |
| Benefit payments, including refunds of employee contributions | (4,600,811) | (4,600,811) | - |
| Administrative expense | - | (57,528) | 57,528 |
| Other changes | - | (8,946) | 8,946 |
| Net changes | 3,624,435 | 9,301,858 | (5,677,423) |
| Balances at June 30, 2017 | \$ 103,387,337 | \$ 91,538,425 | \$ 11,848,912 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

H. Changes in the Net Pension Liability (Asset) (Continued)

School Board Non-Professional Plan (Agent Plan)

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances at June 30, 2016 | \$ 32,395,629 | \$ 30,365,997 | \$ 2,029,632 |
| Changes for the Year: | | | |
| Service cost | 811,126 | - | 811,126 |
| Interest | 2,213,159 | - | 2,213,159 |
| Changes of assumptions | (388,130) | - | (388,130) |
| Difference between expected and actual experience | (176,386) | - | (176,386) |
| Contributions – employer | - | 458,757 | (458,757) |
| Contributions – employee | - | 388,720 | (388,720) |
| Net investment income | - | 3,671,538 | (3,671,538) |
| Benefit payments, including refunds of employee contributions | (1,558,151) | (1,558,151) | - |
| Administrative expense | - | (21,471) | 21,471 |
| Other changes | - | (3,254) | 3,254 |
| Net changes | 901,618 | 2,936,139 | (2,034,521) |
| Balances at June 30, 2017 | \$ 33,297,247 | \$ 33,302,136 | \$ (4,889) |

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

County, District and School Board Non-Professional Plans (Agent Plans) and the School Board Professional Plan (Cost-Sharing Plan)

The following presents the net pension liabilities of the County and the District, the School Board non-professional plan, and the School Board professional plan, using the discount rate of 7.00%, as well as what the County and the District, the School Board non-professional plan, and the School Board professional plan's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------|-------------------------------------|------------------------|
| County net pension liability | | \$ 9,399,066 | |
| District net pension liability | | 2,449,846 | |
| Total County and District net pension liability | \$ 26,552,467 | 11,848,912 | \$ (199,596) |
| School Board non-professional net pension liability (asset) | 3,800,615 | (4,889) | (3,226,581) |
| School Board professional net pension liability | 150,335,000 | 100,671,000 | 59,588,000 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

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

County and the District Plan (Agent Plan)

For the year ended June 30, 2018, the County and District recognized pension expense of \$1,675,550. At June 30, 2018, the County and District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | County | | District | | Total | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 353,848 | \$ (357,005) | \$ 92,772 | \$ (93,052) | \$ 446,620 | \$ (450,057) |
| Changes in assumptions | - | (652,631) | - | (170,107) | - | (822,738) |
| Net differences between projected and actual earnings on pension plan investments | - | (1,072,238) | - | (279,477) | - | (1,351,715) |
| Employer contributions subsequent to the measurement date | 2,229,990 | - | 584,664 | - | 2,814,654 | - |
| Total | \$ 2,583,838 | \$ (2,081,874) | \$ 677,436 | \$ (542,636) | \$ 3,261,274 | \$ (2,624,510) |

The \$2,814,654 reported as deferred outflows of resources related to pensions resulting from the County and District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|-----------------------|
| 2019 | \$ (1,145,641) |
| 2020 | 124,719 |
| 2021 | (295,488) |
| 2022 | (861,480) |
| | <u>\$ (2,177,890)</u> |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

School Board Non-Professional Plan (Agent Plan)

For the year ended June 30, 2018, the School Board recognized pension expense related to its non-professional plan of (\$74,306). At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for its non-professional plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ (275,818) |
| Changes in assumptions | - | (271,923) |
| Net difference between projected and actual earnings on pension plan investments | - | (480,260) |
| Employer contributions subsequent to the measurement date | 477,228 | - |
| Total | <u>\$ 477,228</u> | <u>\$ (1,028,001)</u> |

The \$477,228 reported as deferred outflows of resources related to pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|-----------------------|
| 2019 | \$ (591,692) |
| 2020 | (65,049) |
| 2021 | (56,927) |
| 2022 | (314,333) |
| | <u>\$ (1,028,001)</u> |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

School Board Professional Plan (Cost-Sharing Plan)

For the year ended June 30, 2018, the School Board recognized pension expense related to the professional plan of \$7,552,000. 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, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ (7,128,000) |
| Changes in assumptions | 1,469,000 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (3,657,000) |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 1,045,000 | (1,068,000) |
| Employer contributions subsequent to the measurement date | 10,135,322 | - |
| Total | \$ 12,649,322 | \$ (11,853,000) |

The \$10,135,322 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|-----------------------|
| 2019 | \$ (3,830,000) |
| 2020 | (127,000) |
| 2021 | (1,321,000) |
| 2022 | (3,592,000) |
| 2023 | (469,000) |
| | <u>\$ (9,339,000)</u> |

K. Pension Plan Data

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Medical Insurance Program

A. Plan Description

The County's, the Harrisonburg-Rockingham Social Services District's (District) and the Rockingham County School Board's (School Board) defined benefit other postemployment benefit (OPEB) – medical insurance plan provides OPEB for all permanent full-time general and public safety employees of the County, the District and the School Board. The County and the District have the same plan provisions. The School Board has separate plan provisions. The plan was established by the County's Board of Supervisors and any amendments to the plan must be approved by the Board. This plan is a single-employer defined benefit OPEB plan administered by the County. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75. This plan does not issue stand-alone financial reports.

The specific information for Medical Insurance Program's OPEB, including eligibility, is set out in the tables below:

County and the District

| MEDICAL INSURANCE PROGRAM PLAN PROVISIONS |
|---|
| <p><i>Eligible Employees</i></p> <p>A Rockingham County retiree, eligible for postretirement medical coverage, is defined as a full-time employee who retires directly from the County and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the County sponsored Retiree Health plan.</p> |
| <p><i>Retirement Eligibility</i></p> <p>Employees may retire under the VRS with an unreduced pension benefit under the following age and service requirements:</p> <ul style="list-style-type: none">• Plan 1 eligible employees<ul style="list-style-type: none">○ Age 50 and 30 years of service○ Age 65 and 5 years of service• Plan 2 and Hybrid plan eligible employees<ul style="list-style-type: none">○ Age 65 with 5 years of service○ Rule of 90 |
| <p><i>Benefit Amounts</i></p> <p>The County will provide a premium credit toward a retiree's health insurance premium at a rate of \$4.00 per year of service per month not to exceed \$120 per month based on 30 years of service in the VRS. To be eligible for this premium credit, the retiree must have a minimum of 15 years of service in the VRS and must have enrolled in the County's health insurance plan at the time of retirement. The premium credit may only be applied to the retiree's individual health insurance plan, and is not applicable to the premium charges for family members. The premium credit is made only until the employee is eligible for Medicare coverage, usually at age 65.</p> |
| <p><i>Reduction in Benefit Amounts</i></p> <p>Plan 1 eligible employees may retire with a reduced pension benefit at age 50 and 10 years of service or age 55 and 5 years of service. Plan 2 and Hybrid eligible employees can retire with a reduced pension benefit at age 60 with 5 years of service.</p> |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Medical Insurance Program (Continued)

A. Plan Description (Continued)

County and the District (Continued)

| MEDICAL INSURANCE PROGRAM PLAN PROVISIONS (Continued) |
|--|
| <i>Death of a Retiree</i> Upon death of a current retiree, the surviving spouse is eligible for coverage until age 65. Survivors of actives are not eligible for postretirement benefits, even if the deceased active was eligible to retire at the time of death. |

School Board

| MEDICAL INSURANCE PROGRAM PLAN PROVISIONS |
|--|
| <i>Eligible Employees</i> Retired employees may participate in the School Board health insurance program in accordance with the following terms and conditions: <ul style="list-style-type: none">• The employee has served a minimum of 10 consecutive years as an employee of Rockingham County School Board.• The employee is eligible for retirement under VRS and that his/her monthly payments are made through payroll deductions by the VRS.• Once the retired employee becomes eligible for or obtains other health coverage, the retired employee will no longer be eligible to participate in the group plan. |
| <i>Retirement Eligibility</i> School Board employees may retire under the VRS according to the same eligibility requirements as the County and the District employees described above. |
| <i>Benefit Amounts</i> The School Board will pay \$10 monthly for the retiree until the retiree becomes eligible for or obtains other health coverage. |
| <i>Death of a Retiree</i> Upon death of a current retiree, the surviving spouse is eligible for coverage until age 65. Survivors of actives are not eligible for postretirement benefits, even if the deceased active was eligible to retire at the time of death. |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Medical Insurance Program (Continued)

B. Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the benefit terms:

County and the District

| | Number |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 34 |
| Inactive employees entitled to but not yet receiving benefit payments | 2 |
| Active employees | 528 |
| Total | 564 |

School Board

| | Number |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 73 |
| Inactive employees entitled to but not yet receiving benefit payments | 6 |
| Active employees | 1,556 |
| Total | 1,635 |

C. Total Medical Insurance Program OPEB Liability

The County and the District's total Medical Insurance OPEB liability of \$6,080,229 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. The School Board's total Medical Insurance OPEB liability of \$20,080,946 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

D. Actuarial Assumptions and Other Inputs

The total Medical Insurance Program OPEB liabilities were based on an actuarial valuation as of July 1, 2017, using the Entry Age Normal actuarial cost method and the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Inflation | 2.50% |
| Salary increases | 2.50% per annum |
| Discount rate | 3.11% per annum |
| Healthcare cost trend rates | Medical and Stop Loss: 8% graded down to 5% over 10 years; Administrative Expenses 5% per annum |

The discount rate was based on the S&P 500 Municipal Bond Index.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Medical Insurance Program (Continued)

D. Actuarial Assumptions and Other Inputs (Continued)

County and the District

Mortality Rates

The following mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

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

Post-Commencement: RP-2014 Employee Rates to age 49, Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year; females set back one year with 1.5% increase compounded from ages 70 to 85.

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

School Board

Mortality Rates

The following mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

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

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

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Medical Insurance Program (Continued)

E. Changes in the Total Medical Insurance OPEB Liability

County and the District

| | Total Medical Insurance OPEB Liability |
|--------------------------|--|
| Balance at June 30, 2017 | <u>\$ 5,702,899</u> |
| Changes for the year: | |
| Service cost | 390,913 |
| Interest | 183,392 |
| Contributions - employer | <u>(196,975)</u> |
| Net changes | <u>377,330</u> |
| Balance at June 30, 2018 | <u><u>\$ 6,080,229</u></u> |

School Board

| | Total Medical Insurance OPEB Liability |
|--------------------------|--|
| Balance at June 30, 2017 | <u>\$ 18,802,393</u> |
| Changes for the year: | |
| Service cost | 1,141,518 |
| Interest | 605,681 |
| Contributions - employer | <u>(468,646)</u> |
| Net changes | <u>1,278,553</u> |
| Balance at June 30, 2018 | <u><u>\$ 20,080,946</u></u> |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Medical Insurance Program (Continued)

F. Sensitivity of the Total Medical Insurance OPEB Liabilities to Changes in the Discount Rate

The following presents the total OPEB liabilities of the County and the District and the School Board calculated using the stated discount rate, as well as what the County and the District's and the School Board's total Medical Insurance OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.11%) or 1-percentage-point higher (4.11%) than the current discount rate:

| | 1% Decrease (2.11%) | Current Discount Rate (3.11%) | 1% Increase (4.11%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| County | | \$ 4,896,965 | |
| District | | 1,183,264 | |
| Total County and the District | \$ 6,818,351 | 6,080,229 | \$ 5,437,843 |
| School Board | 22,361,964 | 20,080,946 | 18,062,677 |

G. Sensitivity of the Total Medical Insurance OPEB Liabilities to Changes in Healthcare Cost Trend Rate

The following represents the total Medical Insurance OPEB liabilities of the County and the District and the School Board calculated using the stated discount rate, as well as what the County and the District's and the School Board's total Medical Insurance OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 4 percent over 10 years) or 1-percentage-point higher (9.0 percent decreasing to 6 percent over 10 years) than the current discount rate:

| | 1% Decrease (7.00% decreasing to 4% over 10 years) | Current Discount Rate (8.00% decreasing to 5% over 10 years) | 1% Increase (9.00% decreasing to 6% over 10 years) |
|-------------------------------|---|--|---|
| County | | \$ 4,896,965 | |
| District | | 1,183,264 | |
| Total County and the District | \$ 5,350,987 | 6,080,229 | \$ 6,966,371 |
| School Board | 17,548,986 | 20,080,946 | 23,119,641 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Medical Insurance Program (Continued)

H. Medical Insurance OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical Insurance OPEB

For the year ended June 30, 2018, the County and the District and the School Board recognized Medical Insurance OPEB expense of \$574,305 and \$1,747,199, respectively.

County and the District

For the year ended June 30, 2018, the County and the District reported deferred outflows of resources to the Medical OPEB plan of \$468,189 and \$113,130, respectively, relating to contributions subsequent to the measurement date, which will be recognized as a reduction of the total Medical OPEB plan liability in the fiscal year ending June 30, 2019.

School Board

For the year ended June 30, 2018, the School Board reported deferred outflows of resources to the Medical OPEB plan of \$1,947,789 relating to contributions subsequent to the measurement date, which will be recognized as a reduction of the total Medical OPEB plan liability in the fiscal year ending June 30, 2019.

Note 12. Other Postemployment Benefits – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the County and the District, and the School Board non-professional and the School Board professional employees are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is set out in the table below:

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS | |
|--|--|
| Eligible Employees | |
| The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. | |
| Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest. | |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

A. Plan Description (Continued)

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (Continued) | |
|--|--|
| <p>Benefit Amounts</p> <p>The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit – The accidental death benefit is double the natural death benefit. • Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option | |
| <p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p> | |
| <p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and is currently \$8,111.</p> | |

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the participating employers for the years ended June 30, 2018 and June 30, 2017 were as follows.

| | 2018 | 2017 |
|-------------------------------|------------|------------|
| County and the District | \$ 134,478 | \$ 130,373 |
| School Board Non-Professional | 42,045 | 41,537 |
| School Board Professional | 346,483 | 335,222 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

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

At June 30, 2018, the participating employers' reported liabilities for its proportionate share of the net GLI OPEB liability as follows:

| | 2018 |
|-------------------------------|--------------|
| County | \$ 1,622,395 |
| District | 422,605 |
| Total County and the District | 2,045,000 |
| School Board Non-Professional | 651,000 |
| School Board Professional | 5,260,000 |

The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employers' proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, comparisons of the participating employers' proportions to June 30, 2016 are as follows:

| | 2017 | 2016 |
|-------------------------------|----------|----------|
| County and the District | 0.13592% | 0.13245% |
| School Board Non-Professional | 0.04331% | 0.04447% |
| School Board Professional | 0.34950% | 0.35094% |

For the year ended June 30, 2018, the County and the District, School Board non-professional, and School Board professional employees recognized GLI OPEB expense of \$32,000, \$4,000, and \$55,000, respectively. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

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

At June 30, 2018, the employers reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

County and the District

| | County | | District | | Total | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | 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 | \$ - | \$ (36,496) | \$ - | \$ (9,504) | \$ - | \$ (46,000) |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | (61,091) | - | (15,909) | - | (77,000) |
| Change in assumptions | - | (83,306) | - | (21,694) | - | (105,000) |
| Changes in proportion | 41,204 | - | 10,796 | - | 52,000 | - |
| Employer contributions subsequent to the measurement date | 106,559 | - | 27,919 | - | 134,478 | - |
| Total | \$ 147,763 | \$ (180,893) | \$ 38,715 | \$ (47,107) | \$ 186,478 | \$ (228,000) |

The \$134,478 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|---------------------|
| 2019 | \$ (38,000) |
| 2020 | (38,000) |
| 2021 | (38,000) |
| 2022 | (38,000) |
| 2023 | (19,000) |
| Thereafter | (5,000) |
| Total | \$ (176,000) |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

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

School Board Non-Professional

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ (14,000) |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | (25,000) |
| Change in assumptions | - | (34,000) |
| Changes in proportion | - | (17,000) |
| Employer contributions subsequent to the measurement date | 42,045 | - |
| Total | \$ 42,045 | \$ (90,000) |

The \$42,045 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|--------------------|
| 2019 | \$ (18,000) |
| 2020 | (18,000) |
| 2021 | (18,000) |
| 2022 | (18,000) |
| 2023 | (12,000) |
| Thereafter | (6,000) |
| Total | \$ (90,000) |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

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

School Board Professional

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ (116,000) |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | (198,000) |
| Change in assumptions | - | (271,000) |
| Changes in proportion | - | (21,000) |
| Employer contributions subsequent to the measurement date | 346,483 | - |
| Total | \$ 346,483 | \$ (606,000) |

The \$346,483 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|---------------------|
| 2019 | \$ (125,000) |
| 2020 | (125,000) |
| 2021 | (125,000) |
| 2022 | (125,000) |
| 2023 | (75,000) |
| Thereafter | (31,000) |
| Total | \$ (606,000) |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

| | |
|--|--|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| Teachers | 3.5%-5.95% |
| Locality – general employees | 3.5%-5.35% |
| Locality – hazardous duty employees | 3.5%-4.75% |
| Investment rate of return | 7.0%, net of investment expenses, including inflation* |

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

School Board Professional

Mortality Rates – Teachers

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

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

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

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

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and changed final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each year, age and service through nine years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

County, District and School Board Non-Professional

Mortality Rates – General Employees

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

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

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

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

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

Mortality Rates – Hazardous Duty Employees

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

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two years; unisex using 100% male.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

County, District and School Board Non-Professional (Continued)

Mortality Rates – Hazardous Duty Employees (Continued)

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

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

E. Net GLI OPEB Liability

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

| | |
|--|---|
| | Group Life Insurance OPEB Program |
| Total GLI OPEB liability | \$ 2,942,426,000 |
| Plan fiduciary net position | <u>1,437,586,000</u> |
| Employers' net GLI OPEB liability | <u>\$ 1,504,840,000</u> |

| | |
|--|--------|
| Plan fiduciary net position as a percentage of the total GLI OPEB liability | 48.86% |
|--|--------|

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

F. Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

G. Discount Rate

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

H. Sensitivity of the Participating Employers' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| County | | \$ 1,622,395 | |
| District | | 422,605 | |
| Total County and the District | \$ 2,645,000 | 2,045,000 | \$ 1,559,000 |
| School Board Non-Professional | 843,000 | 651,000 | 496,000 |
| School Board Professional | 6,803,000 | 5,260,000 | 4,009,000 |

I. Group Life Insurance Program Fiduciary Net Position

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

Note 13. Other Postemployment Benefits – Health Insurance Credit Program

A. Plan Description

School Board Non-Professional and School Board Professional Plans

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

A. Plan Description (Continued)

School Board Non-Professional Plan

The specific information about the School Board non-professional HIC OPEB, including eligibility, coverage and benefits is set out in the table below:

| POLITICAL SUBDIVISION HIC PLAN PROVISIONS |
|---|
| <p><i>Eligible Employees</i></p> <p>The Political Subdivision Retiree HIC was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees of participating political subdivisions are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. |
| <p><i>Benefit Amounts</i></p> <p>The political subdivision's Retiree HIC provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• At Retirement – for employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.• Disability Retirement – for employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month. |
| <p><i>Health Insurance Credit Program Notes</i></p> <ul style="list-style-type: none">• The monthly HIC benefit cannot exceed the individual premium amount• No HIC for premiums paid and qualified under Line of Duty Act (LODA), however, the employee may receive the credit for premiums paid for other qualified health plans.• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree. |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

A. Plan Description (Continued)

School Board Professional Plan

The specific information for the Teacher Employee HIC OPEB, including eligibility, coverage, and benefits is set out in the table below:

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

B. Employees Covered by Benefit Terms

School Board Non-Professional Plan

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan.

| | <u>Number</u> |
|--|-------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>139</u> |
| Inactive members: | |
| Vested | <u>4</u> |
| Total inactive members | <u>143</u> |
| Active members | <u>415</u> |
| Total covered employees | <u><u>558</u></u> |

C. Contributions

School Board Non-Professional and School Board Professional Plans

The contribution requirement for active employees is governed by Section 51.1-1402(E) 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. For the year ended June 30, 2018, the contractually required employer contribution rates for the School Board non-professional and School Board professional was 0.65% and 1.23%, respectively, of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the HIC Program from the participating employers for the years ended June 30, 2018 and June 30, 2017 were as follows:

| | 2018 | 2017 |
|-------------------------------|-------------------|-------------|
| School Board Professional | \$ 807,757 | \$ 714,647 |
| School Board Non-Professional | 52,860 | 51,835 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

D. Net HIC OPEB Liability

School Board Non-Professional Plan

The School Board Non-Professional plan's net HIC OPEB liability was measured as of June 30, 2017. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

School Board Professional Plan

The net OPEB liability (NOL) for the Teacher Employee HIC represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Teacher Employee HIC are as follows:

| | |
|---|--------------------------------------|
| | Teacher Employee HIC OPEB Plan |
| Total teacher employee HIC OPEB liability | \$1,364,702,000 |
| Plan fiduciary net position | 96,091,000 |
| Teacher employee net HIC OPEB liability | <u>\$1,268,611,000</u> |
| Plan fiduciary net position as a percentage of the total teacher employee HIC OPEB liability | 7.04% |

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

E. Actuarial Assumptions

School Board Non-Professional and School Board Professional Plans

The total HIC OPEB liabilities were based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

| | |
|--|--|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| Locality – general employees | 3.5%-5.35% |
| Teacher employees | 3.5%-5.95% |
| Investment rate of return | 7.0%, net of investment expenses, including inflation* |

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

School Board Non-Professional Plan

Mortality Rates – General Employees

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

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

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

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

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

E. Actuarial Assumptions (Continued)

School Board Professional Plan

Mortality Rates – Teachers

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

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

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

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

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and changed final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each year, age and service through nine years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

F. Long-Term Expected Rate of Return

School Board Non-Professional and School Board Professional Plans

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

G. Discount Rate

School Board Non-Professional and School Board Professional Plans

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

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

H. Changes in Net HIC OPEB Liability

School Board Non-Professional Plan

| | Increase (Decrease) | | |
|--|------------------------------------|---------------------------------------|------------------------------------|
| | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (a-b) |
| Balance at June 30, 2016 | \$ 961,598 | \$ 381,566 | \$ 580,032 |
| Changes for the year: | | | |
| Service cost | 19,552 | - | 19,552 |
| Interest | 65,388 | - | 65,388 |
| Changes in assumptions | (22,380) | - | (22,380) |
| Contributions - employer | - | 51,835 | (51,835) |
| Net investment income | - | 43,842 | (43,842) |
| Benefit payments, including refunds of employee contributions | (54,976) | (54,976) | - |
| Administrative expenses | - | (702) | 702 |
| Other changes | - | 2,239 | (2,239) |
| Net changes | 7,584 | 42,238 | (34,654) |
| Balance at June 30, 2017 | \$ 969,182 | \$ 423,804 | \$ 545,378 |

I. Sensitivity of the HIC Net OPEB Liabilities to Changes in the Discount Rate

School Board Non-Professional and School Board Professional Plans

The following presents the net HIC OPEB liabilities using the discount rate of 7.00%, as well as what the net HIC OPEB liabilities would be if they 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:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| School Board Professional | \$ 11,551,000 | \$ 10,349,000 | \$ 9,328,000 |
| School Board Non-Professional | 633,714 | 545,378 | 468,945 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

J. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB

School Board Non-Professional Plan

For the year ended June 30, 2018, the School Board non-professional plan recognized HIC OPEB expense of \$48,559. At June 30, 2018, the School Board non-professional plan reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB from the following sources (amounts expressed in the thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Net difference between projected and actual earnings on HIC OPEB program investments | \$ - | \$ 13,750 |
| Change in assumptions | - | 17,628 |
| Employer contributions subsequent to the measurement date | 52,860 | - |
| Total | \$ 52,860 | \$ 31,378 |

The \$52,860 reported as deferred outflows of resources related to the HIC OPEB resulting from the school Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the total HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows (amounts expressed in the thousands):

| Year Ending June 30, | Amount |
|----------------------|--------------------|
| 2019 | \$ (8,190) |
| 2020 | (8,190) |
| 2021 | (8,190) |
| 2022 | (6,808) |
| Total | \$ (31,378) |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

J. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB (Continued)

School Board Professional Plan

At June 30, 2018, the School Board professional plan reported a liability of \$10,349,000 for its proportionate share of the Teacher Employee HIC total OPEB liability. The total Teacher Employee HIC OPEB liability was measured as of June 30, 2017 and the total Teacher Employee HIC OPEB liability used to calculate the total Teacher Employee HIC OPEB liability was determined by an actuarial valuation as of that date. The School Board professional plan's proportion of the total Teacher Employee HIC OPEB liability was based on the School Board professional plan's actuarially determined employer contributions to the Teacher Employee HIC OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board professional plan's proportion of the Teacher Employee HIC was 0.81579% as compared to 0.82582% at June 30, 2016.

For the year ended June 30, 2018, the School Board professional plan recognized Teacher Employee HIC OPEB expense of \$825,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the Teacher Employee HIC net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the School Board professional plan reported deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Net difference between projected and actual earnings on HIC OPEB program investments | \$ - | \$ 19,000 |
| Change in assumptions | - | 106,000 |
| Changes in proportionate share | - | 110,000 |
| Employer contributions subsequent to the measurement date | 807,757 | - |
| Total | \$ 807,757 | \$ 235,000 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

J. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB (Continued)

School Board Professional Plan (Continued)

The \$807,757 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the School Board professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the total Teacher Employee HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|---------------------|
| 2019 | \$ (38,000) |
| 2020 | (38,000) |
| 2021 | (38,000) |
| 2022 | (38,000) |
| 2023 | (33,000) |
| Thereafter | (50,000) |
| Total | \$ (235,000) |

K. HIC Credit Program Plan Data

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

Note 14. Advances To/From Other Funds

Interfund balances as of June 30, 2018 are as follows:

| Payable Fund | Receivable Fund |
|-------------------------------------|-------------------|
| Primary Government: | General Fund: |
| Lilly Subdivision Sanitary District | \$ 138,754 |
| | <u>\$ 138,754</u> |

The advance from the General Fund to the Lilly Subdivision Sanitary District includes an advance to be repaid through 2024 with annual principal payments of \$6,500 plus interest at 3.25%.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. Interfund Transfers

A summary of interfund transfer activity is presented as follows:

| Transfer to Fund | General Fund | Total Transferred out |
|-------------------------------|---------------------|--------------------------|
| Primary Government: | | |
| Governmental funds: | | |
| General Capital Projects Fund | \$ 7,232,000 | \$ 7,232,000 |
| Total transferred out | \$ 7,232,000 | \$ 7,232,000 |
| Transfer from Fund | General Fund | Total Transferred in |
| Primary Government: | | |
| Governmental funds: | | |
| Self-Funded Insurance | \$ 1,525,000 | \$ 1,525,000 |

The transfer from the General Fund to the General Capital Projects Fund was to fund the County's 2020 plan, radio lease, CAD project, and HVAC project at the Jail.

The transfer to the General Fund from the Self-Funded Insurance was for the repayment of start-up funds.

Note 16. Major Customers

The Water and Sewer Fund has one major customer. For the year ended June 30, 2018, water and sewer revenue from this customer was approximately \$2.92 million. Accounts receivable from this customer were approximately \$566,000 at June 30, 2018.

The Solid Waste Fund has two major customers. Revenues from these customers for the year ended June 30, 2018 were approximately \$2.74 million. Accounts receivable from these customers were approximately \$280,000 at June 30, 2018.

The Smith Creek Water & Waste Authority has one major customer. For the year ended June 30, 2018, revenue from this customer was approximately \$86,000. Accounts receivable from this customer were approximately \$12,000 at June 30, 2018.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 17. Landfill Closure and Postclosure Care Cost

An agreement between the County and City of Harrisonburg divided the closure and post-closure liability pro rata for all cells active as of December 31, 2011. The City of Harrisonburg's liability for closure and post-closure was capped at that amount calculated pursuant to the regulations and percentage of waste disposed in the active cells as of December 31, 2011. The City of Harrisonburg's landfill closure and postclosure care liability totals \$2,697,965.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the Solid Waste Fund reports a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of each balance sheet date. The County has recorded \$11,928,910 as landfill closure and postclosure liability at June 30, 2018. The landfill's total capacity used to date is 85% for active cells.

The Solid Waste Fund will report the County's estimated liability of closure and post-closure care of \$2,113,000 for the active cell as the remaining estimated capacity is filled. These amounts are based on the cost to perform all closure and post-closure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The estimated remaining life of the landfill is approximately three years and does not account for future expansion.

