Roanoke River Service Authority

Comprehensive Annual Financial Report

Years Ended June 30, 2015 and 2014

Creedle, Jones
& Alga, P.C.
Certified Public Accountants

Roanoke River Service Authority

Table of Contents

Year Ended June 30, 2015

Creedle Jones & Alga
A Professional Corporation

Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Nadia A. Rogers, CPA

James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly W. Jackson, CPA

Sherwood H. Creedle, Emeritus

Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Roanoke River Service Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Roanoke River Service Authority, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Roanoke River Service Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

P. O. Box 1113
204 S. Main Street
Emporia, Virginia 23847
434-634-3111 • FAX: 434-634-6895

P. O. Box 487
828 N. Mecklenburg Avenue
South Hill, Virginia 23970
434-447-7111 • FAX: 434-447-5793

P. O. Box 147
313 N. Main Street
Lawrenceville, Virginia 23868
434-848-4191 • FAX: 434-848-1009

www.cja-cpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Roanoke River Service Authority, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 and schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions, and notes to required supplemental information on pages 21 through 23 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, on our consideration of the Roanoke River Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Roanoke River Service Authority's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
October 21, 2015

Roanoke River Service Authority

Management's Discussion and Analysis

As of June 30, 2015

Our discussion and analysis of the Roanoke River Service Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2015. Please read this information in conjunction with Roanoke River Service Authority's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Roanoke River Service Authority (the "Authority") presents three basic financial statements. These are: (1) Statements of Net Position; (2) Statements of Revenues, Expenses, and Changes in Net Position; and (3) Statements of Cash Flows.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe on a given date. This information is reported on the Statements of Net Position, which reflects the Authority's assets in relation to its debt to creditors. The excess of our assets over liabilities is our equity, or net position.

Information regarding the results of our operation during the years is reported in the Statements of Revenues, Expenses, and Changes in Net Position. These statements show how much our overall net position increased or decreased during the year as a result of our operations and for other reasons.

Our Statements of Cash Flows disclose the flow of cash resources into and out of the Authority during the year and how we applied those funds.

FINANCIAL SUMMARY

Financial Position

A summary of the Authority's Statements of Net Position for 2015 and 2014 is presented below:

	2015	2014
Assets	**$ 9,658,638**	$ 9,526,882
Deferred Outflows of Resources	**23,049**	21,481
Total Assets and Deferred Outflows of Resources	**$ 9,681,687**	$ 9,548,363
Total Liabilities	**$ 6,727,788**	$ 6,978,232
Deferred Inflows of Resources	**22,727**	-
Net Position		
Net investment in capital assets	**1,757,485**	1,667,373
Unrestricted	**1,173,687**	902,758
Total Net Position	**2,931,172**	2,570,131
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 9,681,687**	$ 9,548,363

Total net position increased by $361,041 for the Authority in 2015 which is an increase of 14% from last year.

Change in Net Position

A summary of the Authority's Statements of Revenues, Expenses, and Changes in Net Position for 2015 and 2014 is presented below:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2015	2014
Operating Revenues	**$ 1,799,658**	$ 1,690,424
Operating Expenses	**(1,144,462)**	(1,146,012)
Net Operating Income	**655,196**	544,412
Non-Operating Revenue	**4,053**	549
Non-Operating Expense	**(298,208)**	(310,372)
Changes in Net Position	**$ 361,041**	$ 234,589

During the year, the Authority's net operating income was $655,196. The Authority had non-operating revenue in the form of interest income and sale of assets, which amounted to $4,053. This revenue was more than offset by non-operating expense in the form of interest expense that totaled $298,208. Operating expenses of $1,144,462 included all expenses necessary to operate the water plant, predominantly salaries, electrical power, chemicals, and depreciation.

Net position increased $361,041 in 2015 as compared to an increase of $234,589 in 2014.

Cash Flows

A summary of the Authority's Statements of Cash Flows for 2015 and 2014 is presented below:

Condensed Statements of Cash Flows

	2015	2014
Cash Provided by (Used in)		
Operating activities	**$ 849,521**	$ 767,200
Capital and related financing activities	**(619,087)**	(596,519)
Investing activities	**450**	549
Net Increase in Cash	**$ 230,884**	$ 171,230

Cash flows from operating activities consist of receipts from customers and grants which are more than operating expenses, creating a positive cash flow.

