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HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

FINANCIAL REPORT  
YEARS ENDED JUNE 30, 2015 AND 2014

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

### Board of Directors

Harrisonburg-Rockingham Regional Sewer Authority  
Mt. Crawford, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the Harrisonburg-Rockingham Regional Sewer 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 Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harrisonburg-Rockingham Regional Sewer Authority, as of June 30, 2015 and 2014, and the 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.

## *Change in Accounting Principle*

As described in Note 11 to the financial statements, in 2015, the Authority adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Comparative Information*

As described in Note 11 to the financial statements, GASB Statement Nos. 68 and 71 were implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net pension liability and related items was unavailable. Therefore, the 2014 amounts related to pensions have not been restated to reflect the requirements of GASB Statement Nos. 68 and 71. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-8 and 47-50 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 an opinion on the financial statements that collectively comprise the Harrisonburg-Rockingham Regional Sewer Authority's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015, on our consideration of Harrisonburg-Rockingham Regional Sewer 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 Harrisonburg-Rockingham Regional Sewer Authority's internal control over financial reporting and compliance.

*Robinson, Fann, Cox Associates*

Charlottesville, Virginia

October 27, 2015

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## Management's Discussion and Analysis

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To the Board of Directors  
Harrisonburg-Rockingham Regional Sewer Authority  
Mt. Crawford, Virginia

As management of the Harrisonburg-Rockingham Regional Sewer Authority, (the Authority), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015.

### Overview of the Financial Statements

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

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

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

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

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

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13 through 46 of this report. Required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits and OPEB to its employees is located immediately following the notes to the financial statements.

## Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$34,954,371 (net position). Of this amount \$3,990,372 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's total net position increased by \$898,903.
- The Authority's total debt decreased by \$1,474,401 during the current fiscal year. This decrease in debt is due to scheduled principal payments on the Authority's bonds in excess of new borrowings.

## Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$34,954,371 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position (86 percent) reflects its investment in capital assets, less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position		
	2015	2014	2013
Current, restricted, and other assets	\$ 8,421,751	\$ 7,734,778	\$ 7,274,126
Capital assets	90,410,696	91,740,489	95,620,300
Total assets	\$ 98,832,447	\$ 99,475,267	\$ 102,894,426
Total deferred outflows of resources	\$ 677,328	\$ 640,544	\$ 720,612
Current liabilities	\$ 4,954,458	\$ 4,730,020	\$ 4,545,583
Long-term liabilities	59,242,676	60,693,569	64,215,159
Total liabilities	\$ 64,197,134	\$ 65,423,589	\$ 68,760,742
Total deferred inflows of resources	\$ 358,270	\$ 0	\$ 0
Net position:			
Net investment in capital assets	\$ 30,134,615	\$ 29,928,365	\$ 30,423,845
Restricted	828,984	824,748	800,360
Unrestricted	3,990,772	3,939,109	3,630,091
Total net position	\$ 34,954,371	\$ 34,692,222	\$ 34,854,296

## Financial Analysis: (continued)

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

	Change in Net Position		
	2015	2014	2013
Revenues:			
Operating revenues	\$ 5,522,621	\$ 5,155,221	\$ 5,215,651
Debt Service revenue	5,443,505	5,625,722	5,641,472
Investment income	3,990	2,905	3,634
Other revenue	33,468	10,379	30,231
Total revenues	<u>\$ 11,003,584</u>	<u>\$ 10,794,227</u>	<u>\$ 10,890,988</u>
Expenses:			
Operating expenses (excluding depreciation)	\$ 4,255,568	\$ 4,582,468	\$ 4,382,582
Depreciation expense	4,726,560	4,683,175	4,675,993
Interest expense	1,870,932	2,244,108	2,388,940
Other	81,224	267,484	162,387
Total expenses	<u>\$ 10,934,284</u>	<u>\$ 11,777,235</u>	<u>\$ 11,609,902</u>
Income before capital contributions	\$ 69,300	\$ (983,008)	\$ (718,914)
Capital contributions	829,603	820,934	794,850
Increase (decrease) in net assets	\$ 898,903	\$ (162,074)	\$ 75,936
Net position—July 1, as restated (Note 11)	<u>34,055,468</u>	<u>34,854,296</u>	<u>34,778,360</u>
Net position—June 30	<u>\$ 34,954,371</u>	<u>\$ 34,692,222</u>	<u>\$ 34,854,296</u>

The Authority's net position increased by \$898,903 during the current year. Operating revenues increased by \$367,400 while operating expenses decreased \$326,900 from FY 2014 levels. Key elements of these changes are explained in greater detail under the Review of Operations section.