Note 18. Risk Management

The County and its component units are exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; employee health and accident claims; and natural disasters. The County and its component units have chosen to retain a portion of the risks through a self-insurance program and have also purchased insurance to transfer other risks to outside parties. There has been no significant reduction in insurance coverage during the past year. A description of the County and its component units' risk management program is presented below:

Auto, Liability and Workers' Compensation Insurance

The County has coverage with the Virginia Association of Counties Group Self Insurance Association (Association) for auto, liability, and workers' compensation insurance. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays the Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 18. Risk Management (Continued)

Health Insurance

County employees, retirees and employee dependents are eligible for medical benefits from a health insurance Internal Service Funds. Funding is provided by charges to County departments, employees, and retirees. The program is supplemented by stop loss protection, which limits the County's annual liability.

Based on the requirements of GASB Statement No. 10, the County records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2018, 2017, and 2016:

| Fiscal Year Ended | Beginning Liability | Claims and Changes in Estimates | Claim Payments | Ending Liability |
|-------------------|---------------------|---------------------------------|----------------|------------------|
| June 30, 2018 | \$ 2,076,649 | \$ 26,244,427 | \$ 25,686,897 | \$ 2,634,179 |
| June 30, 2017 | 2,516,803 | 23,745,763 | 24,185,917 | 2,076,649 |
| June 30, 2016 | 1,751,000 | 23,474,862 | 22,709,059 | 2,516,803 |

| Fiscal Year Ended | Governmental Activities | Component Unit - School Board | Total |
|-------------------|-------------------------|-------------------------------|--------------|
| June 30, 2018 | \$ 658,545 | \$ 1,975,634 | \$ 2,634,179 |
| June 30, 2017 | 550,016 | 1,526,633 | 2,076,649 |
| June 30, 2016 | 629,201 | 1,887,602 | 2,516,803 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 19. Tax Abatements and the Technology Zone Grant Program

Pursuant to the provisions of Title 15.2, Chapter 9, Section 15.2-953 of the *Code of Virginia*, localities are permitted to make appropriations of money to industrial development authorities for the purposes of promoting economic development. Furthermore, Title 58.1, Chapter 38, Section 58.1-3850 of the *Code of Virginia* permits any city, county or town the authority to establish one or more technology zones, within which incentives may be offered for investments in technological advances. The tax incentives may be provided for up to ten years and may include, but not be limited to: (i) reduction of permit fees; (ii) reduction of user fees; and (iii) reduction of any type of gross receipts tax.

The County has established the Technology Zone Grant Program and currently maintains four technology zones. The County has entered into grant agreements with local businesses within those zones. Once the business has satisfactorily paid all current year property taxes due, a calculation is performed to determine the grant amount that will ultimately be returned to the business. This transaction, in essence, is an abatement of taxes collected, as it is a reduction in tax revenues available for spending by the County. Once the grant amount is determined, the County transfers funds to the Rockingham Economic Development Authority, who subsequently returns the funds to the business. Grants shall be used for investment in technological advancements to machinery and tools and tangible personal property in the construction of new or expanded facilities within the technology zone.

For the fiscal year ended June 30, 2018, the County abated property taxes totaling \$1,379,696 under this grant program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- Property tax abatement to a pharmaceutical facility in the amount of \$210,327.
- Property tax abatement to a beverage facility in the amount of \$716,392.
- Property tax abatement to a dairy facility in the amount of \$238,095.
- Property tax abatement to a printing facility in the amount of \$214,882.

Note 20. Pending GASB Statements

At June 30, 2018, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, will increase the usefulness of the County's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt*, will improve the information that is disclosed in notes related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. Statement No. 88 will be effective for fiscal years beginning after June 15, 2018.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 20. Pending GASB Statements (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests*, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement No. 90 will be effective for fiscal years beginning after December 15, 2018.

Management has not determined the effects these new Statements may have on prospective financial statements.

Note 21. Joint Venture

The Harrisonburg-Rockingham Emergency Communications Center (HRECC) is a joint venture of the County and the City of Harrisonburg (City). The HRECC was created in August 2003, to provide for the purchase, operation, and maintenance of a two-way radio system for public safety and general government operations in the County and City. The County's Board of Supervisors and the Harrisonburg City Council approve the annual operating and maintenance budget, as submitted by the HRECC Administrative Board comprised of the County Administrator and the City Manager. Both localities are contractually obligated to provide appropriations for the operating costs of the HRECC. The County has no explicit and measurable financial interest in the HRECC. Complete financial statements for the HRECC can be obtained from the Director of Finance, City of Harrisonburg, 345 South Main Street, Harrisonburg, Virginia, 22801.

In fiscal year 2018, the County's contributions to the HRECC totaled approximately \$2,275,703.

Note 22. Middle River Regional Jail Authority

The Middle River Regional Jail Authority (MRRJA), which opened in April 2006, was established by the County of Augusta, City of Staunton and City of Waynesboro (the Original Member Jurisdictions) to house prisoners from their own jurisdictions as well as others. An agreement was executed as of July 1, 2015 among the Original Member Jurisdictions and the County of Rockingham and City of Harrisonburg to allow the County and City to become Member Jurisdictions of MRRJA, effectively allowing the County and City to no longer pay MRRJA's per diem rental fee. The Original Member Jurisdictions agreed to admit the County as an additional member jurisdiction effective July 1, 2015 for \$10,771,794. See Note 8 for details of the long-term liability associated with becoming a member jurisdiction.

The total paid by the County to become a member jurisdiction of MRRJA was \$906,453 in fiscal year 2018, which has been shown as a public safety expenditure in the General Fund, and as a reduction in the liability on the Governmental Activities Statement of Net Position.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 23. Contingency

Federal and State-Assisted Programs

The County has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

Note 24. Change in Accounting Principle

As of June 30, 2018, the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, as they relate to OPEB. The following adjustments have been made:

| | Governmental Activities |
|---|----------------------------|
| Net position, as originally reported, July 1, 2017 | \$ 4,394,162 |
| Net adjustment as a result of the implementation of GASB Statement No. 75 | (2,947,348) |
| Net position, as restated, July 1, 2017 | <u>\$ 1,446,814</u> |

| | Water and Sewer Fund | Solid Waste Fund |
|--|-------------------------|---------------------|
| Net position, as originally reported, July 1, 2017 | \$ 30,118,725 | \$ 9,330,850 |
| Net adjustment as a result of the implementation of GASB Statement No. 75 | (177,354) | (201,339) |
| Net position, as restated, July 1, 2017 | <u>\$ 29,941,371</u> | <u>\$ 9,129,511</u> |

| | Business-Type Activities | Component Unit - School Board | Component Unit - Harrisonburg- Rockingham Social Services District |
|--|-----------------------------|----------------------------------|--|
| Net position, as originally reported, July 1, 2017 | \$ 43,606,145 | \$ 17,784,383 | \$ 6,785,830 |
| Net adjustment as a result of the implementation of GASB Statement No. 75 | (378,693) | (26,226,381) | (710,816) |
| Net position, as restated, July 1, 2017 | <u>\$ 43,227,452</u> | <u>\$ (8,441,998)</u> | <u>\$ 6,075,014</u> |

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF CHANGES IN THE COUNTY AND THE DISTRICT NET PENSION LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

| | Fiscal Year June 30, | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Total Pension Liability: | | | | |
| Service cost | \$ 2,559,508 | \$ 2,661,858 | \$ 2,758,824 | \$ 2,913,015 |
| Interest | 5,820,012 | 6,141,573 | 6,430,742 | 6,822,375 |
| Differences between expected and actual experience | - | (528,816) | 852,638 | (394,616) |
| Changes of assumptions | - | - | - | (1,115,528) |
| Benefit payments, including refunds of employee contributions | (3,578,397) | (3,993,176) | (4,294,088) | (4,600,811) |
| Net change in total pension liability | 4,801,123 | 4,281,439 | 5,748,116 | 3,624,435 |
| Total pension liability - beginning | 84,932,224 | 89,733,347 | 94,014,786 | 99,762,902 |
| Total pension liability - ending (a) | \$ 89,733,347 | \$ 94,014,786 | \$ 99,762,902 | \$ 103,387,337 |
| Plan Fiduciary Net Position: | | | | |
| Contributions - employer | \$ 2,759,564 | \$ 2,826,572 | \$ 3,003,059 | \$ 2,681,076 |
| Contributions - employee | 1,125,148 | 1,139,839 | 1,224,047 | 1,249,882 |
| Net investment income | 10,584,504 | 3,573,047 | 1,428,469 | 10,038,185 |
| Benefit payments, including refunds of employee contributions | (3,578,397) | (3,993,176) | (4,294,088) | (4,600,811) |
| Administrative expense | (56,223) | (48,216) | (49,968) | (57,528) |
| Other changes | 558 | (753) | (602) | (8,946) |
| Net change in plan fiduciary net position | 10,835,154 | 3,497,313 | 1,310,917 | 9,301,858 |
| Plan fiduciary net position - beginning | 66,593,183 | 77,428,337 | 80,925,650 | 82,236,567 |
| Plan fiduciary net position - ending (b) | \$ 77,428,337 | \$ 80,925,650 | \$ 82,236,567 | \$ 91,538,425 |
| County and District's net pension liability - ending (a) - (b) | \$ 12,305,010 | \$ 13,089,136 | \$ 17,526,335 | \$ 11,848,912 |
| Plan fiduciary net position as a percentage of the total pension liability | 86.29% | 86.08% | 82.43% | 88.54% |
| Covered payroll | \$ 21,677,643 | \$ 22,204,022 | \$ 23,590,408 | \$ 24,865,606 |
| County and District's net pension liability as a percentage of covered payroll | 56.76% | 58.95% | 74.29% | 47.65% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County and the District will present information for those years which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL NET PENSION LIABILITY (ASSET) AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

| | Fiscal Year June 30, | | | |
|--|----------------------|-------------------|---------------------|-------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Total Pension Liability: | | | | |
| Service cost | \$ 832,108 | \$ 817,545 | \$ 820,429 | \$ 811,126 |
| Interest | 1,948,144 | 2,045,747 | 2,128,901 | 2,213,159 |
| Differences between expected and actual experience | - | (294,432) | (259,762) | (176,386) |
| Changes of assumptions | - | - | - | (388,130) |
| Benefit payments, including refunds of employee contributions | (1,423,602) | (1,348,250) | (1,413,634) | (1,558,151) |
| Net change in total pension liability | 1,356,650 | 1,220,610 | 1,275,934 | 901,618 |
| Total pension liability - beginning | 28,542,435 | 29,899,085 | 31,119,695 | 32,395,629 |
| Total pension liability - ending (a) | \$ 29,899,085 | \$ 31,119,695 | \$ 32,395,629 | \$ 33,297,247 |
| Plan Fiduciary Net Position: | | | | |
| Contributions - employer | \$ 722,711 | \$ 635,842 | \$ 641,139 | \$ 458,757 |
| Contributions - employee | 390,659 | 394,565 | 407,589 | 388,720 |
| Net investment income | 4,013,113 | 1,334,387 | 527,774 | 3,671,538 |
| Benefit payments, including refunds of employee contributions | (1,423,602) | (1,348,250) | (1,413,634) | (1,558,151) |
| Administrative expense | (21,667) | (18,317) | (18,743) | (21,471) |
| Other changes | 212 | (283) | (223) | (3,254) |
| Net change in plan fiduciary net position | 3,681,426 | 997,944 | 143,902 | 2,936,139 |
| Plan fiduciary net position - beginning | 25,542,725 | 29,224,151 | 30,222,095 | 30,365,997 |
| Plan fiduciary net position - ending (b) | \$ 29,224,151 | \$ 30,222,095 | \$ 30,365,997 | \$ 33,302,136 |
| School Board non-professional net pension liability (asset) - ending (a) - (b) | \$ 674,934 | \$ 897,600 | \$ 2,029,632 | \$ (4,889) |
| Plan fiduciary net position as a percentage of the total pension liability | 97.74% | 97.12% | 93.73% | 100.01% |
| Employer's covered payroll | \$ 8,867,620 | \$ 7,801,742 | \$ 7,866,736 | \$ 7,770,000 |
| School Board's non-professional net pension liability (asset) as a percentage of covered payroll | 7.61% | 11.51% | 25.80% | -0.06% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF SCHOOL BOARD SHARE OF NET PENSION LIABILITY VRS TEACHER RETIREMENT PLAN (COST-SHARING) – VIRGINIA RETIREMENT SYSTEM

| | Fiscal Year June 30, | | | |
|---|----------------------|----------------|----------------|-----------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Employer's proportion of the net pension liability | 0.81091% | 0.82758% | 0.82587% | 0.81860% |
| Employer's proportionate share of the net pension liability | \$ 97,996,000 | \$ 104,163,000 | \$ 115,739,000 | \$ 100,671,000 |
| Employer's covered payroll | 47,690,683 | 61,488,041 | 62,969,097 | 60,677,558 |
| Employer's proportionate share of the net pension liability as a percentage of its covered payroll | 205.48% | 169.40% | 183.80% | 165.91% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.88% | 70.68% | 68.28% | 72.92% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF COUNTY AND DISTRICT CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

| | Fiscal Year June 30, | | | | |
|--|----------------------|---------------|---------------|---------------|---------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Contractually required contribution (CRC) | \$ 2,759,564 | \$ 2,826,572 | \$ 3,003,059 | \$ 2,705,378 | \$ 2,814,654 |
| Contributions in relation to the CRC | 2,759,564 | 2,826,572 | 3,003,059 | 2,705,378 | 2,814,654 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 21,677,643 | \$ 22,204,022 | \$ 23,590,408 | \$ 24,865,606 | \$ 25,869,982 |
| Contributions as a percentage of covered payroll | 12.73% | 12.73% | 12.73% | 10.88% | 10.88% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County and the District will present information for those years for which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF SCHOOL BOARD NON-PROFESSIONAL CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

| | Fiscal Year June 30, | | | | |
|--|----------------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Contractually required contribution (CRC) | \$ 722,711 | \$ 635,842 | \$ 641,139 | \$ 464,646 | \$ 477,228 |
| Contributions in relation to the CRC | 722,711 | 635,842 | 641,139 | 464,646 | 477,228 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 8,867,620 | \$ 7,801,742 | \$ 7,866,736 | \$ 7,770,000 | \$ 7,980,401 |
| Contributions as a percentage of covered payroll | 8.15% | 8.15% | 8.15% | 5.98% | 5.98% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF SCHOOL BOARD PROFESSIONAL CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

| | Fiscal Year June 30, | | | | |
|--|----------------------|---------------|---------------|---------------|----------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Contractually required contribution (CRC) | \$ 6,915,149 | \$ 8,915,766 | \$ 8,853,455 | \$ 8,895,330 | \$ 10,135,322 |
| Contributions in relation to the CRC | 6,915,149 | 8,915,766 | 8,853,455 | 8,895,330 | 10,135,322 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 47,690,683 | \$ 61,488,041 | \$ 62,969,097 | \$ 60,677,558 | \$ 62,103,689 |
| Contributions as a percentage of covered payroll | 14.50% | 14.50% | 14.06% | 14.66% | 16.32% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM

For the Year Ended June 30, 2018

Note 1. Changes of Benefit Terms

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

Note 2. Changes of Assumptions

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

County and the District and School Board Non-Professional Plans (Agent Plans)

General Employees

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience each year, age and service through nine years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

Public Safety Employees with Hazardous Duty Benefits

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

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM For the Year Ended June 30, 2018

Note 2. Changes of Assumptions (Continued)

School Board Professional Plan (Cost-Sharing)

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience each year, age and service through nine years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

Note 3. Contractually Required Contributions

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

County and the District and School Board Non-Professional Plans (Agent Plans)

General Employees

Mortality Rates: 15% of deaths are assumed to be service related.

- Pre-retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BBG to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.
- Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

Public Safety Employees with Hazardous Duty Benefits

Mortality Rates: 45% of deaths are assumed to be service related.

- Pre-retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward one year.
- Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year, 1.0% increase compounded from ages 70 to 90; females set forward three years.
- Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years; unisex using 100% male.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM For the Year Ended June 30, 2018

Note 3. Contractually Required Contributions (Continued)

School Board Professional Plan (Cost-Sharing Plan)

Mortality Rates:

- Pre-retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF CHANGES IN THE COUNTY AND THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS – MEDICAL INSURANCE PROGRAM

| | <u>Fiscal Year June 30,</u> <u>2018</u> |
|---|--|
| Total Medical Insurance OPEB liability: | |
| Service cost | \$ 390,913 |
| Interest | 183,392 |
| Contributions - employer | <u>(196,975)</u> |
| Net change in total OPEB liability | 377,330 |
| Total Medical Insurance OPEB liability - beginning | <u>5,702,899</u> |
| County and District total Medical Insurance OPEB liability - ending | <u><u>\$ 6,080,229</u></u> |
| Plan fiduciary net position as a percentage of the total | |
| Medical Insurance OPEB liability | 0.00% |
| Covered payroll | \$ 25,869,982 |
| Total OPEB liability as a percentage of covered payroll | 23.50% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County and the District will present information for those years which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF CHANGES IN THE SCHOOL BOARD'S TOTAL OPEB LIABILITY AND RELATED RATIOS – MEDICAL INSURANCE PROGRAM

| | <u>Fiscal Year June 30,</u> <u>2018</u> |
|--|--|
| Total Medical Insurance OPEB liability: | |
| Service cost | \$ 1,141,518 |
| Interest | 605,681 |
| Contributions - employer | <u>(468,646)</u> |
| Net change in total OPEB liability | 1,278,553 |
| Total Medical Insurance OPEB liability - beginning | <u>18,802,393</u> |
| School Board total Medical Insurance OPEB liability - ending | <u><u>\$ 20,080,946</u></u> |
| Plan fiduciary net position as a percentage of the total Medical Insurance OPEB liability | 0.00% |
| Covered payroll | \$ 70,084,090 |
| Total OPEB liability as a percentage of covered payroll | 28.65% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF THE COUNTY AND THE DISTRICT'S PLAN CONTRIBUTIONS – OPEB – MEDICAL INSURANCE PROGRAM

| | <u>Fiscal Year June 30,</u> <u>2018</u> |
|--|--|
| Contractually required contribution (CRC) | \$ 581,319 |
| Contributions in relation to the CRC | <u>581,319</u> |
| Contribution deficiency (excess) | <u><u>\$ -</u></u> |
| Employer's covered payroll | \$ 25,869,982 |
| Contributions as a percentage of covered payroll | 2.25% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County and the District will present information for those years for which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF SCHOOL BOARD PLAN CONTRIBUTIONS – OPEB – MEDICAL INSURANCE PROGRAM

| | <u>Fiscal Year June 30,</u> <u>2018</u> |
|--|--|
| Contractually required contribution (CRC) | \$ 1,947,789 |
| Contributions in relation to the CRC | <u>1,947,789</u> |
| Contribution deficiency (excess) | <u><u>\$ -</u></u> |
| Employer's covered payroll | \$ 70,084,090 |
| Contributions as a percentage of covered payroll | 2.78% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

| | | <u>Fiscal Year June 30,</u> <u>2017</u> |
|--|----|--|
| <hr/> | | |
| County and the District: | | |
| Employer's proportion of the net GLI OPEB liability | | 0.13592% |
| Employer's proportionate share of the net GLI OPEB liability | \$ | 2,045,000 |
| Employer's covered payroll | | 25,071,813 |
| Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll | | 8.16% |
| Plan fiduciary net position as a percentage of the total GLI OPEB liability | | 48.86% |
| School Board Non-Professional: | | |
| Employer's proportion of the net GLI OPEB liability | | 0.04331% |
| Employer's proportionate share of the net GLI OPEB liability | \$ | 651,000 |
| Employer's covered payroll | | 7,987,977 |
| Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll | | 8.15% |
| Plan fiduciary net position as a percentage of the total GLI OPEB liability | | 48.86% |
| School Board Professional: | | |
| Employer's proportion of the net GLI OPEB liability | | 0.34950% |
| Employer's proportionate share of the net GLI OPEB liability | \$ | 5,260,000 |
| Employer's covered payroll | | 64,465,823 |
| Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll | | 8.16% |
| Plan fiduciary net position as a percentage of the total GLI OPEB liability | | 48.86% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County and the District, the School Board non-professional, and the School Board professional will present information for those years for which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| County and the District: | | | | | | | | | | |
| Contractually required contribution (CRC) | \$ 56,955 | \$ 40,765 | \$ 55,025 | \$ 54,128 | \$ 97,241 | \$ 102,169 | \$ 107,086 | \$ 114,244 | \$ 130,373 | \$ 134,478 |
| Contributions in relation to the CRC | 56,955 | 40,765 | 55,025 | 54,128 | 97,241 | 102,169 | 107,086 | 114,244 | 130,373 | 134,478 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 21,094,431 | \$ 15,098,168 | \$ 19,651,644 | \$ 19,331,305 | \$ 20,258,466 | \$ 21,285,137 | \$ 22,309,633 | \$ 23,800,818 | \$ 25,071,813 | \$ 26,053,355 |
| Contributions as a percentage of covered payroll | 0.27% | 0.27% | 0.28% | 0.28% | 0.48% | 0.48% | 0.48% | 0.48% | 0.52% | 0.52% |
| School Board Non-Professional: | | | | | | | | | | |
| Contractually required contribution (CRC) | \$ 20,080 | \$ 14,382 | \$ 20,774 | \$ 20,844 | \$ 36,906 | \$ 37,343 | \$ 37,831 | \$ 38,363 | \$ 41,537 | \$ 42,045 |
| Contributions in relation to the CRC | 20,080 | 14,382 | 20,774 | 20,844 | 36,906 | 37,343 | 37,831 | 38,363 | 41,537 | 42,045 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 7,436,961 | \$ 5,326,748 | \$ 7,419,401 | \$ 7,444,380 | \$ 7,688,796 | \$ 7,779,696 | \$ 7,881,447 | \$ 7,992,255 | \$ 7,987,977 | \$ 8,112,786 |
| Contributions as a percentage of covered payroll | 0.27% | 0.27% | 0.28% | 0.28% | 0.48% | 0.48% | 0.48% | 0.48% | 0.52% | 0.52% |
| School Board Professional: | | | | | | | | | | |
| Contractually required contribution (CRC) | \$ 159,493 | \$ 111,658 | \$ 159,171 | \$ 156,833 | \$ 280,761 | \$ 285,402 | \$ 295,802 | \$ 302,707 | \$ 335,222 | \$ 346,483 |
| Contributions in relation to the CRC | 159,493 | 111,658 | 159,171 | 156,833 | 280,761 | 285,402 | 295,802 | 302,707 | 335,222 | 346,483 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 59,071,319 | \$ 41,354,990 | \$ 56,846,852 | \$ 56,011,783 | \$ 58,491,814 | \$ 59,458,766 | \$ 61,625,384 | \$ 63,064,004 | \$ 64,465,823 | \$ 66,570,938 |
| Contributions as a percentage of covered payroll | 0.27% | 0.27% | 0.28% | 0.28% | 0.48% | 0.48% | 0.48% | 0.48% | 0.52% | 0.52% |

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL PLAN'S NET OPEB LIABILITY AND RELATED RATIOS – HEALTH INSURANCE CREDIT PROGRAM

| | Fiscal Year June 30, 2017 |
|--|------------------------------|
| Total HIC OPEB liability: | |
| Service cost | \$ 19,552 |
| Interest | 65,388 |
| Changes in assumptions | (22,380) |
| Benefit payments | (54,976) |
| Net change in total OPEB liability | 7,584 |
| Total HIC OPEB liability - beginning | 961,598 |
| Total HIC OPEB liability - ending (a) | <u>\$ 969,182</u> |
| Plan Fiduciary Net Position: | |
| Contributions - employer | \$ 51,835 |
| Net investment income | 43,842 |
| Benefit payments, including refunds of employee | (54,976) |
| Administrative expense | (702) |
| Other changes | 2,239 |
| Net change in plan fiduciary net position | 42,238 |
| Plan fiduciary net position - beginning | 381,566 |
| Plan fiduciary net position - ending (b) | <u>\$ 423,804</u> |
| School Board non-professional net HIC OPEB liability - ending (a) - (b) | \$ 545,378 |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 43.73% |
| Covered payroll | \$ 7,979,559 |
| Net OPEB liability as a percentage of covered payroll | 6.83% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board Non-Professional Plan will present information for those years which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF SCHOOL BOARD NON-PROFESSIONAL PLAN CONTRIBUTIONS – OPEB – HEALTH INSURANCE CREDIT PROGRAM

| | Fiscal Year June 30, | | | | | | | | | | |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
| Contractually required contribution (CRC) | \$ 89,798 | \$ 88,881 | \$ 57,036 | \$ 57,236 | \$ 56,338 | \$ 57,482 | \$ 48,730 | \$ 49,492 | \$ 51,835 | \$ 52,860 | |
| Contributions in relation to the CRC | 89,798 | 88,881 | 57,036 | 57,236 | 56,338 | 57,482 | 48,730 | 49,492 | 51,835 | 52,860 | |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Employer's covered payroll | \$ 7,421,329 | \$ 7,345,568 | \$ 7,407,332 | \$ 7,433,221 | \$ 7,613,200 | \$ 7,767,822 | \$ 7,859,697 | \$ 7,982,504 | \$ 7,979,559 | \$ 8,112,786 | |
| Contributions as a percentage of covered payroll | 1.21% | 1.21% | 0.77% | 0.77% | 0.74% | 0.74% | 0.62% | 0.62% | 0.65% | 0.65% | |

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF CHANGES IN THE SCHOOL BOARD PROFESSIONAL PLAN'S NET OPEB LIABILITY AND RELATED RATIOS – HEALTH INSURANCE CREDIT PROGRAM

| | <u>Fiscal Year June 30,</u> <u>2017</u> |
|--|--|
| Employer's proportion of the net HIC OPEB liability | 0.81579% |
| Employer's proportionate share of the net HIC OPEB liability | \$ 10,349,000 |
| Employer's covered payroll | 64,382,624 |
| Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll | 16.07% |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 7.04% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board Professional Plan will present information for those years which information is available.

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF SCHOOL BOARD PROFESSIONAL PLAN CONTRIBUTIONS – OPEB – HEALTH INSURANCE CREDIT PROGRAM

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Contractually required contribution (CRC) | \$ 636,144 | \$ 429,062 | \$ 339,865 | \$ 335,060 | \$ 639,378 | \$ 658,256 | \$ 652,216 | \$ 667,472 | \$ 714,647 | \$ 807,757 |
| Contributions in relation to the CRC | 636,144 | 429,062 | 339,865 | 335,060 | 639,378 | 658,256 | 652,216 | 667,472 | 714,647 | 807,757 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 58,902,185 | \$ 41,255,915 | \$ 56,644,157 | \$ 55,843,292 | \$ 57,601,643 | \$ 59,302,346 | \$ 61,529,796 | \$ 62,969,099 | \$ 64,382,624 | \$ 66,527,647 |
| Contributions as a percentage of covered payroll | 1.08% | 1.04% | 0.60% | 0.60% | 1.11% | 1.11% | 1.06% | 1.06% | 1.11% | 1.21% |

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS

Year Ended June 30, 2018

Note 1. Medical Insurance Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Medical Insurance benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

| | |
|------|-------|
| 2018 | 3.11% |
|------|-------|

Note 2. Group Life Insurance Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

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

School Board Professional

Teachers

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and changed final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each year, age and service through nine years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2018

Note 2. Group Life Insurance Program (Continued)

B. Changes of Assumptions (Continued)

County, District and School Board Non-Professional Plans

General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

Hazardous Duty Employees

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

COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS

Year Ended June 30, 2018

Note 3. Health Insurance Credit Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

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

School Board Non-Professional Plan

Non-Largest Ten Locality Employers – General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

School Board Professional Plan

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and changed final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each year, age and service through nine years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

SUPPLEMENTARY INFORMATION

NONMAJOR PROPRIETARY FUNDS

Lilly Subdivision Sanitary District - This fund is used to account for the provision of water and sewer services to the Lilly Subdivision Sanitary District, a blended component unit.

Countryside Sanitary District - This fund is used to account for the provision of water and sewer services to the Countryside Sanitary District, a blended component unit.

Penn Laird Sewer Authority - This fund is used to account for the provision of water and sewer services to the Penn Laird Sewer Authority, a blended component unit.