Cash flows from non-operating activities net to a negative $619,087. The majority of this amount is debt related expenses.

During fiscal year 2015, there was an increase of $230,884 in cash as compared to an increase of $171,230 in 2014.

The remainder of this page is left blank intentionally.

Capital Assets

As of June 30, 2015, the Authority's net investment in capital assets totals $1,757,485 which is net capital assets less related debt.

During fiscal year 2015, the Authority's net capital assets (including additions, decreases, and depreciation) decreased $125,922 as summarized below:

Change in Capital Assets

	Balance July 1, 2014	Net Additions and Deletions	Balance June 30, 2015
Land and improvements	$ 268,902	$ -	**$ 268,902**
Vehicles and equipment	145,494	1,606	**147,100**
Infrastructure - water system	10,772,509	79,749	**10,852,258**
Total Capital Assets	11,186,905	81,355	**11,268,260**
Less: Accumulated depreciation	(2,594,783)	(207,277)	**(2,802,060)**
Total Net Capital Assets	$ 8,592,122	$ (125,922)	**$ 8,466,200**

Long-Term Debt

As of June 30, 2015, the Authority's long-term obligations total $6,708,715.

The Authority's long-term obligations are presented as follows:

Change in Long-Term Debt

	Balance July 1, 2014	Net Additions and Deletions	Balance June 30, 2015
Virginia Resources Authority - Series 2000A and 2000B	$ 755,226	$ (94,773)	**$ 660,453**
Rural Development	6,159,643	(118,220)	**6,041,423**
Sheffield Financing	9,879	(3,040)	**6,839**
Total Outstanding Debt	$ 6,924,748	$ (216,033)	**$ 6,708,715**

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Jeff Hinkle, Executive Director, Roanoke River Service Authority, 5419 Highway One, Bracey, Virginia 23919, telephone 434-689-7772.

FINANCIAL STATEMENTS

Roanoke River Service Authority

Statements of Net Position

June 30, 2015 and 2014

	2015	2014
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	$ 426,449	$ 261,673
Cash - restricted	590,228	524,120
Accounts receivable	171,201	148,967
Total Current Assets	1,187,878	934,760
Capital Assets		
Land and improvements	268,902	268,902
Vehicles and equipment	147,100	145,494
Infrastructure - water system	10,852,258	10,772,509
Less: Accumulated depreciation	(2,802,060)	(2,594,783)
Net Capital Assets	8,466,200	8,592,122
Other Assets		
Net pension asset	4,560	-
Deferred Outflows of Resources		
Deferred outflows - pension liability	23,049	21,481
Total Assets and Deferred Outflows of Resources	$ 9,681,687	$ 9,548,363
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	$ 18,633	$ 26,040
Accrued payroll liabilities	440	1,416
Notes payable - current portion	225,135	215,923
Total Current Liabilities	244,208	243,379
Long-Term Liabilities		
Net pension liability	-	26,028
Notes payable - less current portion	6,483,580	6,708,825
Total Long-Term Liabilities	6,483,580	6,734,853
Total Liabilities	6,727,788	6,978,232
Deferred Inflows of Resources		
Deferred inflows - pension liability	22,727	-
Net Position		
Net investment in capital assets	1,757,485	1,667,373
Unrestricted	1,173,687	902,758
Total Net Position	2,931,172	2,570,131
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 9,681,687	$ 9,548,363