## Capital Asset and Debt Administration

**Capital Assets** - The Authority's investment in capital assets as of June 30, 2015 amounts to \$90,410,696 (net of accumulated depreciation). Investment in capital assets decreased by approximately 1.4% during the year, mostly due to depreciation of capital assets associated with the ENR project. Below is a comparison of the items that make up capital assets as of June 30, 2015 with that of June 30, 2014 and 2013.

	2015	2014	2013
Land	\$ 193,392	\$ 193,392	\$ 193,392
Plant	74,700,813	77,542,176	80,596,443
Machinery and equipment	12,345,438	13,429,810	14,324,950
Vehicles and equipment	225,630	250,790	263,816
Construction in progress	2,945,423	324,321	241,699
Total capital assets	<u>\$ 90,410,696</u>	<u>\$ 91,740,489</u>	<u>\$ 95,620,300</u>

More detailed information on the Authority's capital assets is presented in Note 4 of the Notes to the financial statements.

**Long-Term Debt** - At the end of the current fiscal year, the Authority had \$62,454,521 in bonds outstanding versus \$63,928,922 last year, a decrease of 2.3%. The decrease is due to the scheduled payments of debt in excess of new borrowings.

## Capital Asset and Debt Administration: (continued)

Other long-term obligations of the Authority include accrued vacation pay and other postemployment benefits. More detailed information on the Authority's long-term liabilities is presented in Note 5 of the notes to the financial statements.

## Review of Operations

**Operating Revenues:** A comparison of FY 2015 actual to budgeted revenue is shown on Schedule 1 - Schedule of Income and Expenses - By Fund. Operating revenues of \$5,522,621 were received in FY 2015 - a 7.1% increase over the prior year. Revenue from industrial solids and septage treatment totaled \$722,629 as compared to a budgeted amount of \$190,000. The increase in FY 2015 revenue is attributed to increased industrial solids treatment revenue. The Authority began evaluating the feasibility of developing contractual relationships with local industries to increase revenue from industrial solids treatment fees in FY 2014. Industrial treatment services have gradually ramped up since then and continued to grow in FY 2015. Over the past year, over 6 million gallons of sludge from several food processing industries has been treated by the North River WWTF digestion system; this material has proven to be compatible with the plant's existing waste activated sludge (WAS) solids stream.

**Operating Expenses:** A comparison of FY 2015 actual and budgeted expenses is found on Schedule 2 - Schedule of Operating Expenses - Budget and Actual. Net operating expenses were \$642,698 (12.9%) under budget after removal of the new GASB 68 accounting adjustment to the Virginia Retirement System line item so as to reflect the Authority's actual contributions for the year. O&M expense reductions are attributed to lower plant flows over the prior year due to dryer weather conditions; lower sewage treatment plant power usage and a new electrical power rate structure; continued optimization of sewage treatment chemical feed rates (ferric chloride, sodium hypochlorite and sodium bisulfite) resulting in lower chemical usage; lower contract rates for biosolids hauling that came into effect on February 1, 2015 and lower employee expenses resulting from refilling key staff positions that became vacant due to retirement with lower salaried workers.