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS June 30, 2018

| | Lilly Subdivision Sanitary District | Countryside Sanitary District | Penn Laird Sewer Authority | Total Nonmajor Proprietary Funds |
|---|--|-------------------------------------|----------------------------------|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 16,769 | \$ 34,700 | \$ 51,469 |
| Investments | - | 11,443 | 23,680 | 35,123 |
| Trade and other accounts receivable, net | 3,959 | 650 | 1,681 | 6,290 |
| Accrued interest | - | 66 | 137 | 203 |
| Total current assets | 3,959 | 28,928 | 60,198 | 93,085 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Land | 20,600 | - | - | 20,600 |
| Easements | - | - | 20,631 | 20,631 |
| Improvements other than buildings | 493,114 | 306,022 | 1,119,967 | 1,919,103 |
| Machinery and equipment | - | - | 28,892 | 28,892 |
| Less accumulated depreciation and amortization | (118,870) | (76,506) | (261,701) | (457,077) |
| Total capital assets, net of accumulated depreciation and amortization | 394,844 | 229,516 | 907,789 | 1,532,149 |
| Total noncurrent assets | 394,844 | 229,516 | 907,789 | 1,532,149 |
| Total assets | 398,803 | 258,444 | 967,987 | 1,625,234 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and deposits | 2,013 | 1,209 | 830 | 4,052 |
| Accrued interest | 4,349 | 666 | 2,750 | 7,765 |
| Advance from other funds | 138,754 | - | - | 138,754 |
| Revenue bonds | 20,146 | 9,125 | 21,952 | 51,223 |
| Total current liabilities | 165,262 | 11,000 | 25,532 | 201,794 |
| Noncurrent liabilities: | | | | |
| Revenue bonds | 225,116 | 72,816 | 226,209 | 524,141 |
| Total noncurrent liabilities | 225,116 | 72,816 | 226,209 | 524,141 |
| Total liabilities | 390,378 | 83,816 | 251,741 | 725,935 |
| NET POSITION | | | | |
| Net investment in capital assets | 149,582 | 147,575 | 659,628 | 956,785 |
| Unrestricted (deficit) | (141,157) | 27,053 | 56,618 | (57,486) |
| Total net position | \$ 8,425 | \$ 174,628 | \$ 716,246 | \$ 899,299 |

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDS Year Ended June 30, 2018

| | Lilly Subdivision Sanitary District | Countryside Sanitary District | Penn Laird Sewer Authority | Total Nonmajor Proprietary Funds |
|---|--|-------------------------------------|----------------------------------|---|
| Operating revenues: | | | | |
| Charges for services | \$ 36,627 | \$ 13,763 | \$ 16,198 | \$ 66,588 |
| Miscellaneous | 22 | - | - | 22 |
| Total operating revenues | 36,649 | 13,763 | 16,198 | 66,610 |
| Operating expenses: | | | | |
| Contractual services | 7,382 | 2,628 | 1,500 | 11,510 |
| Other charges | 15,501 | 10,138 | 19 | 25,658 |
| Depreciation and amortization | 10,819 | 6,121 | 25,288 | 42,228 |
| Total operating expenses | 33,702 | 18,887 | 26,807 | 79,396 |
| Operating income (loss) | 2,947 | (5,124) | (10,609) | (12,786) |
| Nonoperating revenues (expenses): | | | | |
| Loss on disposal of assets | (67,961) | - | - | (67,961) |
| Interest revenue | 266 | 246 | 707 | 1,219 |
| Interest expense | (9,194) | (2,807) | (6,648) | (18,649) |
| Total nonoperating expenses, net | (76,889) | (2,561) | (5,941) | (85,391) |
| Change in net position | (73,942) | (7,685) | (16,550) | (98,177) |
| Total net position, beginning | 82,367 | 182,313 | 732,796 | 997,476 |
| Total net position, ending | \$ 8,425 | \$ 174,628 | \$ 716,246 | \$ 899,299 |

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS Year Ended June 30, 2018

| | Lilly Subdivision Sanitary District | Countryside Sanitary District | Penn Laird Sewer Authority | Total Nonmajor Proprietary Funds |
|---|--|-------------------------------------|----------------------------------|---|
| Cash flows from operating activities: | | | | |
| Receipts from customers | \$ 36,484 | \$ 13,740 | \$ 16,935 | \$ 67,159 |
| Payments to suppliers for goods and services | (21,757) | (12,386) | (1,645) | (35,788) |
| Other receipts | 22 | - | - | 22 |
| Net cash provided by operating activities | 14,749 | 1,354 | 15,290 | 31,393 |
| Cash flows from capital and related financing activities: | | | | |
| Advance from other funds | 14,149 | - | - | 14,149 |
| Principal paid on outstanding debt | (19,545) | (8,835) | (21,375) | (49,755) |
| Interest paid and fiscal charges on outstanding debt | (9,619) | (2,879) | (6,885) | (19,383) |
| Net cash used in capital and related financing activities | (15,015) | (11,714) | (28,260) | (54,989) |
| Cash flows from investing activities: | | | | |
| Proceeds on sale of investments | - | 6,130 | 8,719 | 14,849 |
| Interest received on investment securities | 266 | 288 | 768 | 1,322 |
| Net cash provided by investing activities | 266 | 6,418 | 9,487 | 16,171 |
| Net change in cash and cash equivalents | - | (3,942) | (3,483) | (7,425) |
| Cash and Cash Equivalents: | | | | |
| Beginning | - | 20,711 | 38,183 | 58,894 |
| Ending | \$ - | \$ 16,769 | \$ 34,700 | \$ 51,469 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ 2,947 | \$ (5,124) | \$ (10,609) | \$ (12,786) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 10,819 | 6,121 | 25,288 | 42,228 |
| Change in assets and liabilities: | | | | |
| Decrease (increase) in accounts receivable | (143) | (23) | 737 | 571 |
| Increase (decrease) in accounts payable and deposits | 1,126 | 380 | (126) | 1,380 |
| Net cash provided by operating activities | \$ 14,749 | \$ 1,354 | \$ 15,290 | \$ 31,393 |

INTERNAL SERVICE FUNDS

Central Stores – This fund accounts for the costs of providing office supplies to various departments or agencies of the County.

Self-Insurance – This fund accounts for the costs associated with providing health insurance benefits to employees of the County, School Board, and Harrisonburg-Rockingham Social Services District, and with managing claims pertaining thereto.

COUNTY OF ROCKINGHAM, VIRGINIA**COMBINING STATEMENT OF NET POSITION –
INTERNAL SERVICE FUNDS
June 30, 2018**

| | Central Stores | Self - Insurance | Total Internal Service Funds |
|-------------------------------------|-------------------|---------------------|---------------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 8,881 | \$ 7,029,594 | \$ 7,038,475 |
| Investments | 6,061 | 4,796,978 | 4,803,039 |
| Trade and other accounts receivable | 3,326 | 8,413 | 11,739 |
| Accrued interest | - | 27,290 | 27,290 |
| Inventory | 6,235 | - | 6,235 |
| | <hr/> | | |
| Total assets | 24,503 | 11,862,275 | 11,886,778 |
| <hr/> | | | |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 654 | 884,889 | 885,543 |
| Unearned revenue | - | 2,365,120 | 2,365,120 |
| Insurance and benefit claims | - | 2,634,179 | 2,634,179 |
| | <hr/> | | |
| Total liabilities | 654 | 5,884,188 | 5,884,842 |
| <hr/> | | | |
| NET POSITION | | | |
| Unrestricted | 23,849 | 5,978,087 | 6,001,936 |
| | <hr/> | | |
| Total net position | \$ 23,849 | \$ 5,978,087 | \$ 6,001,936 |
| <hr/> | | | |

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – INTERNAL SERVICE FUNDS Year Ended June 30, 2018

| | Central Stores | Self - Insurance | Total Internal Service Funds |
|-------------------------------------|-------------------|---------------------|---------------------------------------|
| Operating revenues: | | | |
| Charges for services | \$ 46,538 | \$ 29,005,954 | \$ 29,052,492 |
| Total operating revenues | 46,538 | 29,005,954 | 29,052,492 |
| Operating expenses: | | | |
| Contractual services | - | 2,915,710 | 2,915,710 |
| Risk financing and benefit payments | - | 26,244,427 | 26,244,427 |
| Other charges | 46,594 | - | 46,594 |
| Total operating expenses | 46,594 | 29,160,137 | 29,206,731 |
| Operating loss | (56) | (154,183) | (154,239) |
| Nonoperating revenue: | | | |
| Interest | - | 95,491 | 95,491 |
| Total nonoperating revenue | - | 95,491 | 95,491 |
| Loss before transfers | (56) | (58,692) | (58,748) |
| Transfers out | - | (1,525,000) | (1,525,000) |
| Change in net position | (56) | (1,583,692) | (1,583,748) |
| Total net position, beginning | 23,905 | 7,561,779 | 7,585,684 |
| Total net position, ending | \$ 23,849 | \$ 5,978,087 | \$ 6,001,936 |

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS

Year Ended June 30, 2018

| | Central Stores | Self - Insurance | Total Internal Service Funds |
|---|-------------------|---------------------|---------------------------------------|
| Cash flows from operating activities: | | | |
| Receipts from interfund services provided | \$ 47,443 | \$ 29,069,693 | \$ 29,117,136 |
| Claims and benefits paid | - | (25,686,897) | (25,686,897) |
| Payments to suppliers for goods and services | (47,068) | (2,107,421) | (2,154,489) |
| Net cash provided by operating activities | 375 | 1,275,375 | 1,275,750 |
| Cash Flows From Noncapital Financing Activities: | | | |
| Transfers to other funds | - | (1,525,000) | (1,525,000) |
| Net cash used in noncapital financing activities | - | (1,525,000) | (1,525,000) |
| Cash flows from investing activities: | | | |
| Proceeds on sale of investments | 626 | 699,282 | 699,908 |
| Interest received on investment securities | - | 102,284 | 102,284 |
| Net cash provided by investing activities | 626 | 801,566 | 802,192 |
| Net change in cash and cash equivalents | 1,001 | 551,941 | 552,942 |
| Cash and cash equivalents: | | | |
| Beginning | 7,880 | 6,477,653 | 6,485,533 |
| Ending | <u>\$ 8,881</u> | <u>\$ 7,029,594</u> | <u>\$ 7,038,475</u> |
| Reconciliation of operating loss to net cash provided by operating activities: | | | |
| Operating loss | \$ (56) | \$ (154,183) | \$ (154,239) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | | |
| Change in assets and liabilities: | | | |
| Increase (decreases) in: | | | |
| Accounts receivable | 905 | (4,318) | (3,413) |
| Inventory | (595) | - | (595) |
| Increase in: | | | |
| Accounts payable | 121 | 808,289 | 808,410 |
| Unearned revenue | - | 68,057 | 68,057 |
| Insurance and benefit claims | - | 557,530 | 557,530 |
| Net cash provided by operating activities | \$ 375 | \$ 1,275,375 | \$ 1,275,750 |

FIDUCIARY FUNDS

Special Welfare – This fund is used to account for assets held by the County for individuals under custody of the Harrisonburg-Rockingham Social Services District.

Employee Benefits – This fund is used to account for assets held by the County for employees selecting voluntary benefits through payroll deductions and benefits provided through COBRA.

Bond Escrow – This fund is used to account for subdivision, sediment and erosion control bonds held by the County for developers.

Massanutten Technical Center – This fund is used to account for assets held by the County for the Massanutten Technical Center.

Emergency Medical Services – This fund is used by the County to account for assets held by the County for emergency medical services billings.

Soil and Water Conservation – This fund is used to account for activities relating to the improvement of water quality and in conjunction with soil and water conservation.

Laird L. Conrad Law Library – This fund is used to account for the assets held by the County for the Law Library.

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF NET POSITION – FIDUCIARY FUNDS June 30, 2018

| | Agency Funds | | | | | | | | |
|---------------------------|--------------------|----------------------|-------------------|------------------------------------|----------------------------------|-----------------------------------|-------------------------------|---------------------|--|
| | Special Welfare | Employee Benefits | Bond Escrow | Massanutten Technical Center | Emergency Medical Services | Soil and Water Conservation | Laird L Conrad Law Library | Totals | |
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ 58,265 | \$ 32,041 | \$ 414,052 | \$ 446,305 | \$ 355,364 | \$ - | \$ 125,281 | \$ 1,431,308 | |
| Accounts receivable | - | 17,389 | 984 | 138,747 | 4,790 | 74,376 | 293 | 236,579 | |
| Total assets | \$ 58,265 | \$ 49,430 | \$ 415,036 | \$ 585,052 | \$ 360,154 | \$ 74,376 | \$ 125,574 | \$ 1,667,887 | |
| LIABILITIES | | | | | | | | | |
| Accounts payable | \$ 58,265 | \$ 49,430 | \$ 415,036 | \$ 585,052 | \$ 360,154 | \$ 74,376 | \$ 125,574 | \$ 1,667,887 | |

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
Year Ended June 30, 2018**

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---------------------------|----------------------------|------------|------------|-----------------------------|
| <u>SPECIAL WELFARE</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 60,309 | \$ 104,290 | \$ 106,334 | \$ 58,265 |
| LIABILITIES | | | | |
| Accounts payable | \$ 60,309 | \$ 104,290 | \$ 106,334 | \$ 58,265 |
| <u>EMPLOYEE BENEFITS</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 33,586 | \$ 421,327 | \$ 422,872 | \$ 32,041 |
| Accounts receivable | - | 17,389 | - | 17,389 |
| Total assets | \$ 33,586 | \$ 438,716 | \$ 422,872 | \$ 49,430 |
| LIABILITIES | | | | |
| Accounts payable | \$ 33,586 | \$ 438,716 | \$ 422,872 | \$ 49,430 |
| <u>BOND ESCROW</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 347,380 | \$ 258,982 | \$ 192,310 | \$ 414,052 |
| Accounts receivable | 1,073 | 984 | 1,073 | 984 |
| Total assets | \$ 348,453 | \$ 259,966 | \$ 193,383 | \$ 415,036 |
| LIABILITIES | | | | |
| Accounts payable | \$ 348,453 | \$ 259,966 | \$ 193,383 | \$ 415,036 |

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
Year Ended June 30, 2018**

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|-------------------------------------|----------------------------|---------------------|---------------------|-----------------------------|
| <u>MASSANUTTEN TECHNICAL CENTER</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 475,377 | \$ 5,562,344 | \$ 5,591,416 | \$ 446,305 |
| Accounts receivable | 66,630 | 138,747 | 66,630 | 138,747 |
| Total assets | \$ 542,007 | \$ 5,701,091 | \$ 5,658,046 | \$ 585,052 |
| LIABILITIES | | | | |
| Accounts payable | \$ 542,007 | \$ 5,701,091 | \$ 5,658,046 | \$ 585,052 |
| <u>EMERGENCY MEDICAL SERVICES</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 308,532 | \$ 1,427,029 | \$ 1,380,197 | \$ 355,364 |
| Accounts receivable | 4,786 | 4,790 | 4,786 | 4,790 |
| Total assets | \$ 313,318 | \$ 1,431,819 | \$ 1,384,983 | \$ 360,154 |
| LIABILITIES | | | | |
| Accounts payable | \$ 313,318 | \$ 1,431,819 | \$ 1,384,983 | \$ 360,154 |
| <u>SOIL AND WATER CONSERVATION</u> | | | | |
| ASSETS | | | | |
| Accounts receivable | \$ 87,254 | \$ 316,302 | \$ 329,180 | \$ 74,376 |
| LIABILITIES | | | | |
| Accounts payable | \$ 87,254 | \$ 316,302 | \$ 329,180 | \$ 74,376 |

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
Year Ended June 30, 2018**

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|-----------------------------------|----------------------------|---------------------|---------------------|-----------------------------|
| <u>LAIRD L CONRAD LAW LIBRARY</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 135,283 | \$ 34,411 | \$ 44,413 | \$ 125,281 |
| Accounts receivable | 380 | 293 | 380 | 293 |
| Total assets | \$ 135,663 | \$ 34,704 | \$ 44,793 | \$ 125,574 |
| LIABILITIES | | | | |
| Accounts payable | \$ 135,663 | \$ 34,704 | \$ 44,793 | \$ 125,574 |
| <u>TOTALS - ALL AGENCY FUNDS</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,360,467 | \$ 7,808,383 | \$ 7,737,542 | \$ 1,431,308 |
| Accounts receivable | 160,123 | 478,505 | 402,049 | 236,579 |
| Total assets | \$ 1,520,590 | \$ 8,286,888 | \$ 8,139,591 | \$ 1,667,887 |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,520,590 | \$ 8,286,888 | \$ 8,139,591 | \$ 1,667,887 |

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

School Operating Fund – This fund accounts for the general operations of the School Board. Financing is provided by specific allocations from the state and federal governments, by appropriation from the General Fund of the primary government by the Board of Supervisors, and charges for services.

School Cafeteria Fund – This fund accounts for the centralized school cafeteria operations.

School Capital Projects Fund – This fund accounts for financial resources for the acquisition or construction of major capital facilities of the School Board, other than those financed by the Massanutten Technical Center.

Massanutten Technical Center – Operating Fund – This fund accounts for the general operations of the Massanutten Technical Center.

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD June 30, 2018

| | School Operating Fund | School Cafeteria Fund | School Capital Projects Fund | Nonmajor Governmental Fund - Massanutten Technical Center - Operating Fund | Total Governmental Funds |
|---|-----------------------------|-----------------------------|------------------------------------|--|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 6,549,470 | \$ 1,096,497 | \$ 2,043,891 | \$ 265,279 | \$ 9,955,137 |
| Investments | 4,468,884 | 741,423 | 1,394,746 | 181,026 | 6,786,079 |
| Trade and other accounts receivable | 161,345 | 51,704 | - | 16,409 | 229,458 |
| Accrued interest | - | 4,081 | 7,609 | 895 | 12,585 |
| Due from other governments | 2,540,515 | 70,577 | - | 121,443 | 2,732,535 |
| Prepaid items | 3,453,376 | 208,932 | - | 68,969 | 3,731,277 |
| Inventory | 128,497 | 59,229 | - | - | 187,726 |
| Restricted cash | - | - | 4,133,596 | - | 4,133,596 |
| Total assets | \$ 17,302,087 | \$ 2,232,443 | \$ 7,579,842 | \$ 654,021 | \$ 27,768,393 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,220,516 | \$ 52,978 | \$ 2,486,730 | \$ 175,940 | \$ 3,936,164 |
| Accrued payroll | 16,081,571 | 453,763 | 1,884 | 326,578 | 16,863,796 |
| Due to other governments | - | - | - | 151,503 | 151,503 |
| Total liabilities | 17,302,087 | 506,741 | 2,488,614 | 654,021 | 20,951,463 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 3,453,376 | 208,932 | - | 68,969 | 3,731,277 |
| Inventory | 128,497 | 59,229 | - | - | 187,726 |
| Assigned to: | | | | | |
| Cafeteria | - | 1,457,541 | - | - | 1,457,541 |
| Unassigned (deficit) | (3,581,873) | - | 5,091,228 | (68,969) | 1,440,386 |
| Total fund balances | - | 1,725,702 | 5,091,228 | - | 6,816,930 |
| Total liabilities and fund balances | \$ 17,302,087 | \$ 2,232,443 | \$ 7,579,842 | \$ 654,021 | \$ 27,768,393 |
| Total fund balances | | | | | \$ 6,816,930 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | | | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | | | | | |
| Governmental capital assets | | | | \$ 301,546,369 | |
| Less accumulated depreciation and amortization | | | | (161,870,953) | |
| Net capital assets | | | | | 139,675,416 |
| Deferred outflows of resources represents a consumption of net position that applies to a future period and are not recognized as deferred outflows of resources in the governmental funds. | | | | | |
| Pension plan | | | | 13,126,550 | |
| Other postemployment benefits | | | | 3,196,934 | |
| | | | | | 16,323,484 |
| Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. | | | | | |
| | | | | | 3,864,994 |
| Long-term due from other government - pension plan | | | | 1,995,636 | |
| Long-term due from other government - other postemployment benefits | | | | 437,096 | |
| | | | | | 2,432,732 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | | | | | |
| Compensated absences | | | | (3,792,664) | |
| Other postemployment benefits | | | | (36,886,324) | |
| Net pension liability | | | | (100,666,111) | |
| | | | | | (141,345,099) |
| Deferred inflows of resources represents an acquisition of net position that applies to a future period and are not recognized as deferred inflows of resources in the governmental funds. | | | | | |
| Pension plan | | | | (12,881,001) | |
| Other postemployment benefits | | | | (962,378) | |
| | | | | | (13,843,379) |
| Net position of governmental activities | | | | | \$ 13,925,078 |

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD Year Ended June 30, 2018

| | School Operating Fund | School Cafeteria Fund | School Capital Projects Fund | Nonmajor Governmental Fund - Massanutten Technical Center - Operating Fund | Total Governmental Funds |
|--|-----------------------------|-----------------------------|------------------------------------|--|--------------------------------|
| Revenues: | | | | | |
| Use of money and property | \$ 7,628 | \$ 12,763 | \$ 113,385 | \$ 3,520 | \$ 137,296 |
| Charges for services | 2,941,696 | 1,874,744 | - | 635,239 | 5,451,679 |
| Miscellaneous | 196,275 | - | - | 53,584 | 249,859 |
| Appropriation from Primary Government | 59,678,230 | - | 25,352,256 | - | 85,030,486 |
| Intergovernmental | 71,672,560 | 3,453,858 | - | 4,942,119 | 80,068,537 |
| Total revenues | 134,496,389 | 5,341,365 | 25,465,641 | 5,634,462 | 170,937,857 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Education | 134,493,415 | 5,342,727 | - | 5,634,462 | 145,470,604 |
| Capital outlays | - | - | 17,269,385 | - | 17,269,385 |
| Total expenditures | 134,493,415 | 5,342,727 | 17,269,385 | 5,634,462 | 162,739,989 |
| Excess (deficiency) of revenues over (under) expenditures | 2,974 | (1,362) | 8,196,256 | - | 8,197,868 |
| Other financing sources (uses): | | | | | |
| Transfers in | - | 2,974 | - | - | 2,974 |
| Transfers out | (2,974) | - | - | - | (2,974) |
| Other financing sources (uses) | (2,974) | 2,974 | - | - | - |
| Net change in fund balances | - | 1,612 | 8,196,256 | - | 8,197,868 |
| Fund balances, beginning | - | 1,724,090 | (3,105,028) | - | (1,380,938) |
| Fund balances, ending | \$ - | \$ 1,725,702 | \$ 5,091,228 | \$ - | \$ 6,816,930 |
| Net change in fund balances | | | | | \$ 8,197,868 |
| Reconciliation of amounts reported for governmental activities in the Statement of Activities: | | | | | |
| 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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period. | | | | | |
| Expenditure for capital assets | | | | \$ 18,786,715 | |
| Less depreciation and amortization expense | | | | (8,790,612) | |
| Excess of capital outlays over depreciation and amortization | | | | | 9,996,103 |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position. | | | | | 76,192 |
| Long-term due from other government - pension plan | | | | (181,329) | |
| Long-term due from other government - other postemployment benefits | | | | 290,618 | |
| | | | | | 109,289 |
| Deferred outflows of resources - pension plan contributions subsequent to measurement date | | | | | 10,612,550 |
| Deferred outflows of resources - other postemployment benefits contributions subsequent to measurement date | | | | | 3,196,934 |
| 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. | | | | | |
| Compensated absences | | | | (504,816) | |
| Other postemployment benefits expense | | | | (2,211,112) | |
| Pension expense | | | | (7,061,913) | |
| | | | | | (9,777,841) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities. | | | | | |
| Total revenues | | | | 21,826,084 | |
| Total expenses | | | | (21,870,103) | |
| | | | | | (44,019) |
| Change in net position of governmental activities | | | | | \$ 22,367,076 |

FIDUCIARY FUNDS OF THE SCHOOL BOARD

School Activity Fund – This fund accounts for the activity funds at each individual school.

Massanutten Technical Center Activity Fund – This fund accounts for activities to raise funds for school use. The Massanutten Technical Center Funds are under control of the Massanutten Technical Center Board of Control appointed by the Rockingham County School Board and Harrisonburg City School Board.

COUNTY OF ROCKINGHAM, VIRGINIA**COMBINING STATEMENT OF NET POSITION –
SCHOOL BOARD – FIDUCIARY FUNDS
June 30, 2018**

| | Agency Funds | | |
|---------------------------|----------------------------|---|---------------------|
| | Massanutten | | |
| | School Activity Fund | Technical Center Activity Fund | Totals |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,737,917 | \$ 72,848 | \$ 1,810,765 |
| Accounts receivable | 30,703 | 8,059 | 38,762 |
| Total assets | \$ 1,768,620 | \$ 80,907 | \$ 1,849,527 |
| LIABILITIES | | | |
| Accounts payable | \$ 1,768,620 | \$ 80,907 | \$ 1,849,527 |
| Total liabilities | \$ 1,768,620 | \$ 80,907 | \$ 1,849,527 |

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – SCHOOL BOARD – ALL AGENCY FUNDS Year Ended June 30, 2018

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---|----------------------------|---------------------|---------------------|-----------------------------|
| <u>SCHOOL ACTIVITY FUND</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,667,555 | \$ 4,415,975 | \$ 4,345,613 | \$ 1,737,917 |
| Accounts receivable | 26,633 | 30,703 | 26,633 | 30,703 |
| Total assets | \$ 1,694,188 | \$ 4,446,678 | \$ 4,372,246 | \$ 1,768,620 |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,694,188 | \$ 4,446,678 | \$ 4,372,246 | \$ 1,768,620 |
| <u>MASSANUTTEN TECHNICAL CENTER ACTIVITY FUND</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 87,459 | \$ 263,930 | \$ 278,541 | \$ 72,848 |
| Accounts receivable | 1,197 | 8,059 | 1,197 | 8,059 |
| Total assets | \$ 88,656 | \$ 271,989 | \$ 279,738 | \$ 80,907 |
| LIABILITIES | | | | |
| Accounts payable | \$ 88,656 | \$ 271,989 | \$ 279,738 | \$ 80,907 |
| <u>TOTALS - ALL AGENCY FUNDS</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,755,014 | \$ 4,679,905 | \$ 4,624,154 | \$ 1,810,765 |
| Accounts receivable | 27,830 | 38,762 | 27,830 | 38,762 |
| Total assets | \$ 1,782,844 | \$ 4,718,667 | \$ 4,651,984 | \$ 1,849,527 |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,782,844 | \$ 4,718,667 | \$ 4,651,984 | \$ 1,849,527 |

**DISCRETELY PRESENTED COMPONENT UNIT –
HARRISONBURG-ROCKINGHAM SOCIAL SERVICES DISTRICT**

Social Services Operating Fund – This fund accounts for the general operations of the Social Services District. Financing is provided by specific allocations from state and federal governments, by appropriation from the General Fund of the County by the Board of Supervisors and by the City of Harrisonburg.

Special Revenue Fund – Children’s Services Act (CSA) – This fund is used to account for funds designated for the CSA program.