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

Exhibit B

Roanoke River Service Authority

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Charges for services	$ 1,746,087	$ 1,645,722
Contribution from counties	27,500	17,500
Wireless communication fees	19,096	16,995
Miscellaneous	3,005	2,572
Connection fees	3,970	7,635
Total Operating Revenues	1,799,658	1,690,424
Operating Expenses		
Depreciation	234,371	232,048
Salaries	278,170	266,418
Electrical services	169,496	152,757
Chemicals	169,137	204,754
Professional fees	16,379	16,160
Payroll taxes	21,500	20,645
Employee insurance	38,767	35,379
Retirement and pension expense	13,620	23,095
Repairs and maintenance	87,632	92,946
Insurance	24,068	24,016
Engineering	600	5,200
Lab supplies and testing	23,096	16,355
Miscellaneous other expenses	12,286	11,109
Safety	16,249	3,514
Distribution expansion	-	4,064
Office supplies	4,587	5,984
Plant heating	6,232	7,276
Fuel	10,018	8,127
Uniforms	1,663	2,010
Cellular and mobile communications	4,942	4,488
Telephone	3,059	3,245
Postage and delivery	3,408	3,544
Raw water withdrawal	5,182	2,878
Total Operating Expenses	1,144,462	1,146,012
Operating Income	655,196	544,412
Non-Operating Revenues (Expenses)		
Interest income	450	549
Gain on sale of vehicle	3,603	-
Interest expense	(298,208)	(310,372)
Net Non-Operating Revenues (Expenses)	(294,155)	(309,823)
Change in Net Position	361,041	234,589
Total Net Position - Beginning of Year (Restated)	2,570,131	2,335,542
Total Net Position - End of Year	$ 2,931,172	$ 2,570,131

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

Roanoke River Service Authority

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Receipts from customers	$ 1,727,823	$ 1,643,187
Other receipts	22,101	19,567
Receipts from counties	27,500	17,500
Payments for salaries and related personnel costs	(362,462)	(340,846)
Payments to suppliers	(565,441)	(572,208)
Net Cash Provided by Operating Activities	849,521	767,200
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(108,449)	(66,936)
Proceeds of new debt	-	12,159
Sale of vehicle	3,603	-
Payments on long-term debt	(216,033)	(231,370)
Interest expense paid on capital debt	(298,208)	(310,372)
Net Cash Used in Capital and Related Financing Activities	(619,087)	(596,519)
Cash Flows from Investing Activities		
Interest income	450	549
Net Cash Provided by Investing Activities	450	549
Net Increase in Cash and Cash Equivalents	230,884	171,230
Cash and Cash Equivalents - Beginning of Year	785,793	614,563
Cash and Cash Equivalents - End of Year	$ 1,016,677	$ 785,793
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 655,196	$ 544,412
Adjustments to reconcile operating income		
Depreciation expense	234,371	232,048
Changes in current assets and liabilities		
Receivables, net	(22,234)	(10,169)
Accounts payable	(7,407)	(3,781)
Accrued payroll liabilities	(976)	143
Net pension asset	(30,588)	26,028
Deferred outflows - pension liability	(1,568)	(21,481)
Deferred inflows - pension liability	22,727	-
Net Cash Provided by Operating Activities	$ 849,521	$ 767,200

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

1 Organization, Description of the Entity, and Its Activities

The Roanoke River Service Authority (the "Authority") was created under the authority of the Virginia Water and Waste Authorities Act, Section 15.2-5100 et seq. of the Code of Virginia, as amended, by the Towns of Boydton, LaCrosse, Brodnax, and South Hill and the Counties of Mecklenburg and Brunswick. The purpose for which the Authority was created was for the design, construction, and operation of a water distribution system including a water treatment plant to serve the citizens and communities of Mecklenburg and Brunswick Counties and to exercise such other activities as may be permitted by law.

The Authority has a Board of Directors made up of persons appointed by each member locality for a term of three years. The Board operates independently of the localities.

2 Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB).

The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting under which revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred through the receipt of goods and services. All supplies and materials are expensed when purchased and fixed assets are capitalized and depreciated over their estimated useful lives.

Property and Equipment

Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets.

Use of Estimates

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

The remainder of this page is left blank intentionally.

3 Cash Equivalents

Deposits. All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by Federal Depository Insurance.

4 Amount of Allowance for Uncollectible Accounts

The Authority calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. Management estimates no allowance was required for the year ended June 30, 2015.

5 Capital Assets

The schedule below shows the breakdown of capital assets by category at June 30, 2015:

	Balance July 1, 2014	Acquired (Increased)	Deleted (Decreased)	Balance June 30, 2015
Land and improvements	$ 268,902	$ -	$ -	**$ 268,902**
Vehicles and equipment	145,494	28,700	(27,094)	**147,100**
Infrastructure - water system	10,772,509	79,749	-	**10,852,258**
Total Capital Assets	11,186,905	108,449	(27,094)	**11,268,260**
Less: Accumulated depreciation	(2,594,783)	(234,371)	27,094	**(2,802,060)**
Net Capital Assets	$ 8,592,122	$ (125,922)	$ -	**$ 8,466,200**

Capital assets of the Authority are stated at cost. Depreciation of the cost of capital assets is provided on a straight-line basis over their estimated useful lives as follows:

Vehicles	5 to 10 years
Infrastructure and improvements	10 to 50 years

6 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. This plan is 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 are paying 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:

The remainder of this page is left blank intentionally.