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNIT – HARRISONBURG-ROCKINGHAM SOCIAL SERVICES DISTRICT June 30, 2018

| | Operating Fund | Special Revenue Children's Services Act Fund | Total Governmental Funds |
|--|---------------------|---|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,622,945 | \$ - | \$ 2,622,945 |
| Investments | 1,789,892 | 442,963 | 2,232,855 |
| Trade and other accounts receivable | 15,463 | 17,925 | 33,388 |
| Accrued interest | 10,832 | - | 10,832 |
| Due from other governments | 922,976 | 1,081,701 | 2,004,677 |
| Prepaid items | 127,950 | 4,066 | 132,016 |
| Total assets | \$ 5,490,058 | \$ 1,546,655 | \$ 7,036,713 |
| LIABILITIES | | | |
| Accounts payable | \$ 282,153 | \$ 1,254,965 | \$ 1,537,118 |
| Accrued payroll | 282,610 | 8,265 | 290,875 |
| Total liabilities | 564,763 | 1,263,230 | 1,827,993 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid items | 127,950 | 4,066 | 132,016 |
| Restricted for minority interest | 1,966,911 | 153,647 | 2,120,558 |
| Assigned to: | | | |
| Social services | 2,830,434 | 125,712 | 2,956,146 |
| Total fund balances | 4,925,295 | 283,425 | 5,208,720 |
| Total liabilities and fund balances | \$ 5,490,058 | \$ 1,546,655 | \$ 7,036,713 |
| Fund balances | | | \$ 5,208,720 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds. | | | |
| Governmental capital assets | | \$ 3,367,085 | |
| Less accumulated depreciation and amortization | | (1,043,752) | |
| Net capital assets | | | 2,323,333 |
| Deferred outflows of resources - pension plan represents a consumption of net position that applies to a future period and are not recognized as deferred outflows of resources in the governmental funds. | | | |
| Pension plan | | 677,436 | |
| Other postemployment benefits | | 151,845 | |
| | | | 829,281 |
| Long-term due from other government - pension plan | | 1,224,923 | |
| Long-term due from other government - other postemployment benefits | | 746,370 | |
| | | | 1,971,293 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | | | |
| Compensated absences | | (38,793) | |
| Other postemployment benefits | | (1,605,869) | |
| Net pension liability | | (2,449,846) | |
| | | | (4,094,508) |
| Deferred inflows of resources represents an acquisition of net position that applies to a future period and are not recognized as deferred inflows of resources in the governmental funds. | | | |
| Pension plan | | (542,636) | |
| Other postemployment benefits | | (47,107) | |
| | | | (589,743) |
| Net position of governmental activities | | | \$ 5,648,376 |

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – DISCRETELY PRESENTED COMPONENT UNIT – HARRISONBURG-ROCKINGHAM SOCIAL SERVICES DISTRICT Year Ended June 30, 2018

| | Operating Fund | Special Revenue Children's Services Act Fund | Total Governmental Funds |
|--|-------------------|--|--------------------------------|
| Revenues: | | | |
| Use of money and property | \$ 39,888 | \$ 867 | \$ 40,755 |
| Miscellaneous | 1,707,937 | 1,773,841 | 3,481,778 |
| Appropriation from Primary Government | 2,409,482 | 2,366,983 | 4,776,465 |
| Intergovernmental | 12,078,404 | 5,527,679 | 17,606,083 |
| Total revenues | 16,235,711 | 9,669,370 | 25,905,081 |
| Expenditures: | | | |
| Current: | | | |
| Health and social services | 15,993,736 | 9,748,721 | 25,742,457 |
| Total expenditures | 15,993,736 | 9,748,721 | 25,742,457 |
| Net change in fund balances | 241,975 | (79,351) | 162,624 |
| Fund balances, beginning | 4,683,320 | 362,776 | 5,046,096 |
| Fund balances, ending | \$ 4,925,295 | \$ 283,425 | \$ 5,208,720 |
| Net change in fund balances | | | \$ 162,624 |
| Reconciliation of amounts reported for governmental activities in the Statement of Activities: | | | |
| 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 and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period. | | | |
| Expenditure for capital assets | | \$ 123,000 | |
| Less depreciation and amortization expense | | (165,983) | |
| Excess of depreciation and amortization over capital outlays | | | (42,983) |
| Long-term due from other government - pension plan | | (150,839) | |
| Long-term due from other government - other postemployment benefits | | 191,454 | |
| | | | 40,615 |
| Deferred outflows of resources - pension plan contributions subsequent to measurement date | | | 584,664 |
| Deferred outflows of resources - other postemployment benefits contributions subsequent to measurement date | | | 141,049 |
| 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. | | | |
| Compensated absences | | 4,710 | |
| Other postemployment benefits expense | | (80,074) | |
| Pension expense | | (1,237,243) | |
| | | | (1,312,607) |
| Change in net position of governmental activities | | | \$ (426,638) |

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

Economic Development Authority – This fund accounts for the general operations of the Economic Development Authority.

Rockingham County Recreation Foundation – This fund accounts for the general operations of the Rockingham County Recreation Foundation.

COUNTY OF ROCKINGHAM, VIRGINIA**COMBINING STATEMENT OF NET POSITION –
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2018**

| | Economic Development Authority | Rockingham County Recreation Foundation | Total Nonmajor Discretely Presented Component Units |
|---------------------------|--------------------------------------|--|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,388 | \$ 43,541 | \$ 47,929 |
| Investments | 2,994 | - | 2,994 |
| Accounts receivable | 6,018 | - | 6,018 |
| Total assets | \$ 13,400 | \$ 43,541 | \$ 56,941 |
| NET POSITION | | | |
| Unrestricted | \$ 13,400 | \$ 43,541 | \$ 56,941 |
| Total net position | \$ 13,400 | \$ 43,541 | \$ 56,941 |

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS Year Ended June 30, 2018

| | Economic Development Authority | Rockingham County Recreation Foundation | Total Nonmajor Discretely Presented Component Units |
|---|--------------------------------------|--|--|
| Operating revenues: | | | |
| Charges for services | \$ 6,000 | \$ - | \$ 6,000 |
| Miscellaneous - gifts and donations | - | 100 | 100 |
| Total operating revenues | 6,000 | 100 | 6,100 |
| Operating expenditures: | | | |
| Parks and recreation | - | 200 | 200 |
| Economic development | 1,381,314 | - | 1,381,314 |
| Total operating expenditures | 1,381,314 | 200 | 1,381,514 |
| Operating loss | (1,375,314) | (100) | (1,375,414) |
| Nonoperating revenues: | | | |
| Revenue from use of money | 66 | - | 66 |
| Loss before capital grants and contributions | (1,375,248) | (100) | (1,375,348) |
| Capital grants and contributions | 1,379,696 | - | 1,379,696 |
| Change in net position | 4,448 | (100) | 4,348 |
| Net position, beginning | 8,952 | 43,641 | 52,593 |
| Net position, ending | \$ 13,400 | \$ 43,541 | \$ 56,941 |

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS Year Ended June 30, 2018

| | Economic Development Authority | Rockingham County Recreation Foundation | Total Nonmajor Discretely Presented Component Units |
|---|--------------------------------------|--|--|
| Cash flows from operating activities: | | | |
| Receipts from customers | \$ 3,001 | \$ - | \$ 3,001 |
| Payments to suppliers for goods and services | - | (200) | (200) |
| Other (payments) receipts | (1,381,314) | 100 | (1,381,214) |
| Net cash used in operating activities | (1,378,313) | (100) | (1,378,413) |
| Cash flows from capital and related financing activities: | | | |
| Intergovernmental - grants | 1,379,696 | - | 1,379,696 |
| Net cash provided by capital and related financing activities | 1,379,696 | - | 1,379,696 |
| Cash flows from investing activities: | | | |
| Purchases of investments | (270) | - | (270) |
| Interest received on investment securities | 66 | - | 66 |
| Net cash used in investing activities | (204) | - | (204) |
| Net change in cash and cash equivalents | 1,179 | (100) | 1,079 |
| Cash and cash equivalents: | | | |
| Beginning | 3,209 | 43,641 | 46,850 |
| Ending | \$ 4,388 | \$ 43,541 | \$ 47,929 |
| Reconciliation of operating loss to net cash used in operating activities: | | | |
| Operating loss | \$ (1,375,314) | \$ (100) | \$ (1,375,414) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | |
| Decrease in assets and liabilities: | | | |
| Accounts receivable | (2,999) | - | (2,999) |
| Net cash used in operating activities | \$ (1,378,313) | \$ (100) | \$ (1,378,413) |

SUPPLEMENTAL SCHEDULES

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF REVENUES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 56,495,000 | \$ 56,495,000 | \$ 57,195,824 | \$ 700,824 |
| Real and personal public service corporation property taxes | 2,446,000 | 2,446,000 | 2,285,054 | (160,946) |
| Personal property taxes | 16,107,000 | 16,107,000 | 16,957,924 | 850,924 |
| Machinery and tools taxes | 8,006,500 | 8,006,500 | 9,707,041 | 1,700,541 |
| Merchants' capital taxes | 1,505,000 | 1,505,000 | 1,436,361 | (68,639) |
| Penalties and interest | 715,000 | 715,000 | 891,929 | 176,929 |
| Total general property taxes | 85,274,500 | 85,274,500 | 88,474,133 | 3,199,633 |
| Other local taxes: | | | | |
| Local sales and use taxes | 6,200,000 | 6,200,000 | 6,276,421 | 76,421 |
| Consumer utility taxes | 1,101,350 | 1,101,350 | 1,116,085 | 14,735 |
| Utility gross receipts taxes | 375,000 | 375,000 | 334,040 | (40,960) |
| Bank stock taxes | 95,000 | 95,000 | 132,531 | 37,531 |
| Motor vehicle licenses | 1,250,000 | 1,250,000 | 1,304,491 | 54,491 |
| Taxes on recordation and wills | 1,020,000 | 1,020,000 | 1,036,421 | 16,421 |
| Hotel and motel room taxes | 230,000 | 230,000 | 279,855 | 49,855 |
| Food and beverage taxes | 1,250,000 | 1,250,000 | 1,242,234 | (7,766) |
| Total other local taxes | 11,521,350 | 11,521,350 | 11,722,078 | 200,728 |
| Permits, privilege fees and regulatory licenses: | | | | |
| Animal licenses | 23,000 | 23,000 | 18,731 | (4,269) |
| Permits and other licenses | 1,317,300 | 1,317,300 | 1,345,814 | 28,514 |
| Total permits, privilege fees and regulatory licenses | 1,340,300 | 1,340,300 | 1,364,545 | 24,245 |
| Fines and forfeitures | 121,500 | 121,500 | 177,819 | 56,319 |
| Use of money and property: | | | | |
| Revenue from use of money | 50,000 | 50,000 | 145,283 | 95,283 |
| Revenue from use of property | 588,608 | 588,608 | 488,488 | (100,120) |
| Total use of money and property | 638,608 | 638,608 | 633,771 | (4,837) |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF REVENUES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|--------------------|--------------------|--------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Excess fees of clerk | \$ 581,500 | \$ 581,500 | \$ 518,302 | \$ (63,198) |
| Commonwealth attorney | 202,000 | 202,000 | 201,900 | (100) |
| Law enforcement and traffic control | 289,650 | 289,650 | 313,883 | 24,233 |
| EMS transport | 510,000 | 510,000 | 512,877 | 2,877 |
| Correction and detention | 645,500 | 645,500 | 802,228 | 156,728 |
| Parks and recreation | 800,000 | 800,000 | 843,541 | 43,541 |
| Computer services | 2,500 | 2,500 | 1,727 | (773) |
| Health | 2,500 | 2,500 | 26,013 | 23,513 |
| Garage fees | 600,000 | 600,000 | 677,425 | 77,425 |
| Planning and community development | 1,000 | 1,000 | 143 | (857) |
| Total charges for services | 3,634,650 | 3,634,650 | 3,898,039 | 263,389 |
| Miscellaneous | 261,486 | 336,976 | 498,862 | 161,886 |
| Recovered costs: | | | | |
| City of Harrisonburg: | | | | |
| Judicial administration | 760,662 | 696,188 | 682,435 | (13,753) |
| Public safety | 4,359,419 | 3,989,914 | 3,626,237 | (363,677) |
| Public works | 539,828 | 494,072 | 484,311 | (9,761) |
| Other entities: | | | | |
| Public safety | 389,862 | 389,862 | 379,708 | (10,154) |
| Total recovered costs | 6,049,771 | 5,570,036 | 5,172,691 | (397,345) |
| Total revenue from local sources | 108,842,165 | 108,437,920 | 111,941,938 | 3,504,018 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Communications sales and use taxes | 1,600,000 | 1,600,000 | 1,456,636 | (143,364) |
| Mobile home titling taxes | 80,000 | 80,000 | 85,467 | 5,467 |
| Rental vehicle taxes | 9,000 | 9,000 | 6,832 | (2,168) |
| Personal property tax relief | 6,000,000 | 6,000,000 | 6,287,870 | 287,870 |
| Recordation taxes | 300,000 | 300,000 | 268,901 | (31,099) |
| Total non-categorical aid | 7,989,000 | 7,989,000 | 8,105,706 | 116,706 |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF REVENUES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Shared costs: | | | | |
| Commonwealth attorney | \$ 934,201 | \$ 934,201 | \$ 934,304 | \$ 103 |
| Sheriff | 6,122,954 | 6,202,494 | 6,049,901 | (152,593) |
| Commissioner of the revenue | 203,722 | 203,722 | 201,728 | (1,994) |
| Treasurer | 185,718 | 185,718 | 185,215 | (503) |
| Registrar/Electoral Board | 50,000 | 50,000 | 47,458 | (2,542) |
| Clerk of circuit court | 596,278 | 919,130 | 694,327 | (224,803) |
| Jail operations | 403,000 | 403,000 | 473,335 | 70,335 |
| Total shared costs | 8,495,873 | 8,898,265 | 8,586,268 | (311,997) |
| Other categorical aid: | | | | |
| Emergency medical services | 87,525 | 87,525 | 84,047 | (3,478) |
| Community corrections | 431,440 | 431,440 | 429,717 | (1,723) |
| Fire program | 186,000 | 186,000 | 192,341 | 6,341 |
| Hazardous materials program | 10,000 | 10,000 | 10,000 | - |
| Victim witness | 44,697 | 44,697 | 41,275 | (3,422) |
| Records preservation | - | - | 4,098 | 4,098 |
| Domestic violence | 40,000 | 40,000 | 45,000 | 5,000 |
| OEMS rescue squad assistance | 117,500 | 235,199 | 117,699 | (117,500) |
| Other | - | 13,000 | 18,962 | 5,962 |
| Total other categorical aid | 917,162 | 1,047,861 | 943,139 | (104,722) |
| Total categorical aid | 9,413,035 | 9,946,126 | 9,529,407 | (416,719) |
| Total revenue from the Commonwealth | 17,402,035 | 17,935,126 | 17,635,113 | (300,013) |
| Revenue from the federal government: | | | | |
| Non-categorical aid: | | | | |
| Payment for federal lands | 396,000 | 396,000 | 477,976 | 81,976 |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF REVENUES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|-----------------------|-----------------------|-----------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Intergovernmental: | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Victim witness | \$ 134,090 | \$ 134,090 | \$ 126,266 | \$ (7,824) |
| FEMA | 19,022 | 19,022 | 19,022 | - |
| Highway safety | 35,327 | 35,327 | 38,014 | 2,687 |
| Welfare | 200,000 | 200,000 | 230,468 | 30,468 |
| Behavioral health | 52,080 | 52,080 | 40,133 | (11,947) |
| Domestic violence coordinator | 22,520 | 22,520 | 22,717 | 197 |
| SAFER | 531,555 | 531,555 | 421,921 | (109,634) |
| Edward Byrne crisis intervention | 15,000 | 15,000 | (391) | (15,391) |
| Incarceration | 5,000 | 5,000 | - | (5,000) |
| Total categorical aid | 1,014,594 | 1,014,594 | 898,150 | (116,444) |
| Total revenue from the federal government | 1,410,594 | 1,410,594 | 1,376,126 | (34,468) |
| Total intergovernmental | 18,812,629 | 19,345,720 | 19,011,239 | (334,481) |
| Total General Fund | \$ 127,654,794 | \$ 127,783,640 | \$ 130,953,177 | \$ 3,169,537 |
| Special Revenue Fund: | | | | |
| Asset Forfeiture Fund: | | | | |
| Revenue from local sources: | | | | |
| Fines and forfeitures: | | | | |
| Seized funds - judicial administration | \$ 17,900 | \$ 17,900 | \$ 14,989 | \$ (2,911) |
| Seized funds - public safety | 17,900 | 17,900 | 15,243 | (2,657) |
| Total fines and forfeitures | 35,800 | 35,800 | 30,232 | (5,568) |
| Revenue from use of money | - | - | 2,752 | 2,752 |
| Miscellaneous | - | - | 236 | 236 |
| Total revenue from local sources | 35,800 | 35,800 | 33,220 | (2,580) |
| Intergovernmental: | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Seized funds - judicial administration | 40,050 | 40,050 | 7,862 | (32,188) |
| Seized funds - public safety | 40,050 | 40,050 | 23,101 | (16,949) |
| Total intergovernmental | 80,100 | 80,100 | 30,963 | (49,137) |
| Total Special Revenue Fund | \$ 115,900 | \$ 115,900 | \$ 64,183 | \$ (51,717) |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF REVENUES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|------------------|----------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| Capital Projects Fund: | | | | |
| General Capital Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money | \$ - | \$ - | \$ 51,414 | \$ 51,414 |
| Miscellaneous | - | - | 37,575 | 37,575 |
| Recovered costs: | | | | |
| City of Harrisonburg share | - | 1,000,000 | 284,852 | (715,148) |
| Total revenue from local sources | - | 1,000,000 | 373,841 | (626,159) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| VDOT Revenue Sharing | - | 5,367,206 | 3,140,931 | (2,226,275) |
| Total revenue from the Commonwealth | - | 5,367,206 | 3,140,931 | (2,226,275) |
| Total intergovernmental | - | 5,367,206 | 3,140,931 | (2,226,275) |
| Total General Capital Projects Fund | \$ - | \$ 6,367,206 | \$ 3,514,772 | \$ (2,852,434) |
| Grand Total Revenues - Primary Government | \$ 127,770,694 | \$ 134,266,746 | \$ 134,532,132 | \$ 265,386 |
| Major Component Units: | | | | |
| Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of property | \$ 7,600 | \$ 7,600 | \$ 7,628 | \$ 28 |
| Charges for services | 2,903,000 | 2,903,000 | 2,941,696 | 38,696 |
| Miscellaneous | 75,000 | 75,000 | 196,275 | 121,275 |
| Appropriation from Primary Government | 62,503,791 | 62,503,791 | 59,678,230 | (2,825,561) |
| Total revenue from local sources | 65,489,391 | 65,489,391 | 62,823,829 | (2,665,562) |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF REVENUES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|--------------------|--------------------|--------------------|--|
| | Original | Final | | |
| Major Component Units: | | | | |
| Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Rolling stock tax | \$ 70,000 | \$ 70,000 | \$ 74,224 | \$ 4,224 |
| Categorical aid: | | | | |
| State sales tax receipts | 13,655,725 | 13,655,725 | 12,929,511 | (726,214) |
| Basic school aid | 31,970,292 | 31,970,292 | 31,864,856 | (105,436) |
| Other state school funds | 20,337,392 | 20,337,392 | 20,952,238 | 614,846 |
| Total categorical aid | 65,963,409 | 65,963,409 | 65,746,605 | (216,804) |
| Total revenue from the Commonwealth | 66,033,409 | 66,033,409 | 65,820,829 | (212,580) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title I | 1,900,000 | 1,900,000 | 2,002,677 | 102,677 |
| Title VIB | 2,650,000 | 2,650,000 | 2,688,956 | 38,956 |
| Other school funds | 1,052,600 | 1,052,600 | 1,160,098 | 107,498 |
| Total revenue from the federal government | 5,602,600 | 5,602,600 | 5,851,731 | 249,131 |
| Total intergovernmental | 71,636,009 | 71,636,009 | 71,672,560 | 36,551 |
| Total School Operating Fund | 137,125,400 | 137,125,400 | 134,496,389 | (2,629,011) |
| School Cafeteria Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money | 7,000 | 7,000 | 12,763 | 5,763 |
| Charges for services | 2,116,421 | 2,116,421 | 1,874,744 | (241,677) |
| Total revenue from local sources | 2,123,421 | 2,123,421 | 1,887,507 | (235,914) |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food program grant | 95,000 | 95,000 | 130,059 | 35,059 |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF REVENUES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|------------------|----------------|-------------------|--|
| | Original | Final | | |
| Major Component Units: | | | | |
| Component Unit - School Board: | | | | |
| School Cafeteria Fund: | | | | |
| Intergovernmental: | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School food program | \$ 3,242,114 | \$ 3,242,114 | \$ 3,323,799 | \$ 81,685 |
| Total intergovernmental | 3,337,114 | 3,337,114 | 3,453,858 | 116,744 |
| Total School Cafeteria Fund | 5,460,535 | 5,460,535 | 5,341,365 | (119,170) |
| School Capital Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money | - | - | 113,385 | 113,385 |
| Miscellaneous | 19,313,000 | - | - | - |
| Appropriation from Primary Government | 50,000 | 25,352,256 | 25,352,256 | - |
| Total revenue from local sources | 19,363,000 | 25,352,256 | 25,465,641 | 113,385 |
| Total School Capital Projects Fund | 19,363,000 | 25,352,256 | 25,465,641 | 113,385 |
| Massanutten Technical Center - Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money | - | - | 3,520 | 3,520 |
| Charges for services | 640,100 | 640,100 | 635,239 | (4,861) |
| Miscellaneous | 6,000 | 6,000 | 16,084 | 10,084 |
| House project | 35,000 | 35,000 | 37,500 | 2,500 |
| Total revenue from local sources | 681,100 | 681,100 | 692,343 | 11,243 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth | 610,420 | 610,420 | 389,300 | (221,120) |
| Revenue from the federal government | 224,146 | 224,146 | 302,767 | 78,621 |
| Local governments: | | | | |
| Appropriation from Rockingham County School Board | 3,404,806 | 3,404,806 | 3,287,618 | (117,188) |
| Appropriation from the City of Harrisonburg | 992,555 | 992,555 | 962,434 | (30,121) |
| Total local governments | 4,397,361 | 4,397,361 | 4,250,052 | (147,309) |
| Total intergovernmental | 5,231,927 | 5,231,927 | 4,942,119 | (289,808) |
| Total Massanutten Technical Center - Operating Fund | 5,913,027 | 5,913,027 | 5,634,462 | (278,565) |
| Total Revenues - Component Unit - School Board | \$ 167,861,962 | \$ 173,851,218 | \$ 170,937,857 | \$ (2,913,361) |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF REVENUES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Major Component Units: | | | | |
| Component Unit - Harrisonburg-Rockingham | | | | |
| Social Services District: | | | | |
| Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money | \$ - | \$ - | \$ 39,888 | \$ 39,888 |
| Miscellaneous: | | | | |
| City of Harrisonburg share | 1,659,107 | 1,659,107 | 1,659,107 | - |
| Other | 43,465 | 43,465 | 48,830 | 5,365 |
| Total miscellaneous | 1,702,572 | 1,702,572 | 1,707,937 | 5,365 |
| Appropriation from the Primary Government | 2,310,983 | 2,310,983 | 2,409,482 | 98,499 |
| Total revenue from local sources | 4,013,555 | 4,013,555 | 4,157,307 | 143,752 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Social services administration: | | | | |
| Public assistance and administration | 7,064,602 | 7,529,192 | 5,034,759 | (2,494,433) |
| Virginia department of juvenile justice: | | | | |
| Virginia juvenile community crime control act grant | 88,003 | 88,003 | 86,831 | (1,172) |
| Total revenue from the Commonwealth | 7,152,605 | 7,617,195 | 5,121,590 | (2,495,605) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Social services administration: | | | | |
| Welfare | 6,863,484 | 7,317,311 | 6,956,814 | (360,497) |
| Total intergovernmental | 14,016,089 | 14,934,506 | 12,078,404 | (2,856,102) |
| Total Harrisonburg-Rockingham Social Services District - Operating Fund | 18,029,644 | 18,948,061 | 16,235,711 | (2,712,350) |
| Special Revenue Fund: | | | | |
| Children's Services Act Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money | - | - | 867 | 867 |
| Miscellaneous: | | | | |
| City of Harrisonburg share | 1,773,841 | 1,773,841 | 1,773,841 | - |
| Appropriation from the Primary Government | 1,476,918 | 2,366,918 | 2,366,983 | 65 |
| Total revenue from local sources | 3,250,759 | 4,140,759 | 4,141,691 | 932 |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF REVENUES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|---|----------------------|----------------------|----------------------|--|
| | Original | Final | | |
| Special Revenue Fund: | | | | |
| Children's Services Act Fund: | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Social services administration: | | | | |
| Children's Services Act | \$ 6,037,124 | \$ 6,037,124 | \$ 5,151,068 | \$ (886,056) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Social services administration: | | | | |
| Children's Services Act | - | - | 376,611 | 376,611 |
| Total intergovernmental | 6,037,124 | 6,037,124 | 5,527,679 | (509,445) |
| Total Children's Services Act Fund | 9,287,883 | 10,177,883 | 9,669,370 | (508,513) |
| Total Revenues - Component Unit - Harrisonburg-Rockingham Social Services District | \$ 27,317,527 | \$ 29,125,944 | \$ 25,905,081 | \$ (3,220,863) |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF EXPENDITURES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|------------------|------------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of Supervisors | \$ 191,033 | \$ 191,033 | \$ 187,269 | \$ (3,764) |
| General and financial: | | | | |
| Executive administration | 444,381 | 444,381 | 300,281 | (144,100) |
| Legal services | 539,386 | 539,386 | 530,720 | (8,666) |
| Independent auditor and actuarial services | 106,000 | 106,000 | 89,200 | (16,800) |
| Commissioner of the revenue | 714,047 | 714,047 | 640,521 | (73,526) |
| Reassessment and equalization | 374,608 | 374,608 | 258,528 | (116,080) |
| Treasurer | 597,189 | 602,189 | 565,301 | (36,888) |
| Fiscal services | 992,700 | 992,700 | 964,105 | (28,595) |
| Human resources | 409,409 | 409,409 | 397,975 | (11,434) |
| Technology | 1,301,881 | 1,301,881 | 1,064,500 | (237,381) |
| Land use assessment | 69,733 | 69,733 | 62,191 | (7,542) |
| Total general and financial | 5,549,334 | 5,554,334 | 4,873,322 | (681,012) |
| Board of elections: | | | | |
| Electoral board and officials | 98,548 | 133,548 | 133,207 | (341) |
| Registrar | 164,810 | 164,810 | 155,629 | (9,181) |
| Total board of elections | 263,358 | 298,358 | 288,836 | (9,522) |
| Total general government administration | 6,003,725 | 6,043,725 | 5,349,427 | (694,298) |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | 249,959 | 249,959 | 205,300 | (44,659) |
| General district court | 35,545 | 35,545 | 30,124 | (5,421) |
| Magistrate | 8,575 | 8,575 | 8,499 | (76) |
| Juvenile and domestic relations court | 39,170 | 39,170 | 26,370 | (12,800) |
| Clerk of the circuit court | 1,020,824 | 1,359,822 | 1,150,125 | (209,697) |
| Department of court services | 884,054 | 894,494 | 814,977 | (79,517) |
| Total courts | 2,238,127 | 2,587,565 | 2,235,395 | (352,170) |
| Commonwealth attorney | 2,087,282 | 2,087,282 | 1,997,533 | (89,749) |
| Total judicial administration | 4,325,409 | 4,674,847 | 4,232,928 | (441,919) |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF EXPENDITURES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|---|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 6,607,800 | \$ 6,700,740 | \$ 6,531,684 | \$ (169,056) |
| Fire and rescue services: | | | | |
| Fire and rescue | 6,802,704 | 6,762,274 | 6,761,306 | (968) |
| Volunteer fire companies | 1,176,904 | 1,229,278 | 1,219,343 | (9,935) |
| Ambulance and rescue squads | 333,712 | 667,812 | 563,436 | (104,376) |
| Fire extinction service | 20,954 | 20,954 | 20,561 | (393) |
| Total fire and rescue services | 8,334,274 | 8,680,318 | 8,564,646 | (115,672) |
| Correction and detention: | | | | |
| County operated institutions | 11,584,996 | 11,687,072 | 10,724,095 | (962,977) |
| Building inspections | 738,656 | 738,656 | 674,000 | (64,656) |
| Other protection: | | | | |
| Animal control | 428,796 | 432,796 | 432,315 | (481) |
| Emergency services | 3,875,421 | 2,632,974 | 2,619,256 | (13,718) |
| Total other protection | 4,304,217 | 3,065,770 | 3,051,571 | (14,199) |
| Total public safety | 31,569,943 | 30,872,556 | 29,545,996 | (1,326,560) |
| Public works: | | | | |
| General administration | 95,948 | 95,948 | 92,737 | (3,211) |
| Garage operations | 649,296 | 783,296 | 783,296 | - |
| Maintenance: | | | | |
| County property | 1,276,673 | 1,346,673 | 997,623 | (349,050) |
| Shared property | 1,009,856 | 999,719 | 800,106 | (199,613) |
| Human Services/Health department building | 234,179 | 234,179 | 189,320 | (44,859) |
| TV translator system | - | - | 5,989 | 5,989 |
| Research and technology center | 125,000 | 125,000 | 58,695 | (66,305) |
| Total public works | 3,390,952 | 3,584,815 | 2,927,766 | (657,049) |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF EXPENDITURES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|---|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Health and social services: | | | | |
| Health: | | | | |
| Supplement to local health department | \$ 662,108 | \$ 662,108 | \$ 643,459 | \$ (18,649) |
| Mental health and mental retardation: | | | | |
| Community Services Board | 933,673 | 933,673 | 871,098 | (62,575) |
| Social services: | | | | |
| Property tax relief for elderly/handicapped | 360,000 | 485,000 | 484,517 | (483) |
| Appropriation to the Harrisonburg-Rockingham | | | | |
| Social Services District | 3,916,770 | 4,806,770 | 4,776,464 | (30,306) |
| Change in investment in the Harrisonburg-Rockingham | | | | |
| Social Services District | - | - | (61,679) | (61,679) |
| Institutional care | 154,609 | 154,609 | 154,609 | - |
| Total health and social services | 6,027,160 | 7,042,160 | 6,868,468 | (173,692) |
| Education: | | | | |
| Appropriation to the Rockingham | | | | |
| County School Board | 62,503,791 | 87,806,047 | 84,980,486 | (2,825,561) |
| Total education | 62,503,791 | 87,806,047 | 84,980,486 | (2,825,561) |
| Parks, recreation and cultural: | | | | |
| Parks and recreation: | | | | |
| Administration | 244,937 | 244,937 | 217,507 | (27,430) |
| Athletic events/programs | 1,451,269 | 1,451,269 | 1,318,514 | (132,755) |
| Total parks and recreation | 1,696,206 | 1,696,206 | 1,536,021 | (160,185) |
| Cultural: | | | | |
| Regional library | 856,367 | 856,367 | 856,367 | - |
| Total parks, recreation and cultural | 2,552,573 | 2,552,573 | 2,392,388 | (160,185) |
| Community development: | | | | |
| Planning and community development | 672,517 | 672,517 | 635,600 | (36,917) |
| Geographic information systems | 140,892 | 140,892 | 137,277 | (3,615) |
| Economic development | 1,237,614 | 1,737,614 | 1,737,332 | (282) |
| Soil and water conservation district | 57,500 | 57,500 | 57,500 | - |
| Cooperative extension program | 138,878 | 138,878 | 110,213 | (28,665) |
| Environmental management | 212,999 | 212,999 | 205,370 | (7,629) |
| Contributions, grants and other | 979,070 | 768,630 | 595,947 | (172,683) |
| Total community development | 3,439,470 | 3,729,030 | 3,479,239 | (249,791) |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF EXPENDITURES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|-----------------------|-----------------------|-----------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Debt service: | | | | |
| Principal: | | | | |
| County | \$ 1,870,938 | \$ 1,870,938 | \$ 1,870,938 | \$ - |
| School Board | 5,105,034 | 5,105,034 | 5,105,034 | - |
| Total principal | 6,975,972 | 6,975,972 | 6,975,972 | - |
| Interest and fiscal charges: | | | | |
| County | 315,180 | 315,180 | 327,929 | 12,749 |
| School Board | 2,905,926 | 2,905,926 | 2,907,151 | 1,225 |
| Total interest and fiscal charges | 3,221,106 | 3,221,106 | 3,235,080 | 13,974 |
| Total debt service | 10,197,078 | 10,197,078 | 10,211,052 | 13,974 |
| Total General Fund | \$ 130,010,101 | \$ 156,502,831 | \$ 149,987,750 | \$ (6,515,081) |
| Special Revenue Fund: | | | | |
| Asset Forfeiture Fund: | | | | |
| Judicial administration: | | | | |
| Commonwealth attorney | \$ 65,660 | \$ 65,660 | \$ 46,107 | \$ (19,553) |
| Public safety: | | | | |
| Law enforcement | 50,240 | 50,240 | 36,668 | (13,572) |
| Total Asset Forfeiture Fund | 115,900 | 115,900 | 82,775 | (33,125) |
| Total Special Revenue Fund | \$ 115,900 | \$ 115,900 | \$ 82,775 | \$ (33,125) |
| General Capital Projects Fund: | | | | |
| Capital projects | \$ 550,000 | \$ 25,632,153 | \$ 14,168,378 | \$ (11,463,775) |
| Education: | | | | |
| Appropriation to the Rockingham | | | | |
| County School Board | - | 50,000 | 50,000 | - |
| Total General Capital Projects Fund | \$ 550,000 | \$ 25,682,153 | \$ 14,218,378 | \$ (11,463,775) |
| Grand Total Expenditures - Primary Government | \$ 130,676,001 | \$ 182,300,884 | \$ 164,288,903 | \$ (18,011,981) |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF EXPENDITURES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|-----------------------|-----------------------|-----------------------|--|
| | Original | Final | | |
| Major Component Units: | | | | |
| Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Instruction | \$ 108,480,301 | \$ 108,480,051 | \$ 105,612,990 | \$ (2,867,061) |
| Administration, attendance and health | 5,962,711 | 5,957,961 | 6,140,085 | 182,124 |
| Pupil transportation services | 9,569,044 | 9,569,044 | 9,499,111 | (69,933) |
| Operation and maintenance services | 13,256,344 | 13,261,344 | 13,241,229 | (20,115) |
| Total School Operating Fund | 137,268,400 | 137,268,400 | 134,493,415 | (2,774,985) |
| School Cafeteria Fund: | | | | |
| Education: | | | | |
| School food services | 5,460,535 | 5,460,535 | 5,342,727 | (117,808) |
| Total School Cafeteria Fund | 5,460,535 | 5,460,535 | 5,342,727 | (117,808) |
| School Capital Projects Fund: | | | | |
| Capital projects | 19,363,000 | 17,914,862 | 17,269,385 | (645,477) |
| Total School Capital Projects Fund | 19,363,000 | 17,914,862 | 17,269,385 | (645,477) |
| Massanutten Technical Center - Operating Fund: | | | | |
| Education: | | | | |
| Secondary | 4,752,363 | 4,782,363 | 4,599,610 | (182,753) |
| Continuing education | 1,160,664 | 1,160,664 | 1,034,852 | (125,812) |
| Total Massanutten Technical Center - Operating Fund | 5,913,027 | 5,943,027 | 5,634,462 | (308,565) |
| Total Expenditures - Component Unit - School Board | \$ 168,004,962 | \$ 166,586,824 | \$ 162,739,989 | \$ (3,846,835) |

**GOVERNMENTAL FUNDS AND MAJOR DISCRETELY PRESENTED
COMPONENT UNITS – SCHEDULE OF EXPENDITURES –
BUDGET AND ACTUAL
Year Ended June 30, 2018**

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|---|----------------------|----------------------|----------------------|--|
| | Original | Final | | |
| Major Component Units: | | | | |
| Component Unit - Harrisonburg-Rockingham | | | | |
| Social Services District: | | | | |
| Operating Fund: | | | | |
| Social services: | | | | |
| Public assistance | \$ 9,048,958 | \$ 9,942,975 | \$ 7,451,225 | \$ (2,491,750) |
| Administration: | | | | |
| Welfare | 8,806,083 | 8,830,483 | 8,283,617 | (546,866) |
| Virginia juvenile community crime control act grant | 88,003 | 88,003 | 86,672 | (1,331) |
| Capital projects | 86,600 | 86,600 | 172,222 | 85,622 |
| Total Operating Fund | 18,029,644 | 18,948,061 | 15,993,736 | (2,954,325) |
| Special Revenue Fund: | | | | |
| Children's Services Act Fund: | | | | |
| Children's Services Act | 9,287,883 | 9,287,883 | 9,748,721 | 460,838 |
| Total Children's Services Act Fund | 9,287,883 | 9,287,883 | 9,748,721 | 460,838 |
| Total Expenditures - Component Unit - Harrisonburg-Rockingham Social Services District | \$ 27,317,527 | \$ 28,235,944 | \$ 25,742,457 | \$ (2,493,487) |

STATISTICAL SECTION

COUNTY OF ROCKINGHAM, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

The statistical section of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health. This information has not been audited by the independent auditor.

| 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. | 2-6 |
| Revenue Capacity These tables contain information to help the reader assess the County's most significant local revenue sources, the property tax, as well as other revenue sources. | 7-11 |
| Debt Capacity These tables present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future. | 12-14 |
| 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. | 15-16 |
| Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs. | 17-19 |
| Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. | |

STATISTICAL SECTION

Comments Relative to Statistical Section

The following statistical table recommended by the National Council on Governmental Accounting is not included for the reason stated below:

The table showing legal debt margin is omitted because counties in the State of Virginia are not subject to the 10% legal debt margin as cities and towns are.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 2
Page 1

NET POSITION / ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------|------------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Primary government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 33,331,094 | \$ 31,494,506 | \$ 31,571,104 | \$ 34,323,744 | \$ 34,110,413 | \$ 34,093,586 | \$ 33,589,878 | \$ 34,854,168 | \$ 38,692,548 | \$ 42,693,309 |
| Restricted | 351,245 | 422,337 | 1,383,005 | 420,988 | 2,897,307 | 3,782,011 | 235,709 | 195,800 | 235,108 | 404,183 |
| Unrestricted (deficit) | (71,164,591) | (68,208,673) | (58,123,750) | (49,401,105) | (40,378,653) | (33,093,357) | (34,021,125) | (37,558,463) | (34,533,494) | (61,273,304) |
| Total governmental activities net assets/ net position | \$ (37,482,252) | \$ (36,291,830) | \$ (25,169,641) | \$ (14,656,373) | \$ (3,370,933) | \$ 4,782,240 | \$ (195,538) | \$ (2,508,495) | \$ 4,394,162 | \$ (18,175,812) |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 32,111,181 | \$ 30,738,179 | \$ 29,369,801 | \$ 29,166,125 | \$ 28,953,581 | \$ 29,032,472 | \$ 33,482,569 | \$ 30,110,695 | \$ 28,127,740 | \$ 33,769,673 |
| Restricted | - | - | - | - | - | - | - | 5,545,857 | 10,566,691 | 4,739,335 |
| Unrestricted | 145,128 | 1,153,253 | 2,261,627 | 3,028,033 | 5,479,288 | 7,187,340 | 4,974,695 | 5,409,029 | 4,911,714 | 6,720,049 |
| Total business-type activities net assets/ net position | \$ 32,256,309 | \$ 31,891,432 | \$ 31,631,428 | \$ 32,194,158 | \$ 34,432,869 | \$ 36,219,812 | \$ 38,457,264 | \$ 41,065,581 | \$ 43,606,145 | \$ 45,229,057 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 65,442,275 | \$ 62,232,685 | \$ 60,940,905 | \$ 63,489,869 | \$ 63,063,994 | \$ 63,126,058 | \$ 67,072,447 | \$ 64,964,863 | \$ 66,820,288 | \$ 76,462,982 |
| Restricted | 351,245 | 422,337 | 1,383,005 | 420,988 | 2,897,307 | 3,782,011 | 235,709 | 5,741,657 | 10,801,799 | 5,143,518 |
| Unrestricted (deficit) | (71,019,463) | (67,055,420) | (55,862,123) | (46,373,072) | (34,899,365) | (25,906,017) | (29,046,430) | (32,149,434) | (29,621,780) | (54,553,255) |
| Total primary government net assets/ net position | \$ (5,225,943) | \$ (4,400,398) | \$ 6,461,787 | \$ 17,537,785 | \$ 31,061,936 | \$ 41,002,052 | \$ 38,261,726 | \$ 38,557,086 | \$ 48,000,307 | \$ 27,053,245 |
| Major component units: (1) | | | | | | | | | | |
| Component unit - school board: | | | | | | | | | | |
| Net investment in capital assets | \$ 150,698,882 | \$ 166,440,045 | \$ 161,143,761 | \$ 155,669,779 | \$ 148,854,227 | \$ 141,355,850 | \$ 135,289,320 | \$ 129,762,202 | \$ 129,603,121 | \$ 139,675,416 |
| Restricted | - | - | - | - | - | - | - | - | - | 4,133,596 |
| Unrestricted (deficit) | 11,635,128 | 2,949,404 | 407,514 | (2,863,316) | (4,499,513) | (5,090,456) | (109,438,758) | (108,048,391) | (111,818,738) | (129,883,934) |
| Total component unit - school board net assets/net position | \$ 162,334,010 | \$ 169,389,449 | \$ 161,551,275 | \$ 152,806,463 | \$ 144,354,714 | \$ 136,265,394 | \$ 25,850,562 | \$ 21,713,811 | \$ 17,784,383 | \$ 13,925,078 |
| Component unit - Harrisonburg-Rockingham Social Services District | | | | | | | | | | |
| Net investment in capital assets | \$ 119,199 | \$ 78,918 | \$ 40,063 | \$ 18,903 | \$ 8,480 | \$ 2,144,091 | \$ 2,574,720 | \$ 2,451,305 | \$ 2,366,316 | \$ 2,323,333 |
| Restricted (4) | - | - | - | - | 2,161,138 | 1,448,333 | 1,393,537 | 1,740,887 | 2,019,613 | 2,120,558 |
| Unrestricted | 2,345,485 | 3,629,702 | 4,118,759 | 4,021,587 | 2,392,680 | 1,433,092 | 697,955 | 1,411,396 | 2,399,901 | 1,204,485 |
| Total component unit - HRSSD net assets/ net position | \$ 2,464,684 | \$ 3,708,620 | \$ 4,158,822 | \$ 4,040,490 | \$ 4,562,298 | \$ 5,025,516 | \$ 4,666,212 | \$ 5,603,588 | \$ 6,785,830 | \$ 5,648,376 |

COUNTY OF ROCKINGHAM, VIRGINIA

NET POSITION / ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Table 2

Page 2

| | Fiscal Year June 30, | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Major component units: | | | | | | | | | | |
| Net investment in capital assets | \$ 150,818,081 | \$ 166,518,963 | \$ 161,183,824 | \$ 155,688,682 | \$ 148,862,707 | \$ 143,499,941 | \$ 137,864,040 | \$ 132,213,507 | \$ 131,969,437 | \$ 141,998,749 |
| Restricted | - | - | - | - | 2,161,138 | 1,448,333 | 1,393,537 | 1,740,887 | 2,019,613 | 6,254,154 |
| Unrestricted (deficit) | 13,980,613 | 6,579,106 | 4,526,273 | 1,158,271 | (2,106,833) | (3,657,364) | (108,740,803) | (106,636,995) | (109,418,837) | (128,679,449) |
| Total major component units net assets/net position | \$ 164,798,694 | \$ 173,098,069 | \$ 165,710,097 | \$ 156,846,953 | \$ 148,917,012 | \$ 141,290,910 | \$ 30,516,774 | \$ 27,317,399 | \$ 24,570,213 | \$ 19,573,454 |
| Total reporting entity: (2) | | | | | | | | | | |
| Net investment in capital assets | \$ 103,933,620 | \$ 121,884,712 | \$ 121,414,263 | \$ 124,593,294 | \$ 123,453,125 | \$ 124,167,242 | \$ 128,405,019 | \$ 126,705,690 | \$ 134,528,812 | \$ 135,122,135 |
| Restricted | 351,245 | 422,337 | 1,383,005 | 420,988 | 5,058,445 | 5,230,344 | 1,629,246 | 7,482,544 | 12,821,412 | 11,397,672 |
| Unrestricted | 55,287,886 | 46,390,622 | 49,374,616 | 49,370,456 | 51,467,378 | 52,895,376 | (61,255,765) | (68,313,749) | (74,779,704) | (99,893,108) |
| Total reporting entity net assets/net position | \$ 159,572,751 | \$ 168,697,671 | \$ 172,171,884 | \$ 174,384,738 | \$ 179,978,948 | \$ 182,292,962 | \$ 68,778,500 | \$ 65,874,485 | \$ 72,570,520 | \$ 46,626,699 |

Notes:

- (1) Component Unit net position/assets are included in this table due to public schools and social services being significant portions of the County operations. In Virginia, the County issues debt to finance the construction of facilities for these component units because the component units do not have borrowing or taxing authority.
- (2) The sum of the rows for the Reporting Entity identified as "Net investment in capital assets" and "Unrestricted" do not equal the sum of the rows from the total Primary Government and the total Component Units because the outstanding debt for the schools has not been subtracted from the total Primary Governments "Invested in capital assets" since the debt for the school board does not correspond to the capital assets of the Primary Government. However, when the Primary Government and the Component Units are combined, the outstanding debt needs to be accounted for by reducing the balance classified as "Net investment in capital assets."
- (3) This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the use of the term "net assets" and now refers to this measurement as "net position."
- (4) The County implemented GASB Statement No. 61 in fiscal year 2013. As a result, the net position of the Harrisonburg-Rockingham Social Services District includes the restricted components of the County as well as the minority interest, which is also restricted.
- (5) June 30, 2014 net position was restated for the implementation of GASB Statement No. 68.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 3
Page 1

CHANGES IN NET POSITION / ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Primary government: | | | | | | | | | | |
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government administration | \$ 5,172,496 | \$ 4,927,727 | \$ 4,694,851 | \$ 4,941,835 | \$ 5,194,117 | \$ 5,462,554 | \$ 6,039,859 | \$ 5,436,798 | \$ 5,932,529 | \$ 5,954,830 |
| Judicial administration | 4,231,590 | 3,678,728 | 3,462,425 | 3,528,685 | 3,638,701 | 3,859,974 | 3,815,111 | 3,883,941 | 4,107,387 | 4,830,865 |
| Public safety | 20,558,230 | 19,529,025 | 20,392,396 | 20,970,030 | 21,372,315 | 23,580,101 | 23,826,370 | 36,779,233 | 27,123,823 | 30,667,940 |
| Public works | 2,515,660 | 2,384,927 | 2,453,101 | 2,587,532 | 5,144,874 | 6,898,649 | 6,868,624 | 4,339,985 | 3,365,230 | 9,564,783 |
| Health and social services | 5,087,755 | 5,212,611 | 5,005,635 | 4,834,979 | 4,702,838 | 3,769,309 | 5,715,170 | 5,761,798 | 5,786,160 | 8,212,284 |
| Education | 78,046,276 | 48,129,186 | 40,665,573 | 44,255,322 | 50,100,041 | 49,859,613 | 53,790,738 | 55,511,622 | 60,961,694 | 85,021,862 |
| Parks, recreation and cultural | 2,166,951 | 2,090,895 | 2,170,122 | 2,235,340 | 2,199,897 | 2,186,224 | 2,209,125 | 2,343,553 | 2,433,990 | 2,503,886 |
| Community development | 6,142,118 | 6,182,334 | 5,038,071 | 4,161,755 | 4,009,340 | 3,356,974 | 3,583,964 | 3,903,620 | 4,744,578 | 4,382,927 |
| Interest | 5,773,990 | 6,335,856 | 5,860,063 | 5,557,308 | 4,756,975 | 4,354,774 | 4,170,608 | 3,624,534 | 3,148,719 | 3,400,804 |
| Total governmental activities | 129,695,066 | 98,471,289 | 89,742,237 | 93,072,786 | 101,119,098 | 103,328,172 | 110,019,569 | 121,585,084 | 117,604,110 | 154,540,181 |
| Business-type activities: | | | | | | | | | | |
| Water and sewer | 4,675,849 | 5,616,481 | 5,942,628 | 6,272,040 | 6,160,039 | 6,363,516 | 6,621,701 | 6,765,919 | 7,160,783 | 7,873,463 |
| Solid waste | 3,864,456 | 3,792,474 | 3,693,575 | 3,766,051 | 4,362,003 | 5,123,106 | 4,811,787 | 4,574,428 | 6,026,658 | 6,116,340 |
| Total business-type activities | 8,540,305 | 9,408,955 | 9,636,203 | 10,038,091 | 10,522,042 | 11,486,622 | 11,433,488 | 11,340,347 | 13,187,441 | 13,989,803 |
| Total primary government expenses | 138,235,371 | 107,880,244 | 99,378,440 | 103,110,877 | 111,641,140 | 114,814,794 | 121,453,057 | 132,925,431 | 130,791,551 | 168,529,984 |
| Program revenue: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government administration | 1,511 | 4,058 | 4,815 | 2,200 | 1,359 | 2,059 | 3,511 | 2,383 | 1,768 | 1,727 |
| Judicial administration | 1,286,689 | 1,073,326 | 914,178 | 924,169 | 1,005,202 | 990,660 | 1,097,413 | 1,119,539 | 1,304,471 | 1,417,626 |
| Public safety | 4,073,797 | 4,090,326 | 5,171,000 | 5,053,378 | 5,495,186 | 6,312,309 | 7,276,430 | 6,483,239 | 7,298,651 | 7,833,177 |
| Public works | 1,021,587 | 956,152 | 1,098,549 | 1,078,306 | 1,183,823 | 1,141,301 | 1,104,328 | 1,022,145 | 1,085,426 | 1,161,736 |
| Health and social services | 5,665 | 7,953 | 83,232 | 34,717 | - | 17,745 | 1,204 | 2,428 | 18,565 | 26,013 |
| Parks, recreation and cultural | 405,709 | 467,229 | 696,685 | 660,369 | 690,110 | 756,422 | 805,431 | 785,225 | 863,175 | 843,541 |
| Community development | 1,786 | 4,017 | 1,467 | 3,085 | 2,975 | 3,727 | 2,540 | 508 | 1,855 | 143 |
| Operating grants and contributions: | | | | | | | | | | - |
| General government administration | 478,451 | 429,322 | 393,503 | 410,967 | 395,203 | 417,952 | 411,690 | 461,210 | 426,233 | 434,401 |
| Judicial administration | 2,177,711 | 2,124,717 | 2,088,186 | 2,003,636 | 2,034,608 | 2,178,098 | 2,135,443 | 2,271,957 | 2,349,172 | 2,345,308 |
| Public safety | 6,942,243 | 6,444,716 | 6,307,124 | 6,275,040 | 6,129,746 | 6,665,123 | 6,578,170 | 6,784,253 | 7,630,019 | 7,448,343 |
| Public works | - | 1,667 | - | - | - | - | - | - | - | - |
| Health and social services | 163,829 | 143,987 | 147,726 | 155,737 | 186,696 | 172,263 | 176,963 | 200,944 | 237,994 | 230,468 |
| Education | - | - | - | - | 562,808 | - | - | - | - | - |
| Community development | 252,985 | 258,319 | 259,647 | - | - | - | - | 100,000 | 254,000 | - |
| Capital grants and contributions: | | | | | | | | | | |
| Public safety | 83,950 | 118,588 | 269,312 | 22,000 | 38,354 | - | - | - | - | - |
| Public works | - | - | - | 36,410 | 2,537,447 | 2,802,447 | 2,394,638 | 253,442 | 306,062 | 3,140,931 |
| Total governmental activities | 16,895,913 | 16,124,377 | 17,435,424 | 16,660,014 | 20,263,517 | 21,460,106 | 21,987,761 | 19,487,273 | 21,777,391 | 24,883,414 |

COUNTY OF ROCKINGHAM, VIRGINIA

CHANGES IN NET POSITION / ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Table 3

Page 2

| | Fiscal Year June 30, | | | | | | | | | |
|---|------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|------------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Primary government: | | | | | | | | | | |
| Program revenue: | | | | | | | | | | |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water and sewer | \$ 5,128,660 | \$ 6,075,853 | \$ 5,696,405 | \$ 6,044,184 | \$ 6,561,144 | \$ 7,436,597 | \$ 6,450,673 | \$ 6,570,101 | \$ 6,837,014 | \$ 7,478,485 |
| Solid waste | 2,699,300 | 2,353,901 | 2,572,712 | 3,538,098 | 5,027,936 | 5,057,086 | 5,461,705 | 5,488,882 | 5,764,198 | 6,050,596 |
| Operating grants and contributions: | | | | | | | | | | |
| Water and sewer | - | - | - | - | - | - | 1,638,030 | 952,584 | 2,168,073 | 1,341,662 |
| Solid waste | - | - | - | - | - | - | - | - | 23,830 | 73,273 |
| Capital grants and contributions: | | | | | | | | | | |
| Water and sewer | 930,509 | - | - | - | - | - | - | - | - | - |
| Solid waste | 85,181 | - | - | - | - | - | 870,563 | - | - | - |
| Total business-type activities | 8,843,650 | 8,429,754 | 8,269,117 | 9,582,282 | 11,589,080 | 12,493,683 | 14,420,971 | 13,011,567 | 14,793,115 | 14,944,016 |
| Total primary government revenues | 25,739,563 | 24,554,131 | 25,704,541 | 26,242,296 | 31,852,597 | 33,953,789 | 36,408,732 | 32,498,840 | 36,570,506 | 39,827,430 |
| Net (expense) revenue: | | | | | | | | | | |
| Governmental activities | (112,799,153) | (82,346,912) | (72,306,813) | (76,412,772) | (80,855,581) | (81,868,066) | (88,031,808) | (102,097,811) | (95,826,719) | (129,656,767) |
| Business-type activities | 303,345 | (979,201) | (1,367,086) | (455,809) | 1,067,038 | 1,007,061 | 2,987,483 | 1,671,220 | 1,605,674 | 954,213 |
| Total primary government, net expense | (112,495,808) | (83,326,113) | (73,673,899) | (76,868,581) | (79,788,543) | (80,861,005) | (85,044,325) | (100,426,591) | (94,221,045) | (128,702,554) |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| General property taxes | 65,895,837 | 66,376,392 | 64,490,691 | 67,972,029 | 70,601,427 | 70,208,531 | 71,962,305 | 77,182,964 | 81,433,734 | 88,479,898 |
| Local sales and use | 4,567,854 | 4,168,753 | 4,732,665 | 4,991,019 | 4,881,368 | 5,309,256 | 5,387,061 | 6,105,799 | 6,324,892 | 6,276,421 |
| Consumer utility and communications sales and use | 2,667,992 | 2,676,009 | 2,680,007 | 1,028,014 | 1,035,484 | 1,078,402 | 1,095,486 | 1,156,055 | 1,058,481 | 1,116,085 |
| Motor vehicles licenses | 1,176,765 | 1,169,718 | 1,179,162 | 1,227,744 | 1,236,520 | 1,209,701 | 1,211,564 | 1,227,518 | 1,278,070 | 1,304,491 |
| Food and beverage | - | 297,906 | 788,452 | 824,844 | 889,702 | 925,336 | 1,034,025 | 1,070,535 | 1,155,637 | 1,242,234 |
| Other | 1,584,576 | 1,407,319 | (252,325) | 1,440,610 | 1,588,072 | 1,402,550 | 1,646,656 | 1,657,068 | 1,666,630 | 1,782,847 |
| Intergovernmental, non-categorical aid | 6,589,500 | 6,389,141 | 8,065,994 | 8,037,774 | 8,003,995 | 8,079,422 | 7,838,718 | 8,984,272 | 8,050,669 | 8,583,682 |
| Use of money and property | 786,523 | 839,375 | 964,574 | 1,067,549 | 1,472,098 | 1,505,611 | 1,460,029 | 1,720,204 | 1,133,428 | 711,810 |
| Miscellaneous | 279,146 | 232,721 | 779,782 | 336,457 | 345,024 | 302,430 | 364,608 | 680,439 | 627,835 | 536,673 |
| Transfers | - | (20,000) | - | - | (63,336) | - | 870,563 | - | - | - |
| Total governmental activities | 83,548,193 | 83,537,334 | 83,429,002 | 86,926,040 | 89,990,354 | 90,021,239 | 92,871,015 | 99,784,854 | 102,729,376 | 110,034,141 |
| Business-type activities: | | | | | | | | | | |
| Intergovernmental, non-categorical aid | - | - | - | - | - | - | - | 26,640 | - | - |
| Use of money and property | 199,683 | 34,080 | 40,269 | 39,839 | 67,961 | 65,660 | 93,935 | 59,852 | 171,908 | 272,958 |
| Miscellaneous | 243,675 | 560,244 | 1,066,813 | 978,700 | 1,040,376 | 898,936 | 837,750 | 850,605 | 762,982 | 774,434 |
| Transfers | - | 20,000 | - | - | 63,336 | - | (870,563) | - | - | - |
| Total business-type activities | 443,358 | 614,324 | 1,107,082 | 1,018,539 | 1,171,673 | 964,596 | 61,122 | 937,097 | 934,890 | 1,047,392 |
| Total primary government | 83,991,551 | 84,151,658 | 84,536,084 | 87,944,579 | 91,162,027 | 90,985,835 | 92,932,137 | 100,721,951 | 103,664,266 | 111,081,533 |
| Changes in net assets/net position: | | | | | | | | | | |
| Governmental activities | (29,250,960) | 1,190,422 | 11,122,189 | 10,513,268 | 9,134,773 | 8,153,173 | 4,839,207 | (2,312,957) | 6,902,657 | (19,622,626) |
| Business-type activities | 746,703 | (364,877) | (260,004) | 562,730 | 2,238,711 | 1,971,657 | 3,048,605 | 2,608,317 | 2,540,564 | 2,001,605 |
| Total primary government | \$ (28,504,257) | \$ 825,545 | \$ 10,862,185 | \$ 11,075,998 | \$ 11,373,484 | \$ 10,124,830 | \$ 7,887,812 | \$ 295,360 | \$ 9,443,221 | \$ (17,621,021) |