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

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.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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.

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window.
(See "Eligible Members")

- 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.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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.

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.

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.

PLAN 2

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

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.

Creditable Service

Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. •After two years, a member is 50% vested and may withdraw 50% of employer contributions. •After three years, a member is 75% vested and may withdraw 75% of employer contributions. •After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 1/2.
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*** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	***Average Final Compensation*** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	***Average Final Compensation*** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	***Service Retirement Multiplier*** **VRS:** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.	***Service Retirement Multiplier*** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	**Sheriffs and regional jail superintendents:** Same as Plan 1.	**Sheriffs and regional jail superintendents:** Not applicable.
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.	**Political subdivision hazardous duty employees:** Same as Plan 1.	**Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component** Not applicable.

PLAN 1

Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of creditable service.

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%.

Eligibility:
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.

PLAN 2

Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:
Same as Plan 1

HYBRID RETIREMENT PLAN

Normal Retirement Age

Defined Benefit Component:
VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:
VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:
VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:
Same as Plan 2

Defined Contribution Component:
Not applicable

Eligibility:
Same as Plan 1 and Plan 2

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: •The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. •The member retires on disability. •The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). •The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. •The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	*Exceptions to COLA Effective Dates:* Same as Plan 1	*Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2
Disability Coverage 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	***Disability Coverage*** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	***Disability Coverage*** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	***Purchase of Prior Service*** Same as Plan 1	***Purchase of Prior Service*** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	1
Inactive members:	
Vested inactive members	-
Non-vested Inactive members	1
Inactive members active elsewhere in VRS	1
Total inactive members	2
Active members	6
Total covered employees	9

Contributions

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

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 7.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were $23,049 and $21,481 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	$ 330,994	$ 304,966	$ 26,028
Changes for the Year			
Service cost	31,639	-	31,639
Interest	23,125	-	23,125
Differences between expected and actual experience	-	-	-
Contributions - employer	-	21,481	(21,481)
Contributions - employee	-	13,194	(13,194)
Net investment income	-	50,917	(50,917)
Benefit payments, including refunds of employee contributions	(1,278)	(1,278)	-
Administrative expenses	-	(243)	243
Other changes	-	3	(3)
Net Changes	53,486	84,074	(30,588)
Balances at June 30, 2014	$ 384,480	$ 389,040	$ (4,560)

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

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

	(6.00%)	Rate (7.00%)	(8.00%)
Political subdivision's Net Pension Liability	$ 58,642	$ (4,560)	$ (55,970)

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

For the year ended June 30, 2015, the political subdivision recognized pension expense of $13,620. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The remainder of this page is left blank intentionally.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	22,727
Employer contributions subsequent to the measurement date	-	-
Total	$ -	$ 22,727

$23,049 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	$ (5,682)
2017	(5,682)
2018	(5,682)
2019	(5,681)
Thereafter	-

7 Long-Term Debt

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

Year(s) Ending June 30,	Principal	Interest
2016	$ 225,136	$ 292,145
2017	234,756	282,525
2018	242,526	272,474
2019	252,267	261,974
2020	263,236	251,004
2021-2025	937,231	1,118,570
2026-2030	1,094,583	903,951
2031-2035	1,331,570	636,783
2036-2040	1,662,656	302,344
2041-2042	464,754	13,853
	$ 6,708,715	$ 4,335,623

The remainder of this page is left blank intentionally.