COUNTY OF ROCKINGHAM, VIRGINIA

Table 3
Page 3

CHANGES IN NET POSITION / ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Major component units: (2) | | | | | | | | | | |
| Component unit - school board: | | | | | | | | | | |
| Expenses: | | | | | | | | | | |
| Instruction | \$ 98,007,696 | \$ 96,112,008 | \$ 94,760,403 | \$ 97,309,064 | \$ 99,897,237 | \$ 100,536,652 | \$ 105,050,310 | \$ 106,353,926 | \$ 113,232,867 | \$ 115,650,916 |
| Administration, attendance and health | 5,385,017 | 4,891,885 | 4,618,967 | 5,216,029 | 5,346,780 | 5,552,174 | 5,895,218 | 6,431,820 | 5,824,903 | 4,995,480 |
| Pupil transportation | 8,086,880 | 7,184,619 | 8,281,464 | 8,758,765 | 9,084,535 | 9,338,770 | 9,196,500 | 9,339,985 | 9,555,551 | 9,519,163 |
| Operation and maintenance services | 10,227,516 | 9,919,463 | 10,893,761 | 11,211,522 | 11,810,101 | 11,573,942 | 11,746,547 | 11,417,995 | 14,110,378 | 13,290,806 |
| School food services | 4,766,860 | 4,768,548 | 4,906,946 | 5,207,956 | 5,242,451 | 5,053,123 | 5,105,966 | 5,166,363 | 5,243,049 | 5,213,331 |
| Total expenses | 126,473,969 | 122,876,523 | 123,461,541 | 127,703,336 | 131,381,104 | 132,054,661 | 136,994,541 | 138,710,089 | 147,966,748 | 148,669,696 |
| Program revenues: | | | | | | | | | | |
| Charges for services | 5,638,328 | 5,321,960 | 4,954,423 | 5,056,717 | 4,899,326 | 5,084,433 | 5,436,058 | 5,426,333 | 5,596,541 | 5,451,679 |
| Operating grants and contributions | 77,327,118 | 72,018,553 | 69,346,071 | 69,054,491 | 67,343,777 | 68,365,556 | 72,137,991 | 72,854,877 | 76,638,660 | 79,994,313 |
| Capital grants and contributions | 3,559,527 | 3,854,048 | 345,977 | 93,627 | 81,465 | 32,720 | 71,650 | 83,333 | 175,791 | 98,915 |
| Total program revenues | 86,524,973 | 81,194,561 | 74,646,471 | 74,204,835 | 72,324,568 | 73,482,709 | 77,645,699 | 78,364,543 | 82,410,992 | 85,544,907 |
| Net expense | (39,948,996) | (41,681,962) | (48,815,070) | (53,498,501) | (59,056,536) | (58,571,952) | (59,348,842) | (60,345,546) | (65,555,756) | (63,124,789) |
| General revenues and other changes in net assets: | | | | | | | | | | |
| Grants and contributions not restricted to specific programs | 78,046,276 | 48,129,186 | 40,665,573 | 44,255,322 | 50,100,041 | 49,859,613 | 53,790,738 | 55,511,622 | 60,961,694 | 85,030,486 |
| Intergovernmental, non-categorical aid | 91,946 | 93,380 | 91,783 | 99,154 | 107,026 | 79,643 | 72,671 | 75,166 | 77,475 | 74,224 |
| Use of money and property | 144,563 | 55,765 | 54,306 | 38,899 | 37,184 | 31,489 | 45,918 | 35,649 | 44,232 | 137,296 |
| Miscellaneous | 152,919 | 459,070 | 165,234 | 360,314 | 360,536 | 511,887 | 626,406 | 586,358 | 542,927 | 249,859 |
| Total general revenues and other changes in net assets/net position | 78,435,704 | 48,737,401 | 40,976,896 | 44,753,689 | 50,604,787 | 50,482,632 | 54,535,733 | 56,208,795 | 61,626,328 | 85,491,865 |
| Total general revenues and other | | | | | | | | | | |
| Total component unit - school board change in net assets/net position | \$ 38,486,708 | \$ 7,055,439 | \$ (7,838,174) | \$ (8,744,812) | \$ (8,451,749) | \$ (8,089,320) | \$ (4,813,109) | \$ (4,136,751) | \$ (3,929,428) | \$ 22,367,076 |
| Component unit - HRSSD: | | | | | | | | | | |
| Expenses: | | | | | | | | | | |
| Public assistance | \$ 5,107,848 | \$ 5,730,436 | \$ 5,998,480 | \$ 6,200,265 | \$ 5,838,876 | \$ 6,452,300 | \$ 6,847,545 | \$ 6,397,049 | \$ 6,816,763 | \$ 7,451,225 |
| Comprehensive/children's services | 10,533,322 | 10,236,725 | 10,114,771 | 9,196,586 | 9,028,213 | 8,874,411 | 9,146,513 | 8,883,443 | 9,573,881 | 9,755,890 |
| Welfare | 6,138,996 | 5,820,207 | 5,676,427 | 5,714,686 | 5,889,242 | 6,233,209 | 5,997,127 | 7,515,831 | 7,642,598 | 9,037,932 |
| VJCCA | - | - | - | - | - | - | 82,081 | 83,474 | 87,171 | 86,672 |
| Total expenses | 21,780,166 | 21,787,368 | 21,789,678 | 21,111,537 | 20,756,331 | 21,559,920 | 22,073,266 | 22,879,797 | 24,120,413 | 26,331,719 |
| Program revenues: | | | | | | | | | | |
| Operating grants and contributions | 14,843,978 | 15,969,252 | 15,401,915 | 14,695,587 | 14,869,626 | 15,586,617 | 16,200,010 | 16,033,541 | 17,128,620 | 17,606,083 |
| Total program revenues | 14,843,978 | 15,969,252 | 15,401,915 | 14,695,587 | 14,869,626 | 15,586,617 | 16,200,010 | 16,033,541 | 17,128,620 | 17,606,083 |
| Net expense | (6,936,188) | (5,818,116) | (6,387,763) | (6,415,950) | (5,886,705) | (5,973,303) | (5,873,256) | (6,846,256) | (6,991,793) | (8,725,636) |

COUNTY OF ROCKINGHAM, VIRGINIA

CHANGES IN NET POSITION / ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Table 3

Page 4

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| General revenues and other changes in net assets: | | | | | | | | | | |
| Grants and contributions not restricted to specific programs | \$ 7,147,789 | \$ 6,971,699 | \$ 6,790,737 | \$ 6,242,334 | \$ 6,337,742 | \$ 6,348,530 | \$ 6,739,048 | \$ 7,722,610 | \$ 8,091,663 | \$ 8,209,413 |
| Use of money and property | 42,704 | 15,357 | 22,423 | 21,059 | 32,633 | 16,177 | 20,951 | 12,362 | 32,086 | 40,755 |
| Miscellaneous | 272,696 | 74,996 | 24,805 | 34,225 | 38,138 | 71,814 | 57,963 | 48,660 | 50,286 | 48,830 |
| Total general revenues and other changes in net assets/net position | 7,463,189 | 7,062,052 | 6,837,965 | 6,297,618 | 6,408,513 | 6,436,521 | 6,817,962 | 7,783,632 | 8,174,035 | 8,298,998 |
| Total component unit - HRSSD change in net assets/net position | \$ 527,001 | \$ 1,243,936 | \$ 450,202 | \$ (118,332) | \$ 521,808 | \$ 463,218 | \$ 944,706 | \$ 937,376 | \$ 1,182,242 | \$ (426,638) |
| Total major component units change in net assets/net position | \$ 39,013,709 | \$ 8,299,375 | \$ (7,387,972) | \$ (8,863,144) | \$ (7,929,941) | \$ (7,626,102) | \$ (3,868,403) | \$ (3,199,375) | \$ (2,747,186) | \$ 21,940,438 |
| Total reporting entity change in net assets/net position | \$ 10,509,452 | \$ 9,124,920 | \$ 3,474,213 | \$ 2,212,854 | \$ 3,443,543 | \$ 2,498,728 | \$ 4,019,409 | \$ (2,904,015) | \$ 6,696,035 | \$ 4,319,417 |

Notes:

- (1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.
- (2) Component units were included in this table due to their significance to the County.
- (3) This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the term "net assets" and now refers to this measurement as "net position."

COUNTY OF ROCKINGHAM, VIRGINIA

Table 4

PROGRAM REVENUES BY FUNCTION / PROGRAM

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| Function/Program | Fiscal Year June 30, | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Primary government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government administration | \$ 479,962 | \$ 433,380 | \$ 398,318 | \$ 413,167 | \$ 396,562 | \$ 420,011 | \$ 415,201 | \$ 463,593 | \$ 428,001 | \$ 436,128 |
| Judicial administration | 3,464,400 | 3,198,043 | 3,002,364 | 2,927,805 | 3,039,810 | 3,168,758 | 3,232,856 | 3,391,496 | 3,653,643 | 3,762,934 |
| Public safety | 11,099,990 | 10,653,630 | 11,747,436 | 11,350,418 | 11,663,286 | 12,977,432 | 13,854,600 | 13,267,492 | 14,928,670 | 15,281,520 |
| Public works | 1,021,587 | 957,819 | 1,098,549 | 1,114,716 | 3,721,270 | 3,943,748 | 3,498,966 | 1,275,587 | 1,391,488 | 4,302,667 |
| Health and social services | 169,494 | 151,940 | 230,958 | 190,454 | 186,696 | 190,008 | 178,167 | 203,372 | 256,559 | 256,481 |
| Education | - | - | - | - | 562,808 | - | - | - | - | - |
| Parks, recreation and cultural | 405,709 | 467,229 | 696,685 | 660,369 | 690,110 | 756,422 | 805,431 | 785,225 | 863,175 | 843,541 |
| Community development | 254,771 | 262,336 | 261,114 | 3,085 | 2,975 | 3,727 | 2,540 | 100,508 | 255,855 | 143 |
| Total governmental activities | 16,895,913 | 16,124,377 | 17,435,424 | 16,660,014 | 20,263,517 | 21,460,106 | 21,987,761 | 19,487,273 | 21,777,391 | 24,883,414 |
| Business-type activities: | | | | | | | | | | |
| Water and sewer | 6,059,169 | 6,075,853 | 5,696,405 | 6,044,184 | 6,561,144 | 7,436,597 | 8,088,703 | 7,522,685 | 9,005,087 | 8,820,147 |
| Solid waste | 2,784,481 | 2,353,901 | 2,572,712 | 3,538,098 | 5,027,936 | 5,057,086 | 6,332,268 | 5,488,882 | 5,788,028 | 6,123,869 |
| Total business-type activities | 8,843,650 | 8,429,754 | 8,269,117 | 9,582,282 | 11,589,080 | 12,493,683 | 14,420,971 | 13,011,567 | 14,793,115 | 14,944,016 |
| Total primary government | \$ 25,739,563 | \$ 24,554,131 | \$ 25,704,541 | \$ 26,242,296 | \$ 31,852,597 | \$ 33,953,789 | \$ 36,408,732 | \$ 32,498,840 | \$ 36,570,506 | \$ 39,827,430 |
| Major component units: | | | | | | | | | | |
| Component unit - school board: | | | | | | | | | | |
| Instruction | \$ 81,522,836 | \$ 75,488,678 | \$ 69,684,411 | \$ 69,099,190 | \$ 67,373,976 | \$ 68,376,769 | \$ 72,551,314 | \$ 73,069,780 | \$ 76,995,702 | \$ 80,216,305 |
| Pupil transportation services | - | 760,680 | - | - | - | - | - | - | - | - |
| Operation and maintenance services | - | 13,723 | - | - | - | - | - | - | - | - |
| School food services | 5,002,137 | 4,931,480 | 4,962,060 | 5,105,645 | 4,950,592 | 5,105,940 | 5,094,385 | 5,294,763 | 5,415,290 | 5,328,602 |
| Total component unit - school board | 86,524,973 | 81,194,561 | 74,646,471 | 74,204,835 | 72,324,568 | 73,482,709 | 77,645,699 | 78,364,543 | 82,410,992 | 85,544,907 |
| Component unit - HRSSD: | | | | | | | | | | |
| Public assistance | 3,851,693 | 4,329,056 | 4,351,937 | 4,557,975 | 4,803,986 | 5,029,280 | 5,047,847 | 4,748,681 | 4,961,568 | 5,034,759 |
| Comprehensive/children's services | 6,500,946 | 6,633,186 | 5,960,163 | 5,234,401 | 5,193,142 | 5,237,254 | 5,377,628 | 5,113,599 | 5,215,483 | 5,527,679 |
| Welfare | 4,491,339 | 5,007,010 | 5,089,815 | 4,903,211 | 4,872,498 | 5,320,083 | 5,712,054 | 6,069,231 | 6,868,035 | 6,956,814 |
| VJCCA | - | - | - | - | - | - | 62,481 | 102,030 | 83,534 | 86,831 |
| Total component unit - HRSSD | 14,843,978 | 15,969,252 | 15,401,915 | 14,695,587 | 14,869,626 | 15,586,617 | 16,200,010 | 16,033,541 | 17,128,620 | 17,606,083 |
| Total major component units | \$ 101,368,951 | \$ 97,163,813 | \$ 90,048,386 | \$ 88,900,422 | \$ 87,194,194 | \$ 89,069,326 | \$ 93,845,709 | \$ 94,398,084 | \$ 99,539,612 | \$ 103,150,990 |
| Total reporting entity | \$ 127,108,514 | \$ 121,717,944 | \$ 115,752,927 | \$ 115,142,718 | \$ 119,046,791 | \$ 123,023,115 | \$ 130,254,441 | \$ 126,896,924 | \$ 136,110,118 | \$ 142,978,420 |

COUNTY OF ROCKINGHAM, VIRGINIA

Table 5

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| General Fund: | | | | | | | | | | |
| Reserved | \$ 928,288 | \$ 1,097,948 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 22,588,259 | 27,255,072 | - | - | - | - | - | - | - | - |
| Nondspendable | - | - | 808,957 | 667,271 | 536,388 | 483,343 | 584,337 | 712,636 | 785,140 | 695,007 |
| Restricted (2) | - | - | - | - | 3,116,396 | 2,105,608 | 2,058,400 | 2,551,574 | 3,026,483 | 3,088,162 |
| Committed | - | - | - | - | - | - | - | - | 82,374 | 171,434 |
| Assigned | - | - | 2,851 | 7,551 | - | - | - | - | - | 53,822 |
| Unassigned | - | - | 28,661,725 | 28,308,023 | 25,803,047 | 25,193,314 | 25,644,629 | 27,066,722 | 23,537,191 | 26,465,446 |
| Total General Fund | \$ 23,516,547 | \$ 28,353,020 | \$ 29,473,533 | \$ 28,982,845 | \$ 29,455,831 | \$ 27,782,265 | \$ 28,287,366 | \$ 30,330,932 | \$ 27,431,188 | \$ 30,473,871 |
| All Other Governmental Funds: | | | | | | | | | | |
| Reserved | \$ 351,245 | \$ 422,337 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 18,761,704 | 10,102,262 | - | - | - | - | - | - | - | - |
| Nondspendable | - | - | 11,143 | 11,143 | 11,143 | 11,143 | 11,143 | - | - | - |
| Restricted | - | - | 1,371,862 | 409,284 | 484,439 | 193,685 | 224,566 | 195,800 | 235,108 | 404,183 |
| Committed | - | - | - | - | - | - | - | - | 4,288,809 | 3,962,920 |
| Assigned | - | - | 12,822,866 | 14,439,666 | 19,801,602 | 22,093,893 | 17,828,714 | 14,456,621 | 7,312,400 | 3,979,016 |
| Total all other governmental funds | \$ 19,112,949 | \$ 10,524,599 | \$ 14,205,871 | \$ 14,860,093 | \$ 20,297,184 | \$ 22,298,721 | \$ 18,064,423 | \$ 14,652,421 | \$ 11,836,317 | \$ 8,346,119 |

Notes:

- (1) In fiscal year 2011, the County implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which effectively changed the classifications used to report fund balances. The terms reserved and unreserved are no longer used to describe fund balance. Fund balance is now classified as nondspendable, restricted, committed, assigned, or unassigned.
- (2) In fiscal year 2013, the County implemented GASB 61, *The Financial Reporting Entity: Omnibus*, which changed the reporting of the County's interest in the Harrisonburg-Rockingham Social Services District. As such, the County reports its interest in the Social Services District as an asset and Restricted Net Position, beginning with fiscal year 2013.

COUNTY OF ROCKINGHAM, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Table 6

Page 1

| | Fiscal Year June 30, | | | | | | | | | |
|--|-----------------------|-----------------------|---------------------|--------------------|---------------------|--------------------|-----------------------|-----------------------|-----------------------|---------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Revenues: | | | | | | | | | | |
| General property taxes | \$ 65,570,241 | \$ 66,216,435 | \$ 64,487,098 | \$ 67,611,207 | \$ 70,546,928 | \$ 70,426,736 | \$ 71,932,121 | \$ 77,123,724 | \$ 81,459,657 | \$ 88,474,133 |
| Other local taxes | 9,997,187 | 9,719,705 | 9,127,961 | 9,512,231 | 9,631,146 | 9,925,245 | 10,374,792 | 11,216,975 | 11,483,710 | 11,722,078 |
| Permits, privilege fees and licenses | 749,140 | 803,462 | 904,624 | 692,745 | 888,111 | 1,003,449 | 1,085,078 | 1,056,984 | 1,730,059 | 1,364,545 |
| Fines and forfeitures | 148,535 | 238,435 | 274,412 | 274,611 | 167,342 | 159,842 | 184,583 | 151,516 | 240,396 | 208,051 |
| Use of money and property | 771,924 | 833,742 | 957,222 | 1,059,359 | 1,457,668 | 1,494,063 | 1,444,522 | 1,711,660 | 1,111,496 | 687,937 |
| Charges for services | 2,850,575 | 2,801,305 | 3,573,280 | 3,406,935 | 3,657,806 | 3,925,885 | 3,956,131 | 3,643,395 | 3,645,601 | 3,898,039 |
| Miscellaneous | 279,146 | 232,721 | 779,782 | 336,457 | 345,024 | 302,430 | 364,608 | 680,439 | 627,835 | 536,673 |
| Recovered costs | 3,048,135 | 2,759,777 | 3,217,501 | 3,381,843 | 3,665,254 | 4,134,950 | 5,064,878 | 4,563,572 | 4,957,855 | 5,457,543 |
| Reimbursement from component unit | - | - | - | - | 562,808 | - | - | - | - | - |
| Intergovernmental | 16,688,669 | 15,910,457 | 17,531,492 | 16,941,563 | 19,326,049 | 20,315,305 | 19,535,622 | 19,056,078 | 19,254,149 | 22,183,133 |
| Total revenues | 100,103,552 | 99,516,039 | 100,853,372 | 103,216,951 | 110,248,136 | 111,687,905 | 113,942,335 | 119,204,343 | 124,510,758 | 134,532,132 |
| Expenditures: | | | | | | | | | | |
| General government administration | 4,659,357 | 4,398,991 | 4,149,027 | 4,196,686 | 4,463,079 | 4,787,939 | 4,804,695 | 5,203,673 | 5,543,460 | 5,349,427 |
| Judicial administration | 3,827,879 | 3,343,653 | 3,123,597 | 3,188,815 | 3,371,268 | 3,540,441 | 3,740,215 | 3,827,334 | 4,187,990 | 4,279,035 |
| Public safety | 19,874,198 | 18,910,325 | 19,817,574 | 20,309,292 | 20,575,858 | 22,919,965 | 26,121,456 | 26,286,332 | 28,665,762 | 29,582,664 |
| Public works | 2,482,615 | 2,352,738 | 2,522,534 | 2,580,230 | 2,705,553 | 2,852,182 | 2,921,785 | 2,944,236 | 3,108,156 | 2,927,766 |
| Health and social services | 5,044,027 | 5,168,646 | 4,955,083 | 4,777,502 | 4,557,024 | 5,898,577 | 5,400,366 | 5,807,989 | 6,171,569 | 6,868,468 |
| Education | 78,046,276 | 48,129,186 | 40,665,573 | 44,255,322 | 50,100,041 | 49,859,613 | 53,790,738 | 55,511,622 | 60,961,694 | 85,030,486 |
| Parks, recreation and cultural | 2,064,277 | 2,023,049 | 2,212,498 | 2,154,894 | 2,126,961 | 2,130,299 | 2,197,829 | 2,251,615 | 2,365,854 | 2,392,388 |
| Community development | 5,783,273 | 4,467,357 | 4,211,445 | 3,399,091 | 3,154,781 | 2,497,658 | 2,753,660 | 3,090,881 | 3,959,791 | 3,479,239 |
| Capital outlay | 12,088,043 | 1,969,136 | 354,404 | 4,325,301 | 2,796,798 | 4,593,950 | 5,048,279 | 3,965,319 | 3,894,304 | 14,168,378 |
| Debt service: | | | | | | | | | | |
| Principal | 5,173,395 | 6,166,108 | 7,781,938 | 7,797,795 | 8,086,516 | 7,528,018 | 7,182,006 | 7,762,776 | 7,809,066 | 6,975,972 |
| Interest and fiscal charges | 5,473,153 | 6,318,727 | 6,257,914 | 6,068,489 | 5,148,228 | 4,751,292 | 4,581,066 | 3,921,002 | 3,558,960 | 3,235,080 |
| Total expenditures | 144,516,493 | 103,247,916 | 96,051,587 | 103,053,417 | 107,086,107 | 111,359,934 | 118,542,095 | 120,572,779 | 130,226,606 | 164,288,903 |
| Revenues over (under) expenditures | (44,412,941) | (3,731,877) | 4,801,785 | 163,534 | 3,162,029 | 327,971 | (4,599,760) | (1,368,436) | (5,715,848) | (29,756,771) |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 13,556,253 | - | 4,000,000 | 4,890,000 | 4,930,448 | 4,284,869 | 1,947,743 | 800,000 | 800,000 | 8,757,000 |
| Transfers out | (16,071,679) | (20,000) | (4,000,000) | (4,890,000) | (4,960,000) | (4,284,869) | (1,077,180) | (800,000) | (800,000) | (7,232,000) |
| Issuance of debt | 37,261,410 | - | - | - | - | - | 13,125,000 | - | - | 25,822,000 |
| Payment to refunded bond escrow agent | - | - | - | - | - | - | (13,125,000) | - | - | - |
| Premium on issuance debt | 2,244,149 | - | - | - | - | - | - | - | - | 1,962,256 |
| Total other financing sources (uses), net | 36,990,133 | (20,000) | - | - | (29,552) | - | 870,563 | - | - | 29,309,256 |
| Net change in fund balance | \$ (7,422,808) | \$ (3,751,877) | \$ 4,801,785 | \$ 163,534 | \$ 3,132,477 | \$ 327,971 | \$ (3,729,197) | \$ (1,368,436) | \$ (5,715,848) | \$ (447,515) |

COUNTY OF ROCKINGHAM, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Table 6
Page 2

| | Fiscal Year June 30, | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Debt Service as a percentage of noncapital expenditures: | | | | | | | | | | |
| Primary government: | | | | | | | | | | |
| Total debt service | \$ 10,646,548 | \$ 12,484,835 | \$ 14,039,852 | \$ 13,866,284 | \$ 13,234,744 | \$ 12,279,310 | \$ 11,763,072 | \$ 11,683,778 | \$ 11,368,026 | \$ 10,211,052 |
| Total expenditures | \$ 144,516,493 | \$ 103,247,916 | \$ 96,051,587 | \$ 103,053,417 | \$ 107,086,107 | \$ 111,359,934 | \$ 118,542,095 | \$ 120,572,779 | \$ 130,226,606 | \$ 164,288,903 |
| Less: Capital outlay - primary government | (12,330,838) | (1,012,486) | (967,936) | (4,807,614) | (668,787) | (1,258,644) | (2,087,485) | (2,724,796) | (5,626,572) | (5,912,172) |
| Noncapital expenditures | \$ 132,185,655 | \$ 102,235,430 | \$ 95,083,651 | \$ 98,245,803 | \$ 106,417,320 | \$ 110,101,290 | \$ 116,454,610 | \$ 117,847,983 | \$ 124,600,034 | \$ 158,376,731 |
| Debt service as a percentage of noncapital expenditures | 8.05% | 12.21% | 14.77% | 14.11% | 12.44% | 11.15% | 10.10% | 9.91% | 9.12% | 6.45% |
| Major component units - School Board and HRSSD: | | | | | | | | | | |
| Expenditures: | | | | | | | | | | |
| School board | \$ 156,426,408 | \$ 138,094,883 | \$ 117,956,384 | \$ 120,957,761 | \$ 124,197,953 | \$ 123,811,920 | \$ 131,802,060 | \$ 134,799,313 | \$ 146,858,092 | \$ 162,739,989 |
| HRSSD | 21,623,271 | 21,729,506 | 21,608,529 | 21,028,646 | 20,668,028 | 23,594,887 | 23,264,806 | 22,983,663 | 24,549,020 | 25,742,457 |
| Less: Capital outlay - school board | (36,916,024) | (21,949,313) | (2,405,403) | (3,307,213) | (2,037,300) | (1,421,014) | (2,891,187) | (3,267,837) | (8,428,049) | (18,786,715) |
| Less: Capital outlay - HRSSD | (17,503) | (16,646) | - | - | - | (2,163,687) | (530,456) | (31,182) | (42,681) | (123,000) |
| Noncapital expenditures | \$ 141,116,152 | \$ 137,858,430 | \$ 137,159,510 | \$ 138,679,194 | \$ 142,828,681 | \$ 143,822,106 | \$ 151,645,223 | \$ 154,483,957 | \$ 162,936,382 | \$ 169,572,731 |
| Total reporting entity: | | | | | | | | | | |
| Total noncapital expenditures | \$ 188,815,003 | \$ 185,875,702 | \$ 185,478,384 | \$ 186,794,179 | \$ 193,713,080 | \$ 197,938,726 | \$ 207,908,866 | \$ 212,140,973 | \$ 227,345,449 | \$ 238,142,511 |
| Debt service as a percentage of noncapital expenditures | 5.64% | 6.72% | 7.57% | 7.42% | 6.83% | 6.20% | 5.66% | 5.51% | 5.00% | 4.29% |

COUNTY OF ROCKINGHAM, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Table 6

Page 3

Notes:

- (1) Expenditures of the School Board do not include those associated with the School Activity Funds or the Massanutten Technical Center Activity Funds.
- (2) In Virginia, the County issues debt to finance the construction of school facilities for the public schools because the public schools do not have borrowing or taxing authority. Therefore, the debt service payments related to school facilities are presented as debt service of the primary government. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the unique Virginia school debt requirement.
- (3) For the "Total Reporting Entity" amounts, the total noncapital expenditures have been reduced by the amounts given by the primary government to the public schools, Massanutten Technical Center, and the Social Services District so those expenditures are not included twice.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 7

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| Fiscal Year June 30, | Property (1) | Local Sales and Use | Motor Vehicle | Consumer Utility and Communications Sales and Use (2) | Recordation and Wills | Food and Beverage | Other | Total |
|-------------------------|---------------|------------------------|------------------|--|--------------------------|----------------------|------------|---------------|
| 2009 | \$ 64,951,212 | \$ 4,567,854 | \$ 1,176,765 | \$ 2,667,992 | \$ 1,091,116 | \$ - | \$ 493,460 | \$ 74,948,399 |
| 2010 | 65,511,983 | 4,168,753 | 1,169,718 | 2,676,009 | 882,174 | 297,906 | 525,145 | 75,231,688 |
| 2011 | 63,822,003 | 4,732,665 | 1,179,162 | 1,020,285 | 792,313 | 788,452 | 615,084 | 72,949,964 |
| 2012 | 66,900,268 | 4,991,019 | 1,227,744 | 1,028,014 | 827,202 | 824,844 | 613,408 | 76,412,499 |
| 2013 | 69,783,176 | 4,881,368 | 1,236,520 | 1,035,484 | 969,920 | 889,702 | 618,152 | 79,414,322 |
| 2014 | 69,694,829 | 5,309,526 | 1,209,701 | 1,078,402 | 730,498 | 925,336 | 671,782 | 79,620,074 |
| 2015 | 71,270,077 | 5,387,061 | 1,211,564 | 1,095,486 | 955,372 | 1,034,025 | 691,284 | 81,644,869 |
| 2016 | 76,369,114 | 6,105,799 | 1,227,518 | 1,156,055 | 942,381 | 1,070,535 | 714,687 | 87,586,089 |
| 2017 | 80,660,077 | 6,324,892 | 1,278,070 | 1,058,481 | 957,414 | 1,155,637 | 709,216 | 92,143,787 |
| 2018 | 87,582,204 | 6,276,421 | 1,304,491 | 1,116,085 | 1,036,421 | 1,242,234 | 746,426 | 99,304,282 |
| Change 2009-2018 | 34.84% | 37.40% | 10.85% | -58.17% | -5.01% | N/A | 51.26% | 32.50% |

Notes:

- (1) Property tax revenue does not include penalties and interest collected on delinquent tax collections.
- (2) In fiscal year 2011, the County implemented the Auditor of Public Accounts' requirement that communication sales and use tax be reported as non-categorical state aid instead of other local taxes.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 8

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Calendar Years (Unaudited)

| Calendar Year | Residential Property (1) | Commercial Property (1) | Industrial Property (1) | Farm Property (1) | Exempt & Nontaxable Property (1) (2) | Total Assessed Value | Percent Growth | Assessed Value of Tax Deferred Land Use (3) | Total Taxable Value | Total Direct Tax Rate | Tax Value as a Percentage of Assessed Value |
|------------------|-----------------------------|----------------------------|----------------------------|----------------------|--|----------------------------|-------------------|---|------------------------|--------------------------|---|
| 2009 | \$ 4,716,212,700 | \$ 611,433,100 | \$ 260,782,100 | \$ 1,677,385,800 | \$ 872,697,500 | \$ 8,138,511,200 | 2.10% | \$ 753,312,347 | \$ 6,512,501,353 | \$ 0.60 | 80.02% |
| 2010 | 4,879,919,700 | 718,626,400 | 277,930,600 | 1,915,838,000 | 987,038,600 | 8,779,353,300 | 7.30% | 931,781,985 | 6,860,189,315 | 0.60 | 78.14% |
| 2011 | 4,945,640,600 | 717,918,900 | 244,690,500 | 1,924,739,900 | 1,003,185,100 | 8,836,175,000 | 0.65% | 922,202,345 | 6,910,787,555 | 0.60 | 78.21% |
| 2012 | 4,999,192,200 | 728,316,900 | 254,690,200 | 1,944,432,200 | 1,139,922,400 | 9,066,553,900 | 2.54% | 938,573,459 | 6,988,058,041 | 0.64 | 77.08% |
| 2013 | 5,035,839,700 | 734,537,700 | 258,387,400 | 1,956,029,000 | 1,148,229,700 | 9,133,023,500 | 0.73% | 950,926,733 | 7,033,867,067 | 0.64 | 77.02% |
| 2014 | 5,131,903,600 | 744,413,500 | 260,799,200 | 2,069,514,600 | 1,155,622,900 | 9,362,253,800 | 2.45% | 1,060,320,506 | 7,146,310,394 | 0.64 | 76.33% |
| 2015 | 5,198,957,000 | 765,627,500 | 258,445,700 | 2,073,139,200 | 1,155,559,900 | 9,451,729,300 | 0.96% | 1,014,434,080 | 7,281,735,320 | 0.66/0.68 | 77.04% |
| 2016 | 5,286,192,700 | 772,036,000 | 265,826,900 | 2,080,831,900 | 1,154,888,500 | 9,559,776,000 | 1.14% | 1,016,281,990 | 7,388,605,510 | 0.68/0.70 | 77.29% |
| 2017 | 5,360,674,700 | 801,922,900 | 263,991,000 | 2,083,044,800 | 1,169,407,400 | 9,679,040,800 | 1.25% | 1,013,613,780 | 7,496,019,620 | 0.74 | 77.45% |
| 2018 | 5,616,112,800 | 821,069,100 | 276,622,400 | 2,112,122,000 | 1,171,035,500 | 9,996,961,800 | 3.28% | 1,029,749,840 | 7,796,176,460 | 0.74 | 77.99% |

Source:

Rockingham County real estate records.

Notes:

- (1) Real estate assessed values are assessed for comparison to fair market value every four years. (2010, 2014 and 2018)
- (2) Nontaxable and exempt property includes principally real estate owned by governmental, religious, charitable or educational entities.
- (3) Rockingham County has adopted land use valuation for agricultural and open space land. Rather than fair market value, the value of this property is based upon its "use" value.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 9

DIRECT AND OVERLAPPING PROPERTY TAX RATES Last Ten Fiscal Years (Unaudited)

Rockingham County

| Fiscal Year June 30, | Real Estate | Personal Property | Mobile Homes | Machinery and Tools | Merchants' Capital | Farm Machinery | Total Direct Rate |
|-------------------------|----------------|----------------------|-----------------|---------------------------|-----------------------|-------------------|-------------------------|
| 2009 | \$ 0.60 | \$ 2.80 | \$ 0.60 | \$ 2.55 | \$ 0.87 | \$ 0.44 | \$ 7.86 |
| 2010 | 0.60 | 2.80 | 0.60 | 2.55 | 0.87 | 0.44 | 7.86 |
| 2011 | 0.60 | 2.80 | 0.60 | 2.55 | 0.87 | 0.44 | 7.86 |
| 2012 | 0.64 | 2.85 | 0.64 | 2.55 | 0.87 | 0.44 | 7.99 |
| 2013 | 0.64 | 2.85 | 0.64 | 2.55 | 0.87 | 0.44 | 7.99 |
| 2014 | 0.64 | 2.85 | 0.64 | 2.55 | 0.87 | 0.44 | 7.99 |
| 2015 | 0.66/0.68 | 2.90 | 0.68 | 2.55 | 0.87 | 0.44 | 8.11 |
| 2016 | 0.68/0.70 | 2.90 | 0.68/0.70 | 2.55 | 0.87 | 0.44 | 8.14 |
| 2017 | 0.74 | 3.00 | 0.74 | 2.55 | 0.87 | 0.44 | 8.34 |
| 2018 | 0.74 | 3.00 | 0.74 | 2.55 | 0.87 | 0.44 | 8.34 |

Note:

- (1) Public Service Corporations are taxed at the real estate and the personal property tax rates for those classes of assessed values established by the State Corporation Commission.

Overlapping Governments

| Fiscal Year June 30, | Real Estate | Personal Property | Mobile Homes | Machinery and Tools | Merchants' Capital | Farm Machinery |
|-------------------------|----------------|----------------------|-----------------|---------------------------|-----------------------|-------------------|
| 2009 | \$ 0.07-0.12 | \$ 0.30-0.75 | \$ 0.07-0.46 | \$ 0.30-0.75 | \$ - | \$ - |
| 2010 | 0.07-0.12 | 0.30-0.75 | 0.07-0.46 | 0.30-0.75 | - | - |
| 2011 | 0.07-0.12 | 0.30-0.75 | 0.07-0.46 | 0.30-0.75 | - | - |
| 2012 | 0.07-0.12 | 0.30-0.75 | 0.07-0.46 | 0.30-0.75 | - | - |
| 2013 | 0.07-0.12 | 0.30-0.75 | 0.07-0.46 | 0.30-0.75 | - | - |
| 2014 | 0.05-0.12 | 0.20-0.75 | 0.07-0.46 | 0.30-0.46 | - | - |
| 2015 | 0.07-0.12 | 0.20-0.75 | 0.07-0.46 | 0.30-0.46 | - | - |
| 2016 | 0.07-0.12 | 0.20-0.75 | 0.07-0.46 | 0.30-0.46 | - | - |
| 2017 | 0.07-0.12 | 0.20-0.75 | 0.07-0.38 | 0.30-0.40 | - | - |
| 2018 | 0.07-0.12 | 0.20-0.75 | 0.07-0.38 | 0.30-0.40 | - | - |

Notes:

- (1) The above table shows ranges of tax rates since individual towns set varying rates. People residing in the following towns pay property taxes to the town in addition to the taxes paid to the County. The towns included in the above table include Bridgewater, Broadway, Dayton, Elkton, Grottoes, Mt. Crawford, and Timberville.
- (2) Information obtained from the Rockingham County Commissioner of the Revenue.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 10

PRINCIPAL PROPERTY TAXPAYERS Current Year and Nine Years Ago (Unaudited)

| Taxpayer | 2018 | | | | | |
|---|-------------------------|------|---|----------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total County Taxable Assessed Value | Property Taxes Paid | Rank | Percentage of Total Property Taxes Paid Value |
| Great Eastern Resort Management | \$ 412,412,845 | 1 | 4.40% | \$ 3,268,106 | 2 | 3.50% |
| MillerCoors | 254,477,465 | 2 | 2.70% | 4,810,298 | 1 | 5.10% |
| Wal-Mart Retail and Distribution Centers | 136,961,535 | 3 | 1.40% | 1,663,950 | 5 | 1.80% |
| Merck & Company, Inc. | 127,757,070 | 4 | 1.50% | 1,987,163 | 4 | 2.10% |
| White Wave | 116,890,970 | 5 | 1.30% | 2,098,039 | 3 | 2.20% |
| Marshall's | 78,374,895 | 6 | 0.80% | 1,001,454 | 7 | 1.10% |
| LSC Communications US, LLC (formerly R.R. Donnelley & Sons Co.) | 74,651,070 | 7 | 0.80% | 1,128,379 | 6 | 1.20% |
| Sunnyside Retirement Community | 54,836,600 | 8 | 0.60% | 405,791 | 10 | 0.40% |
| Cargill | 52,218,755 | 9 | 0.60% | 839,875 | 8 | 0.90% |
| Sysco | 51,127,755 | 10 | 0.50% | 825,407 | 9 | 0.90% |
| Total | \$ 1,359,708,960 | | 14.60% | \$ 18,028,462 | | 19.20% |

| Taxpayer | 2009 | | | | | |
|--|-------------------------|------|---|----------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total County Taxable Assessed Value | Property Tax Paid | Rank | Percentage of Total Property Taxes Paid |
| Adolph Coors Company | \$ 371,501,545 | 1 | 5.81% | \$ 6,858,122 | 1 | 9.74% |
| Great Eastern Resort Management | 311,730,345 | 2 | 4.88% | 2,041,722 | 2 | 2.90% |
| Merck & Company, Inc. | 140,110,525 | 3 | 1.52% | 2,600,102 | 3 | 3.69% |
| Wal-Mart Retail and Distribution Centers | 97,192,345 | 4 | 2.19% | 1,221,514 | 5 | 1.73% |
| White Wave (Morningstar Foods) | 70,816,265 | 5 | 1.11% | 1,266,538 | 4 | 1.80% |
| Marshall's | 60,176,385 | 6 | 0.94% | 562,683 | 8 | 0.80% |
| Cargill | 44,589,790 | 7 | 0.70% | 626,056 | 7 | 0.89% |
| R.R. Donnelley & Sons Co. | 42,080,445 | 8 | 0.66% | 665,275 | 6 | 0.94% |
| Sysco | 31,582,820 | 9 | 0.49% | 345,081 | 9 | 0.49% |
| Virginia Poultry Growers | 19,818,925 | 10 | 0.31% | 250,443 | 10 | 0.36% |
| Total | \$ 1,189,599,390 | | 18.61% | \$ 16,437,536 | | 23.34% |

Source:

Rockingham County Commissioner of the Revenue.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 11

**REAL PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Calendar Years
(Unaudited)**

| Calendar Year | Taxes Levied for the Calendar Year | Collected Within the Calendar Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2008 | \$ 39,591,283 | \$ 38,147,864 | 96.35% | \$ 1,443,419 | \$ 39,591,283 | 100.00% |
| 2009 | 40,502,223 | 38,979,011 | 96.24% | 1,515,485 | 40,494,496 | 99.98% |
| 2010 | 42,621,495 | 40,949,099 | 96.08% | 1,672,396 | 42,621,495 | 100.00% |
| 2011 | 42,997,402 | 41,455,415 | 96.41% | 1,541,987 | 42,997,402 | 100.00% |
| 2012 | 46,418,364 | 44,793,454 | 96.50% | 1,624,910 | 46,418,364 | 100.00% |
| 2013 | 46,847,898 | 45,330,910 | 96.76% | 1,516,988 | 46,847,898 | 100.00% |
| 2014 | 47,634,558 | 46,160,931 | 96.91% | 1,438,585 | 47,599,516 | 99.93% |
| 2015 | 50,861,929 | 49,410,225 | 97.15% | 1,370,457 | 50,780,682 | 99.84% |
| 2016 | 53,997,527 | 53,187,098 | 98.50% | 423,755 | 53,610,853 | 99.28% |
| 2017 | 57,907,159 | 57,106,295 | 98.62% | N/A | 57,106,295 | 98.62% |

Source:

Rockingham County Treasurer.

Note:

Amounts shown for levies and collections represent real estate taxes only.

**RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL
BONDED DEBT OUTSTANDING**

Last Ten Fiscal Years

(Unaudited)

| Fiscal Year | Governmental Activities | | | | Business-Type Activities | Total Primary Government | Percentage of Per Capita Personal Income | Debt Per Capita |
|-------------|--------------------------------|-------------------|-----------------|-------------------|-----------------------------|--------------------------------|---|-----------------------|
| | General Obligation Bonds | Literary Loans | Note Payable | Capital Leases | Revenue Bonds | | | |
| 2009 | \$ 112,010,877 | \$ 315,859 | \$ - | \$ 26,355,902 | \$ 19,696,028 | \$ 158,378,666 | 6.87% | \$ 2,093 |
| 2010 | 106,724,577 | 142,359 | - | 25,396,463 | 18,816,715 | 151,080,114 | 6.45% | 1,974 |
| 2011 | 100,641,607 | 68,859 | - | 23,517,864 | 17,687,978 | 141,916,308 | 5.71% | 1,836 |
| 2012 | 94,585,257 | - | - | 21,592,147 | 16,526,645 | 132,704,049 | 5.10% | 1,711 |
| 2013 | 88,473,576 | - | - | 19,364,182 | 15,275,826 | 123,113,584 | 4.65% | 1,576 |
| 2014 | 82,458,757 | - | - | 17,597,852 | 13,602,412 | 113,659,021 | 4.30% | 1,440 |
| 2015 | 76,531,468 | - | - | 16,090,003 | 12,359,388 | 104,980,859 | 3.74% | 1,327 |
| 2016 | 70,472,680 | - | 8,714,153 | 14,132,883 | 20,383,318 | 113,703,034 | 3.99% | 1,426 |
| 2017 | 64,260,913 | - | 7,826,952 | 12,282,453 | 29,711,540 | 114,081,858 | N/A | 1,414 |
| 2018 | 83,339,596 | - | 9,886,514 | 10,411,515 | 31,844,345 | 135,481,970 | N/A | 1,680 |

General bonded debt outstanding:

| Fiscal Year | General Obligation Bonds | Literary Loans | Total | Percentage of Actual Taxable Value of Property | Debt Per Capita |
|-------------|--------------------------------|-------------------|----------------|---|-----------------------|
| 2009 | \$ 112,010,877 | \$ 315,859 | \$ 112,326,736 | 1.77% | \$ 1,485 |
| 2010 | 106,724,577 | 142,359 | 106,866,936 | 1.64% | 1,397 |
| 2011 | 100,641,607 | 68,859 | 100,710,466 | 1.47% | 1,303 |
| 2012 | 94,585,257 | - | 94,585,257 | 1.37% | 1,220 |
| 2013 | 88,473,576 | - | 88,473,576 | 1.27% | 1,133 |
| 2014 | 82,458,757 | - | 82,458,757 | 1.17% | 1,044 |
| 2015 | 76,531,468 | - | 76,531,468 | 1.05% | 967 |
| 2016 | 70,472,680 | - | 70,472,680 | 0.95% | 884 |
| 2017 | 64,260,913 | - | 64,260,913 | 0.86% | 797 |
| 2018 | 83,339,596 | - | 83,339,596 | 1.07% | 1,033 |

Notes:

- (1) Details regarding the County's outstanding debt may be found in the notes to the basic financial statements.
- (2) Population and personal income data can be found in table 15.
- (3) See table 8 for property value data.

N/A - Per capita personal income was unavailable at fiscal year end.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 13

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Year Ended June 30, 2018
(Unaudited)

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|--|---------------------|---------------------------------------|--|
| Town of Bridgewater, Virginia | \$ 2,224,270 | 6.16% | \$ 137,015 |
| Town of Broadway, Virginia | 299,966 | 4.05% | 12,161 |
| Town of Mt. Crawford, Virginia | 77,233 | 0.46% | 353 |
| Town of Dayton, Virginia | 20,224 | 1.88% | 381 |
| Town of Elkton, Virginia | 1,776,738 | 2.59% | 45,951 |
| Town of Grottoes, Virginia | - | 2.47% | - |
| Town of Timberville, Virginia | - | 2.19% | - |
| Subtotal, overlapping debt | | | <u>195,861</u> |
| County Direct Debt | | | <u>103,637,625</u> |
| Total direct and overlapping debt | | | <u><u>\$ 103,833,486</u></u> |

Note:

The estimated percentage applicable is based on total assessed value of taxable property.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 14

Page 1

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(Unaudited)

| Water and Sewer Fund | | | | | | | |
|----------------------|-------------------------------|-----------------------|-----------------------------|--------------|------------|------------|----------|
| Fiscal Year | Utility Service Charges | Operating Expenses | Net Available Revenue | Debt Service | | | Coverage |
| | | | | Principal | Interest | Total | |
| 2009 | \$ 5,125,257 | \$ 3,283,073 | \$ 1,842,184 | \$ 190,000 | \$ 194,728 | \$ 384,728 | 4.79 |
| 2010 | 5,953,542 | 4,012,722 | 1,940,820 | 418,154 | 462,610 | 880,764 | 2.20 |
| 2011 | 5,564,105 | 4,198,941 | 1,365,164 | 410,000 | 469,502 | 879,502 | 1.55 |
| 2012 | 5,776,771 | 4,497,157 | 1,279,614 | 435,000 | 429,278 | 864,278 | 1.48 |
| 2013 | 6,424,821 | 4,519,326 | 1,905,495 | 425,000 | 424,224 | 849,224 | 2.24 |
| 2014 | 7,210,344 | 4,754,001 | 2,456,343 | 425,000 | 517,778 | 942,778 | 2.61 |
| 2015 | 7,825,015 | 4,960,792 | 2,864,223 | 440,000 | 379,548 | 819,548 | 3.49 |
| 2016 | 7,270,371 | 4,982,413 | 2,287,958 | 540,000 | 565,731 | 1,105,731 | 2.07 |
| 2017 | 8,743,842 | 5,284,929 | 3,458,913 | 585,000 | 387,667 | 972,667 | 3.56 |
| 2018 | 8,451,441 | 5,737,979 | 2,713,462 | 610,000 | 499,011 | 1,109,011 | 2.45 |

| Smith Creek Water & Waste Authority Fund | | | | | | | |
|--|-------------------------------|-----------------------|-----------------------------|--------------|------------|------------|----------|
| Fiscal Year | Utility Service Charges | Operating Expenses | Net Available Revenue | Debt Service | | | Coverage |
| | | | | Principal | Interest | Total | |
| 2009 | \$ 218,959 | \$ 93,376 | \$ 125,583 | \$ 107,915 | \$ 102,602 | \$ 210,517 | 0.60 |
| 2010 | 215,848 | 68,805 | 147,043 | 111,357 | 99,160 | 210,517 | 0.70 |
| 2011 | 200,492 | 164,332 | 36,160 | 114,912 | 95,605 | 210,517 | 0.17 |
| 2012 | 332,243 | 133,565 | 198,678 | 110,064 | 125,961 | 236,025 | 0.84 |
| 2013 | 255,706 | 167,269 | 88,437 | 174,128 | 62,925 | 237,053 | 0.37 |
| 2014 | 329,709 | 156,716 | 172,993 | 172,419 | 64,636 | 237,055 | 0.73 |
| 2015 | 387,037 | 217,177 | 169,860 | 177,419 | 59,655 | 237,074 | 0.72 |
| 2016 | 355,029 | 203,397 | 151,632 | 182,562 | 54,501 | 237,063 | 0.64 |
| 2017 | 453,320 | 204,229 | 249,091 | 187,858 | 49,197 | 237,055 | 1.05 |
| 2018 | 605,657 | 273,915 | 331,742 | 193,305 | 43,748 | 237,053 | 1.40 |

| Countryside Sanitary District Fund | | | | | | | |
|------------------------------------|-------------------------------|-----------------------|-----------------------------|--------------|----------|-----------|----------|
| Fiscal Year | Utility Service Charges | Operating Expenses | Net Available Revenue | Debt Service | | | Coverage |
| | | | | Principal | Interest | Total | |
| 2009 | \$ 15,748 | \$ 5,408 | \$ 10,340 | \$ 6,610 | \$ 5,103 | \$ 11,713 | 0.88 |
| 2010 | 15,124 | 6,199 | 8,925 | 6,827 | 4,888 | 11,715 | 0.76 |
| 2011 | 16,991 | 6,346 | 10,645 | 7,050 | 4,664 | 11,714 | 0.91 |
| 2012 | 14,240 | 6,728 | 7,512 | 7,281 | 4,433 | 11,714 | 0.64 |
| 2013 | 13,217 | 5,814 | 7,403 | 7,520 | 4,194 | 11,714 | 0.63 |
| 2014 | 15,946 | 6,277 | 9,669 | 7,767 | 3,948 | 11,715 | 0.83 |
| 2015 | 14,306 | 7,522 | 6,784 | 8,021 | 3,694 | 11,715 | 0.58 |
| 2016 | 18,833 | 8,965 | 9,868 | 8,284 | 3,429 | 11,713 | 0.84 |
| 2017 | 15,738 | 9,492 | 6,246 | 8,555 | 3,159 | 11,714 | 0.53 |
| 2018 | 14,009 | 12,766 | 1,243 | 8,835 | 2,879 | 11,714 | 0.11 |

COUNTY OF ROCKINGHAM, VIRGINIA

Table 14

Page 2

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(Unaudited)

| Fiscal Year | Solid Waste Fund | | | | | | Coverage |
|-------------|------------------|--------------|---------------|--------------|------------|------------|----------|
| | Utility Service | Operating | Net Available | Debt Service | | | |
| | Charges | Expenses | Revenue | Principal | Interest | Total | |
| 2009 | \$ 2,854,735 | \$ 2,717,244 | \$ 137,491 | \$ 270,000 | \$ 130,269 | \$ 400,269 | 0.34 |
| 2010 | 2,774,723 | 2,579,332 | 195,391 | 323,561 | 118,902 | 442,463 | 0.44 |
| 2011 | 3,536,054 | 2,533,132 | 1,002,922 | 520,000 | 213,115 | 733,115 | 1.37 |
| 2012 | 4,412,861 | 2,225,688 | 2,187,173 | 535,000 | 188,935 | 723,935 | 3.02 |
| 2013 | 5,938,147 | 3,378,630 | 2,559,517 | 550,000 | 162,727 | 712,727 | 3.59 |
| 2014 | 5,840,785 | 3,851,399 | 1,989,386 | 565,000 | 136,012 | 701,012 | 2.84 |
| 2015 | 6,193,726 | 3,524,940 | 2,668,786 | 580,000 | 108,207 | 688,207 | 3.88 |
| 2016 | 6,232,808 | 3,560,345 | 2,672,463 | 595,000 | 66,424 | 661,424 | 4.04 |
| 2017 | 6,473,078 | 4,232,965 | 2,240,113 | 810,000 | 142,265 | 952,265 | 2.35 |
| 2018 | 6,866,481 | 4,098,618 | 2,767,863 | 925,000 | 384,137 | 1,309,137 | 2.11 |

| Lilly Subdivision Sanitary District | | | | | | | | | | | | | |
|-------------------------------------|---------|--------|-----------|-----------|--------------|----------|-------|----------|----|--------|----|--------|------|
| Fiscal Year | Utility | | | Net | Debt Service | | | Coverage | | | | | |
| | Service | | Operating | Available | | | | | | | | | |
| | Charges | | Expenses | Revenue | Principal | Interest | Total | | | | | | |
| 2009 | \$ | 37,652 | \$ | 20,699 | \$ | 16,953 | \$ | 54,904 | \$ | 10,670 | \$ | 65,574 | 0.26 |
| 2010 | | 35,213 | | 12,054 | | 23,159 | | 15,342 | | 15,512 | | 30,854 | 0.75 |
| 2011 | | 36,812 | | 14,721 | | 22,091 | | 15,813 | | 14,829 | | 30,642 | 0.72 |
| 2012 | | 37,261 | | 19,398 | | 17,863 | | 16,300 | | 14,132 | | 30,432 | 0.59 |
| 2013 | | 35,497 | | 22,745 | | 12,752 | | 16,800 | | 13,421 | | 30,221 | 0.42 |
| 2014 | | 34,761 | | 22,476 | | 12,285 | | 17,316 | | 12,692 | | 30,008 | 0.41 |
| 2015 | | 35,671 | | 28,300 | | 7,371 | | 17,849 | | 11,949 | | 29,798 | 0.25 |
| 2016 | | 47,631 | | 19,871 | | 27,760 | | 18,397 | | 11,189 | | 29,586 | 0.94 |
| 2017 | | 29,877 | | 17,874 | | 12,003 | | 18,961 | | 10,414 | | 29,375 | 0.41 |
| 2018 | | 36,915 | | 22,883 | | 14,032 | | 19,545 | | 9,619 | | 29,164 | 0.48 |

| | Penn Laird Sewer Authority | | | | | | |
|-------------|----------------------------|-----------|-------------------|--------------|-----------|-----------|----------|
| | Utility Service | Operating | Net | Debt Service | | | |
| Fiscal Year | Charges | Expenses | Available Revenue | Principal | Interest | Total | Coverage |
| 2009 | \$ 18,967 | \$ 1,959 | \$ 17,008 | \$ 3,272 | \$ 27,538 | \$ 30,810 | 0.55 |
| 2010 | 29,628 | 1,222 | 28,406 | 4,072 | 16,051 | 20,123 | 1.41 |
| 2011 | 21,745 | 7 | 21,738 | 4,249 | 15,876 | 20,125 | 1.08 |
| 2012 | 27,445 | 1,349 | 26,096 | 975 | 25,096 | 26,071 | 1.00 |
| 2013 | 30,029 | 778 | 29,251 | 20,658 | 7,604 | 28,262 | 1.03 |
| 2014 | 26,374 | 2,071 | 24,303 | 19,218 | 9,043 | 28,261 | 0.86 |
| 2015 | 26,338 | 902 | 25,436 | 19,735 | 8,525 | 28,260 | 0.90 |
| 2016 | 23,992 | 898 | 23,094 | 20,269 | 7,996 | 28,265 | 0.82 |
| 2017 | 12,150 | 208 | 11,942 | 20,815 | 7,447 | 28,262 | 0.42 |
| 2018 | 16,905 | 1,519 | 15,386 | 21,375 | 6,885 | 28,260 | 0.54 |

Notes:

- (1) Utility service charges include all revenues of the fund except gains on sales of capital assets.
- (2) Operating expenses are exclusive of depreciation and amortization, interest expense and losses on sales of capital assets.

COUNTY OF ROCKINGHAM, VIRGINIA**Table 15**
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Years
(Unaudited)

| Calendar Year | (1) Population | (2) Personal Income | (2) Per Capita Personal Income | (3) School Enrollment | (4) Unemployment Rate |
|---------------|-------------------|---------------------------|---|-----------------------------|-----------------------------|
| 2009 | 75,656 | \$ 2,305,690,941 | \$ 30,476 | 11,422 | 6.5% |
| 2010 | 76,523 | 2,342,859,939 | 30,616 | 11,414 | 6.3% |
| 2011 | 77,297 | 2,487,452,867 | 32,180 | 11,376 | 5.5% |
| 2012 | 77,551 | 2,602,698,926 | 33,561 | 11,245 | 5.6% |
| 2013 | 78,102 | 2,646,027,951 | 33,879 | 11,331 | 5.1% |
| 2014 | 78,953 | 2,642,433,157 | 33,468 | 11,310 | 4.8% |
| 2015 | 79,134 | 2,804,549,679 | 33,195 | 11,327 | 4.4% |
| 2016 | 79,735 | 2,847,734,260 | 35,715 | 11,287 | 3.7% |
| 2017 | 80,666 | N/A | N/A | 11,261 | 3.4% |
| 2018 | N/A | N/A | N/A | 11,252 | 3.1% |

Sources:

(1) Estimated by the Weldon Cooper Center, University of Virginia, on a calendar year basis for all years.

(2) Bureau of Economic Analysis - Harrisonburg/Rockingham County (calendar year).

(3) County of Rockingham School Division as of September 30 each year.

(4) Virginia Employment Commission (fiscal year end).

N/A - Information unavailable at fiscal year end.

COUNTY OF ROCKINGHAM, VIRGINIA**Table 16****PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago
(Unaudited)**

| Employer | Fiscal Year June 30, | |
|---------------------------------|----------------------|------|
| | 2018 | 2009 |
| | Rank | Rank |
| Rockingham County School Board | 1 | 1 |
| Sentara Healthcare | 2 | - |
| Wal-Mart | 3 | 4 |
| Cargill Meat Solutions | 4 | 2 |
| Marshall's | 5 | 8 |
| Great Eastern Resort Management | 6 | 3 |
| LSC Communications US, LLC* | 7 | 6 |
| Pilgrims Pride Corp. | 8 | 9 |
| Merck Sharp & Dohme Corp. | 9 | 5 |
| County of Rockingham | 10 | 10 |
| Perdue Products | 14 | 7 |

* Formerly R.R. Donnelley & Sons Co.

Source:

Virginia Employment Commission.