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Authority:

Details of Long-Term Indebtedness	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015	Due Within One Year
Virginia Resources Authority Series 2000A issued November 27, 2000 for $200,344; payable in semi-annual installments of $3,454 at 0% interest for 30 years.	$ 110,660	$ -	$ 6,707	**$ 103,953**	$ 6,707
Virginia Resources Authority Series 2000B issued November 27, 2000 for $1,523,853; payable in semi-annual installments of $59,891 at 4.25% interest for 20 years.	644,566	-	88,066	**556,500**	91,849
United States Department of Agriculture Series 2001A - Rural Development issued November 2, 2001 for $7,135,000; payable interest only for first 25 months then monthly installments of $32,750 for 456 months at 4.50% interest.	6,159,643	-	118,220	**6,041,423**	123,540
Sheffield Financing dated August 28, 2013 for the purchase of a Dixie Chopper Lawnmower payable over 48 months with monthly payments of $253.31 and zero interest.	9,879	-	3,040	**6,839**	3,039
	$ 6,924,748	$ -	$ 216,033	**$ 6,708,715**	$ 225,135

8 Net Investment in Capital Assets

The “net investment in capital assets” amount reported on the Statement of Net Position Position as of June 30, 2015 is determined as follows:

Cost of capital assets	$ 11,268,260
Less: Accumulated depreciation	(2,802,060)
Book value	8,466,200
Less: Capital related debt	(6,708,715)
Net Investment in Capital Assets	$ 1,757,485

9 Commitments and Contingencies

If applicable, federal programs in which the Authority participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

10 Litigation

At June 30, 2015, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decision or pending matter not be favorable to the Authority.

11 Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68--*Accounting and Financial Reporting for Pensions*--an *amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

12 Restatement of Net Position

The following table reflects the restatement of net position due to the implementation of GASB No. 68:

Restatement of Net Position	
Beginning balance, June 30, 2014	$ 2,574,678
Net pension liability, July 1, 2014	(26,028)
Affect of prior year 2014 contributions	21,481
Restated Net Position, July 1, 2014	$ 2,570,131

13 Subsequent Events

We have searched for events occurring subsequent to the date of the financial statements that may impact the financial data herein presented. When such events occur, we report the event and estimate, to the best of our ability, the potential measurable impact to the financial data reported. We are not aware of any material events occurring during the period of time that is subsequent to the date of the financial statements up to and including the date of the Independent Auditor's Report.

REQUIRED SUPPLEMENTARY INFORMATION

Roanoke River Service Authority

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

Year Ended June 30, 2015

	2014
Total pension liability	
Service cost	$ 31,639
Interest	23,125
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit Payments, including refunds of employee contributions	(1,278)
Net change in total pension liability	53,486
Total pension liability - beginning	330,994
Total pension liability - ending (a)	$ 384,480
Plan fiduciary net position	
Contributions - employer	$ 21,481
Contributions - employee	13,194
Net investment income	50,917
Benefit Payments, including refunds of employee contributions	(1,278)
Administrative expense	(243)
Other	3
Net change in plan fiduciary net position	84,074
Plan fiduciary net position - beginning	304,966
Plan fiduciary net position - ending (b)	$ 389,040
Political subdivision's net pension liability - ending (a) - (b)	$ (4,560)
Plan fiduciary net position as a percentage of the total Pension liability	101.19%
Covered--employee payroll	$ 263,889
Political subdivision's net pension liability as a percentage of covered-employee payroll	-1.73%

Roanoke River Service Authority

Schedule of Employer Contributions

For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	$ 20,167	$ 23,049	$ (2,882)	$ 271,788	8.48%

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer’s covered employee payroll
Column 2 – Actual employer contribution remitted to VRS
Column 3 – Employer’s covered employee payroll amount for the fiscal year ended June 30, 2015

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS

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

COMPLIANCE

Creedle
Jones
& Alga

A Professional Corporation

Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Nadia A. Rogers, CPA

James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly W. Jackson, CPA

Sherwood H. Creedle, Emeritus

Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants

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 Board of Directors
Roanoke River Service Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Roanoke River Service Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Roanoke River Service Authority's basic financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

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

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

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

P. O. Box 1113
204 S. Main Street
Emporia, Virginia 23847
434-634-3111 • FAX: 434-634-6895

P. O. Box 487
828 N. Mecklenburg Avenue
South Hill, Virginia 23970
434-447-7111 • FAX: 434-447-5793

P. O. Box 147
313 N. Main Street
Lawrenceville, Virginia 23868
434-848-4191 • FAX: 434-848-1009

www.cja-cpa.com

Compliance and Other Matters

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

Purpose of this Report

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

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
October 21, 2015