COUNTY OF ROCKINGHAM, VIRGINIA

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM Last Ten Fiscal Years (Unaudited)

| Function/Program | Fiscal Year | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2009 | 2010 | 2011 | 2012 |
| General government administration: | | | | |
| Legislative | 5 | 5 | 5 | 5 |
| General and financial: | | | | |
| Commissioner of the revenue | 18.3 | 14 | 13 | 13 |
| Treasurer | 8.3 | 8 | 6 | 6 |
| Executive administration and legal | 8 | 8 | 8 | 8 |
| Finance | 10.5 | 9.4 | 9.4 | 9.4 |
| Human resources | 2.5 | 2.4 | 2.4 | 2.4 |
| Information systems | 11 | 11 | 11 | 11 |
| Central switchboard | 1.5 | 1.4 | 1.4 | 1.4 |
| Board of elections | 2 | 2 | 2 | 2 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Clerk of the circuit court | 15 | 15 | 13 | 14 |
| Court services | 8.5 | 6.5 | 8.5 | 9.5 |
| Commonwealth attorney | 26.5 | 24.0 | 27.5 | 25.9 |
| Public safety: | | | | |
| Sheriff | 173 | 167 | 161.5 | 161.5 |
| Fire and rescue | 65.5 | 66 | 70 | 71 |
| Building inspections | 13 | 9.3 | 8.3 | 8 |
| Other protection | 2 | 2 | 2 | 2 |
| Public works: | | | | |
| General administration | 1 | 0.8 | 0.7 | 0.6 |
| Garage operations | 2 | 2 | 2 | 2 |
| Maintenance | 19.4 | 16.4 | 15.4 | 16.6 |
| Parks, recreation and cultural | 10.6 | 12.6 | 9.6 | 8.6 |
| Community development: | | | | |
| Planning and community development | 13.8 | 13.2 | 12.7 | 12 |
| Extension | 1 | - | - | - |
| Economic development | 0.5 | 0.5 | 0.5 | 1.3 |
| Water and sewer: | | | | |
| Utilities/water treatment | 27.8 | 24.5 | 22.4 | 19.1 |
| Solid waste: | | | | |
| Landfill | 21.3 | 20.6 | 19.7 | 19.2 |
| Container site | 12.7 | 13.1 | 13.1 | 13.1 |
| Component unit school board: | | | | |
| Education: | | | | |
| Instruction | 1,481 | 1,446 | 1,410 | 1,414 |
| Administration, attendance and health | 63 | 63 | 61 | 62 |
| Pupil transportation services | 223 | 228 | 229 | 239 |
| Operation and maintenance services | 110 | 110 | 114 | 115 |
| School food services | 114 | 113 | 116 | 119 |
| Component unit HRSSD: | | | | |
| Social services: | | | | |
| Services | 52 | 52 | 53 | 53 |
| Public assistance | 44 | 39 | 40 | 42 |
| Comprehensive/Children's Services Act | 3 | 2.8 | 2.8 | 3.5 |
| Administration | 9 | 9 | 9 | 10 |
| Totals | 2,579.7 | 2,517.5 | 2,479.9 | 2,500.1 |

Source:

Rockingham County Department of Human Resources.

Table 17

| June 30, | | | | | |
|----------|---------|---------|---------|---------|---------|
| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 13 | 13 | 13.5 | 14 | 15 | 15 |
| 6 | 6 | 6.5 | 7 | 7 | 7 |
| 8 | 9 | 9 | 9 | 9 | 7 |
| 9.4 | 9.4 | 9.2 | 9.2 | 11.0 | 11.0 |
| 2.4 | 2.4 | 3 | 4 | 4 | 4 |
| 11 | 11 | 11 | 11 | 11 | 15 |
| 1.4 | 1.4 | 1.5 | 1.5 | 1.0 | 1.0 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 14 | 14 | 15 | 15 | 15 | 16 |
| 9.5 | 10 | 11 | 11 | 11 | 12 |
| 25.9 | 26.3 | 26.3 | 27.3 | 26.0 | 26.3 |
| 166.5 | 167 | 169 | 175 | 175 | 178 |
| 70 | 74 | 81 | 76 | 90 | 86 |
| 8 | 8 | 8.5 | 9 | 9 | 9 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 0.6 | 0.7 | 0.7 | 0.7 | 1.0 | 2.0 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 16.6 | 17 | 17 | 18 | 18 | 19 |
| 9.6 | 9 | 11 | 11 | 11 | 11 |
| 12.5 | 12 | 12.5 | 12 | 12 | 13 |
| - | - | - | - | - | - |
| 1.3 | 1 | 1 | 1 | 1 | 1 |
| 19.5 | 19.6 | 20.1 | 21.1 | 21.0 | 21.0 |
| 17.8 | 17.9 | 17.9 | 19 | 19 | 19 |
| 12.4 | 12 | 12 | 12 | 12 | 12 |
| 1,413 | 1,402 | 1,414 | 1,410 | 1,486 | 1,477 |
| 62 | 62 | 63 | 64 | 98 | 48 |
| 236 | 239 | 238 | 238 | 241 | 236 |
| 115 | 115 | 115 | 115 | 116 | 118 |
| 113 | 110 | 108 | 113 | 108 | 109 |
| 52 | 57 | 58.5 | 65 | 65 | 65 |
| 41 | 45 | 48.5 | 53 | 53 | 52 |
| 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.8 |
| 10 | 5 | 5 | 7 | 7 | 7 |
| 2,491.9 | 2,490.2 | 2,521.2 | 2,543.3 | 2,667.5 | 2,612.1 |

COUNTY OF ROCKINGHAM, VIRGINIA

OPERATING INDICATORS BY FUNCTION / PROGRAM

Last Ten Fiscal Years

(Unaudited)

| Function/Program | Fiscal Year | | | |
|---|-------------|------------|------------|------------|
| | 2009 | 2010 | 2011 | 2012 |
| Police: (1) | | | | |
| Calls for service | 18,903 | 18,861 | 19,739 | 20,913 |
| Adult arrest | 4,748 | 3,776 | 4,100 | 3,899 |
| Juvenile arrest | 189 | 259 | 241 | 175 |
| Traffic citations | 2,068 | 3,304 | 4,329 | 4,236 |
| Fire: (2) | | | | |
| Total fire runs | 10,861 | 9,510 | 6,348 | 7,001 |
| Total rescue runs | 12,847 | 13,648 | 15,565 | 17,158 |
| Public service: (3) | | | | |
| Garbage collected (ton) | 78,445 | 76,445 | 76,466 | 79,062 |
| Recycle collected (ton) | 12,299 | 17,392 | 28,761 | 24,861 |
| Water and sewer: (3) | | | | |
| New water connections | 151 | 87 | 46 | 54 |
| New wastewater connections | 156 | 92 | 38 | 2 |
| Average daily water consumption (gallons) | 55,403,500 | 62,389,333 | 62,629,583 | 61,788,500 |
| Average daily sewage treatment (gallons) | 49,059,001 | 55,244,955 | 57,871,485 | 60,180,000 |
| Transportation: (5) | | | | |
| Total route miles | 1,129 | 1,132 | 1,135 | 1,135 |
| Education: (6) | | | | |
| Average daily membership | 11,400 | 11,376 | 11,343 | 11,236 |
| Kindergarteners | 816 | 875 | 880 | 832 |
| Grades 1-12 | 10,584 | 10,501 | 10,463 | 10,404 |

Sources:

- (1) Rockingham County Sheriff's Department
- (2) Rockingham County Fire and Rescue Department
- (3) Rockingham County Public Works Department
- (5) Virginia Department of Transportation
- (6) Rockingham County School Board

Table 18

| June 30, | | | | | |
|------------|------------|------------|------------|------------|------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 21,124 | 23,546 | 22,714 | 25,081 | 32,250 | 33,803 |
| 4,162 | 3,749 | 4,119 | 4,201 | 4,253 | 5,232 |
| 202 | 373 | 257 | 195 | 294 | 220 |
| 1,879 | 1,363 | 1,479 | 1,682 | 3,081 | 3,634 |
| 7,475 | 7,119 | 6,959 | 6,907 | 6,623 | 11,016 |
| 17,283 | 17,289 | 18,313 | 18,948 | 19,414 | 13,512 |
| 108,882 | 107,977 | 127,842 | 124,278 | 134,879 | 133,255 |
| 24,323 | 16,343 | 12,714 | 9,632 | 2,276 | 2,188 |
| 97 | 115 | 118 | 124 | 105 | 109 |
| 97 | 115 | 129 | 112 | 97 | 134 |
| 58,389,558 | 69,591,675 | 74,113,083 | 71,094,539 | 70,032,583 | 76,006,333 |
| 50,065,833 | 63,479,583 | 62,545,110 | 73,577,916 | 73,000,000 | 85,927,083 |
| 1,138 | 1,139 | 1,145 | 1,146 | 1,146 | 1,146 |
| 11,223 | 11,304 | 11,290 | 11,287 | 11,261 | 11,252 |
| 852 | 820 | 854 | 838 | 795 | 812 |
| 10,371 | 10,484 | 10,436 | 10,449 | 10,466 | 10,440 |

COUNTY OF ROCKINGHAM, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM

Last Ten Fiscal Years

(Unaudited)

| Function/Program | Fiscal Year | | | |
|--|-------------|------------|------------|------------|
| | 2009 | 2010 | 2011 | 2012 |
| Police Stations: (1) | 1 | 1 | 1 | 1 |
| Fire Companies (not County owned): (2) | 10 | 10 | 10 | 10 |
| Rescue Squads (not County owned): (2) | 8 | 8 | 8 | 8 |
| Streets: (4) | | | | |
| Centerline Mileage: | | | | |
| Interstate (6) | 54 | 54 | 54 | 54 |
| Primary (6) | 184 | 184 | 186 | 186 |
| Secondary (6) | 891 | 894 | 895 | 897 |
| Number of street lights (6) | 16 | 16 | 16 | 16 |
| Traffic signals (6) | 35 | 37 | 39 | 40 |
| Parks and Recreation: (5) | | | | |
| Parks - number of acres | 28 | 22 | 22 | 22 |
| Neighborhood parks - number of acres | 28 | 22 | 22 | 22 |
| Baseball/softball diamonds | 32 | 31 | 31 | 31 |
| Soccer/football fields | 13 | 13 | 13 | 13 |
| Basketball courts | 13 | 13 | 13 | 13 |
| Parks with playground equipment | 1 | 1 | 1 | 1 |
| Picnic shelters | 4 | 4 | 4 | 4 |
| Community centers | 3 | 3 | 3 | 3 |
| Water: (3) | | | | |
| Wells (County owned) | 3 | 3 | 2 | 2 |
| Water lines (feet) | 503,321 | 505,685 | 516,154 | 526,623 |
| Fire hydrants | 678 | 684 | 703 | 778 |
| Storage capacity (MGPD) | 10,088,000 | 10,088,000 | 10,088,000 | 10,088,000 |
| Average daily consumption (MGPD) | 1,995,682 | 2,079,644 | 2,059,054 | 2,031,403 |
| Peak consumption (MGPD) | 2,549,500 | 2,988,500 | 3,120,000 | 3,519,000 |
| Wastewater: (3) | | | | |
| Sanitary sewers (feet) | 495,002 | 552,812 | 560,023 | 567,234 |

Sources:

- (1) Rockingham County Sheriff's Department
- (2) Rockingham County Fire and Rescue Department
- (3) Rockingham County Public Works Department
- (4) Virginia Department of Transportation
- (5) Rockingham County Parks and Recreation Department

Table 19

| June 30, | | | | | |
|------------|------------|------------|------------|------------|------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 10 | 10 | 10 | 11 | 11 | 11 |
| 8 | 8 | 7 | 8 | 7 | 7 |
| 54 | 54 | 54 | 54 | 54 | 54 |
| 186 | 187 | 192 | 192 | 192 | 210 |
| 898 | 898 | 899 | 900 | 900 | 882 |
| 16 | 16 | 16 | 16 | 16 | 16 |
| 41 | 41 | 42 | 42 | 43 | 43 |
| 22 | 81 | 81 | 81 | 81 | 81 |
| 22 | 22 | 19 | 19 | 19 | 19 |
| 31 | 31 | 31 | 31 | 31 | 31 |
| 13 | 13 | 13 | 13 | 13 | 13 |
| 13 | 13 | 13 | 14 | 14 | 14 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 2 | 2 | 2 | 2 | 2 | 3 |
| 534,150 | 538,958 | 553,039 | 577,643 | 587,938 | 599,862 |
| 803 | 815 | 854 | 909 | 957 | 999 |
| 10,088,000 | 10,088,000 | 10,088,000 | 10,088,000 | 10,088,000 | 10,088,000 |
| 2,076,660 | 2,287,945 | 2,436,595 | 2,337,355 | 2,302,441 | 2,498,838 |
| 2,979,000 | 3,267,000 | 3,252,000 | 3,188,000 | 3,322,000 | 3,315,000 |
| 571,944 | 572,727 | 586,191 | 588,915 | 598,057 | 608,165 |

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

| Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Provided to Subrecipients | Total Federal Expenditures |
|---|---------------------------|--|------------------------------|----------------------------------|
| DEPARTMENT OF AGRICULTURE: | | | | |
| <u>Direct payments:</u> | | | | |
| Cooperative Law Enforcement | 10.U01 | N/A | \$ - | \$ 3,010 |
| <u>Pass-through payments:</u> | | | | |
| Department of Social Services: | | | | |
| SNAP Cluster: | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | Not provided | - | 1,247,531 |
| Total SNAP Cluster | | | | 1,247,531 |
| Department of Agriculture and Consumer Services | | | | |
| Child Nutrition Cluster: | | | | |
| Commodity Distributions | 10.555 | 40623 | - | 374,473 |
| Department of Education: | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program | 10.553 | 40591/40623 | - | 744,856 |
| National School Lunch Program | 10.555 | 40623 | - | 2,202,089 |
| Summer Food Service Program for Children | 10.559 | Not provided | - | 2,381 |
| Total Child Nutrition Cluster | | | | 3,323,799 |
| Forest Service Schools and Roads Cluster: | | | | |
| Schools and Roads - Grants to States | 10.665 | 43841 | - | 28,987 |
| Total Forest Service Schools and Roads Cluster | | | | 28,987 |
| Total Department of Agriculture | | | | 4,603,327 |
| DEPARTMENT OF TRANSPORTATION: | | | | |
| <u>Pass-through payments:</u> | | | | |
| Federal Highway Administration: | | | | |
| Highway Planning and Construction Cluster: | | | | |
| Highway Planning and Construction | 20.205 | Not provided | - | 104,643 |
| Total Highway Planning and Construction Cluster | | | | 104,643 |
| Department of Motor Vehicles: | | | | |
| Alcohol Open Container Requirements | 20.607 | 154AL-2016-56097-6297 | - | 35,004 |
| Total Department of Transportation | | | | 139,647 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

| Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Provided to Subrecipients | Total Federal Expenditures |
|--|---------------------------|--|------------------------------|----------------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | | |
| <u>Pass-through payments:</u> | | | | |
| Department of Social Services: | | | | |
| Promoting Safe and Stable Families | 93.556 | Not provided | \$ - | \$ 30,192 |
| TANF Cluster: | | | | |
| Temporary Assistance to Needy Families | 93.558 | Not provided | - | 657,619 |
| Total TANF Cluster | | | | <u>657,619</u> |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | Not provided | - | 11,053 |
| Low-Income Home Energy Assistance | 93.568 | Not provided | - | 66,170 |
| Child Care and Development Fund Cluster: | | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | Not provided | - | 81,866 |
| Total Child Care and Development Fund Cluster | | | | <u>81,866</u> |
| Chafee Education and Training Vouchers Program (ETV) | 93.599 | Not provided | - | 13,218 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | Not provided | - | 1,746 |
| Foster Care - Title IV-E | 93.658 | Not provided | - | 1,770,082 |
| Adoption Assistance | 93.659 | Not provided | - | 1,548,219 |
| Social Services Block Grant | 93.667 | Not provided | - | 790,563 |
| Chafee Foster Care Independence Program | 93.674 | Not provided | - | 15,447 |
| Children's Health Insurance Program | 93.767 | Not provided | - | 49,187 |
| Medicaid Cluster: | | | | |
| Medical Assistance Program | 93.778 | Not provided | - | 1,650,177 |
| Total Medicaid Cluster | | | | <u>1,650,177</u> |
| Total Department of Health and Human Services | | | | <u>6,685,539</u> |
| DEPARTMENT OF JUSTICE: | | | | |
| <u>Direct payments:</u> | | | | |
| Federal Forfeiture - Equitable Sharing Program | 16.922 | N/A | - | 30,963 |
| Criminal and Juvenile Justice and Mental Health Collaboration Program | 16.745 | N/A | - | 40,133 |
| | | | | <u>71,096</u> |
| <u>Pass-through payments:</u> | | | | |
| Violence Against Women Office: | | | | |
| Violence Against Women Formula Grants | 16.588 | 17-U9349VA16 /18-V9349VA17 | - | 22,717 |
| Department of Criminal Justice Services: | | | | |
| Crime Victim Assistance - Discretionary Grants | 16.575 | 18-U9573VW16 | - | 126,266 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 17-D2870AD13 | - | (391) |
| | | | | <u>148,592</u> |
| Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance | | | | <u>219,688</u> |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

| Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Provided to Subrecipients | Total Federal Expenditures |
|---|---------------------------|--|------------------------------|----------------------------------|
| DEPARTMENT OF DEFENSE: | | | | |
| <u>Direct payments:</u> | | | | |
| Payments to States in Lieu of Real Estate Taxes | 12.112 | N/A | \$ - | \$ 477,976 |
| Total Department of Defense | | | | 477,976 |
| DEPARTMENT OF EDUCATION: | | | | |
| <u>Pass-through payments:</u> | | | | |
| Department of Education: | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 42901 | - | 2,002,677 |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 84.027 | 43071 / 61135 | - | 2,688,956 |
| Special Education - Preschool Grants | 84.173 | 62521 | - | 62,574 |
| Total Special Education Cluster | | | | <u>2,751,530</u> |
| Adult Education - Basic Grants to States | 84.002 | Not provided | - | 302,767 |
| Career and Technical Education - Basic Grants to States | 84.048 | 61095 | - | 165,029 |
| English Language Acquisition State Grants | 84.365 | 60512 | - | 113,726 |
| Supporting Effective Instruction State Grant | 84.367 | 61480 | - | <u>315,963</u> |
| Total Department of Education | | | | 5,651,692 |
| DEPARTMENT OF HOMELAND SECURITY: | | | | |
| <u>Direct payments:</u> | | | | |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | N/A | - | <u>421,921</u> |
| <u>Pass-through payments:</u> | | | | |
| Department of Emergency Management: | | | | |
| Emergency Management Performance Grants | 97.042 | Not provided | - | <u>19,022</u> |
| Total Department of Homeland Security | | | | 440,943 |
| Total Expenditures of Federal Awards | | | | \$ 18,218,812 |

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2018

Note 1. Basis of Presentation

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

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – Major programs for the County of Rockingham, Virginia and its component units were determined using a risk-based approach in accordance with Uniform Guidance.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the Schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Rockingham, Virginia and its component units: SNAP, Child Nutrition, Forest Service Schools and Roads, Highway Planning and Construction, TANF, Child Care and Development Fund, Medicaid, and Special Education.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2018

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The County has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Non-Cash Assistance

In addition to amounts reported on the Schedule, the County consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$374,473 at the time received were consumed during the year ended June 30, 2018. These commodities were included in the determination of federal awards expended during the year ended June 30, 2018.



**INDEPENDENT AUDITOR'S 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 Rockingham, Virginia

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of the County of Rockingham, Virginia (County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 a material misstatement of the County'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 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 the County'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 instance of noncompliance or other matter 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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

P. B. Mares, LLP

Harrisonburg, Virginia
November 27, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the Board of Supervisors
County of Rockingham, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Rockingham, Virginia's (County) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County'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 Uniform Guidance require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County'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 appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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 a 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 we considered to be material weaknesses. However, material weakness may exist that have not been identified.

Purpose of this Report

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.

PBmares, XYZ

Harrisonburg, Virginia
November 27, 2018

COUNTY OF ROCKINGHAM, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

| | | |
|---|-----------------------|------------------------------------|
| Material weaknesses identified? | <u> </u> Yes | <u> √ </u> No |
| Significant deficiencies identified? | <u> </u> Yes | <u> √ </u> None Reported |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u> √ </u> No |

Federal Awards

Internal control over major programs:

| | | |
|--------------------------------------|-----------------------|------------------------------------|
| Material weaknesses identified? | <u> </u> Yes | <u> √ </u> No |
| Significant deficiencies identified? | <u> </u> Yes | <u> √ </u> None Reported |

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with section 2 CFR 200.516(a)?

| | |
|-----------------------|-------------------------|
| <u> </u> Yes | <u> √ </u> No |
|-----------------------|-------------------------|

Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------------------|---|
| Child Nutrition Cluster: | |
| 10.553 | School Breakfast Program |
| 10.555 | National School Lunch Program |
| 10.559 | Summer Food Services Program for Children |
| Special Education Cluster: | |
| 84.027 | Grants to States |
| 84.173 | Preschool Grants |
| 93.667 | Social Services Block Grant |
| Medicaid Cluster: | |
| 93.778 | Medical Assistance Program |

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

No matters were reported.

Section III. FINDING AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

HARRISONBURG ROCKINGHAM SOCIAL SERVICES DISTRICT

110 North Mason Street
P.O. Box 809 Harrisonburg, VA 22803-0809

540-574-5100 (Main Number) • 540-574-51 10 (Benefit Programs)
540-574 -5 127 (Main Fax) • 540-574-5 182 (Benefit Programs Fax)
540-574-5120 (Services) • 540-574-5104 (CPS/APS)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2018

Identifying Number: 2017-001

Audit Finding:

FINANCIAL STATEMENT FINDING

A. Compliance Finding

2017-001: Compliance with Virginia Initiative for Employment not Welfare (VIEW) requirements

Criteria and Condition: In conjunction with our audit in accordance with the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, we performed procedures to ensure a selection of VIEW purchased service transactions were in accordance with policy and appropriate based on the individual VIEW Participant's Activity and Service Plan.

Context: Of the 25 transactions tested, eight were not in accordance with the VIEW Participant's Activity and Service Plan. The Activity and Service Plans did not properly include all eligible supportive services.

Cause: Lack of documentation of services needed on the VIEW Participant's Activity and Service Plan.

Effect: Noncompliance with requirements may result in improper payments on behalf of individuals who participate in the VIEW program.

Recommendation: We recommend procedures be implemented to ensure all transactions are in accordance with policy and are appropriate based on the VIEW Participant's Activity and Service Plan.

Views of Responsible Officials: Management concurs with the findings of the lack of documentation in the VIEW Participant's Activity and Service Plan in accordance with the payments for services on behalf of the individuals who participate in the VIEW program. In the implementation of new procedures to ensure all transactions are in accordance with policy including eligibility and documented as supportive services the factors, listed below, have been considered in the development of the agency's Plan of Action.

Identifying Number: 2017-001 (Continued)

Audit Finding: (Continued)

Views of Responsible Officials: (Continued)

Two program plans were reviewed:

- 1- The VIEW Annual Workforce Plan - designed to assist agencies in planning and implementing programs make optimum use of allocated funds to increase client employment and earnings.
- 2- The EPPE for a VIEW FSS Worker – transformed to have clear job expectations, which are program driven and set within the worker’s Performance Evaluation.

Guidelines of the VIEW Program were reviewed:

- 1- The goal of the VIEW Program is to assist program participants in obtaining employment with wages and benefits sufficient to make continued or future receipt of public assistance unnecessary.
- 2- Identify and evaluate the participant's occupational skills, strengths, and weaknesses, and describe in detail how this information will be used to assess immediate employability.
- 3- Participant’s assessment will help identify additional skills, training or education needed to enhance employability.
- 4- The VIEW Participant’s Activity and Service Plan will include needed supportive services to obtain and enhance employability. Each specific service provided will be recorded as to the accordance with goal achievement.

Update on Corrective Action Taken:

The agency has taken several actions to improve the processes of the VIEW Program. A review of the VIEW Participant's Activity and Service Plan has increased by updating any changes as it occurs and creating a new Service Plan with the client every six months. This six-month review is a face-to-face interview with the client to help and support the client to obtain and enhance employability as well as ensure the funding of supportive services are identified on the Service Plan. Appropriate boxes are checked on the Service Plan related to each service that the participant is provided. Each supportive service is checked for proper payment in regards to the listed services on VIEW Participant's Activity and Service Plan. Each purchase order is on a month-to-month basis to increase review of need for the client to obtain and/or enhance employability is occurring timely. A review of funds occurs on a monthly basis as well as ongoing support from the VIEW Regional Consultant to optimize allocated funds and help guide best practices for the program.

Identifying Number: 2017-002

Audit Finding:

FINDING AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Department of Health and Human Services

2017-002: Eligibility – Medical Assistance Program

Information on the Federal Program: CFDA title and number: Medical Assistance Program – 93.778; Award period: Year Ended June 30, 2018; Name of federal agency: Department of Health and Human Services; Pass-through entity name: Virginia Department of Social Services

Criteria and Condition: According to the Code of Federal Regulations 42 CFR 435.916 – Periodic redeterminations of Medicaid eligibility, “The agency must redetermine the eligibility of Medicaid beneficiaries, with respect to circumstances that may change, at least every 12 months.” The Harrisonburg – Rockingham Social Services District has not complied with this requirement.

Context: Of the 60 eligibility determinations tested, five redeterminations within the specified 12 month timeframe were not performed. Although the Code of Federal Regulations allows certain eligibility factors such as blindness and disability to be considered as continuing until the conditions are no longer met, other eligibility factors which may change require redeterminations be performed.

Cause: Due to limited resources within the Harrisonburg-Rockingham Social Services District (District).

Effect: Noncompliance with regulations may result in improper payments to individuals who have not received a timely redetermination of eligibility.

Questioned Costs: Undeterminable

Repeat Finding: This is a repeat finding, as the prior year finding was identified as 2016-001.

Recommendation: The Harrisonburg-Rockingham Social Services District should develop internal control procedures to ensure employees complete the annual eligibility redeterminations in a timely manner as required by program regulations.

Views of Responsible Officials: Management concurs with the findings. There are a number of factors which have contributed to the agency’s failure to provide timely benefit renewals. Those factors, listed below, have been considered in the development of the agency’s Plan of Action.

- 1- The agency, like the State as a whole, experienced increased caseloads, that is, new applications, denials, and ongoing cases, as a result of the recession of 2008. Assistance cases peaked in 2013, but have not yet significantly declined.

Identifying Number: 2017-002 (Continued)

Audit Finding: (Continued)

Views of Responsible Officials: (Continued)

- 2- The Virginia Department of Social Services (VDSS) implemented a new automated benefit determination and management system, Virginia Client Management System (VaCMS), in October 2013. The program is a rule based Medical Assistance determination and case management system that has been developed and modified as it rolled out to local agencies. Although the system's functionality has improved and become more reliable and workable, it continues to expand and be modified through the various Medical Assistance programs. Effective October 2016, VACMS encompasses SNAP and all remaining assistance programs. With the inclusion of other benefit programs, VACMS has experienced other functionality complications, such as: systems outages / offline, system latency and, program enhancements for one program that has led to incorrect determinations for other programs due to incorrect application of rules and policy by the system.
- 3- Over the last two years, management has worked to establish clear job expectations which are set within the worker's Performance Evaluation criteria. Recognizing that there are staff performance concerns, special attention has been given to the Benefit Program Specialists who have been struggling to achieve agency and policy expectations.
- 4- Although agency management has increased the use of local and Virginia Department of Social Services generated data to monitor unit and individual worker performance, the focus has been upon the worker who has cases which have exceeded, or are about to exceed, new application or renewal time frames. This post monitoring perspective has resulted in improved management attention to the issues of timeliness, but has been after the fact, often failing to avoid the late determination.

Update on Corrective Action Taken:

As an ongoing effort to improve Medicaid Program integrity, the agency has implemented various processes to ensure renewals are completed timely. The agency has implemented random case sampling to evaluate cases for accuracy, correct benefit and timely processing of application and renewals. The task is completed by supervisors and senior workers. Also, at the regional level the Medicaid Consultant is performing quarterly sampling of at least 30 cases. The cases are evaluated again for accuracy, correct benefit and timeliness. The agency continues to provide staff with relevant data information in regards to cases upcoming and overdue renewals. This is accomplished by weekly face-to-face meetings, weekly emails of pending case reports and reposts from VDSS on application and renewal status. In-house training occurs once per quarter to all staff to address ongoing policy and process deficiencies. Regional Consultant and VDSS leadership meetings are optimized to seek improvements in processes and support best practices for the program.