Operating expenses for electrical power were \$180,345 under budget for the fiscal year despite a 5% increase in utility rates. The large difference between actual and budgeted expenses is attributed to the Shenandoah Valley Electric Cooperative (SVEC) PC-3 coincident peak power rate schedule that the Authority transitioned to in June 2014. SVEC is the electric utility that provides power to the North River WWTF. The Authority was previously subject to the SVEC LP-11 rate schedule which charged a flat rate for the peak power demand occurring in any 15 minute time interval in the billing cycle. The new PC-3 rate schedule provides incentives for power demand load shedding during time periods that are coincident with SVEC's peak costs for wholesale power. The PC-3 rate schedule will result in considerable savings next year now that the new generator system, constructed as part of the Authority's Energy Efficiency Improvements Project, is operational. Nevertheless, even without on-site generators for most of FY 2015, the Authority was able to shave approximately 400-500 KW of power demand during SVEC declared load controls by turning off non-essential equipment, lighting and HVAC units. A cost comparison between the PC-3 and LP-11 rate schedules provided by SVEC at the close of FY 2015 demonstrated that the Authority saw an annual savings of approximately \$74,000 in FY 2015 just by switching to the PC-3 rate schedule.

## Long-Term Issues

A Five-Year Capital Improvement Plan (CIP) was adopted by the Authority's Board of Directors on May 5, 2014 and was subsequently amended on June 1, 2015. Projects identified in the plan include the Energy Efficiency Improvements Project, which is discussed in more detail below. Other smaller projects at the North River WWTF as well as upgrades to the Authority's interceptor system, raw sewage pump station located in the Town of Bridgewater and remote metering stations were also in the plan. Total funds appropriated for FY 2015 totaled \$3,659,170. The total value of projects completed and capitalized during FY 2015 was \$562,154; expense projects totaled \$81,224. As of June 30, 2015, the value of construction in progress totaled \$2,945,423.

### Long-Term Issues: (continued)

The Energy Efficiency Improvements Project is the largest of the projects included in the construction-in-progress figure. This project is the culmination of an extensive evaluation of energy savings and other cost savings opportunities at the North River WWTF which was conducted between FY's 2013 and 2014. The Authority's evaluation identified four key components with significant energy and/or energy recovery savings. The four components are as follows:

- Component 1: Peak Load Shedding/Emergency Generator System- installation of a 2.1 MW peak load shedding/emergency generator system that would allow the Authority to realize significant cost savings from utilization of coincident peak load shedding power rate schedule and to provide back-up power to the North River WWTF in the event of total loss of power;
- Component 2: Digester Improvements - replacement of antiquated anaerobic digester boilers/heat exchangers and waste gas flare with more modern equipment;
- Component 3: Biogas Sludge Dryer - construction of a biogas sludge dryer capable of producing "Class A" biosolids of 90% solids or greater thereby reducing transportation and disposal costs (due to less quantity of water hauled), providing more flexibility in disposal options and recovering biogas from the digester that is currently wasted to atmosphere via the waste gas flare; and
- Component 4: Aeration System Improvements - construction of aeration system improvements to include the installation of new bioreactor blowers, construction of a new blower building, improvements to SAT basin mixing; diffuser upgrades and additional instrumentation to automate dissolved oxygen control all to improve energy efficiency

Project funding was obtained through the Virginia Clean Water Revolving Loan Fund (VCWRLF) program which is administered by the Virginia Department of Environmental Quality (DEQ) and secured by a pledge of sewer system revenues. The Authority's project was approved for 20 year financing at the VCWRLF ceiling rate which was set by the State Water Control Board for wastewater projects at 1.5% below the municipal bond market rate at its December 2014 meeting. In order to take advantage of historically low interest rates which were in effect in January 2015, the Authority's Board of Directors adopted a "not-to-exceed" \$8.95 million resolution for the project at the February 2, 2015 board meeting before all costs for the project were known based on the engineer's estimate of probable costs.

The Authority subsequently closed on the first phase of project financing totaling \$4,021,387 for construction of Components 1, 2 and a portion of Component 4 on February 27, 2015. This locked-in an annual interest rate of 1.2% for the project when factoring in the 1.5% VCWRLF subsidy. Phase II financing for the remainder of Component 4 contracts is scheduled to occur in September 22, 2015 for an additional \$4,644,118 through modification of the current financing agreement and allonge to the February 27, 2015 bond. The final loan amount for Components 1, 2 and 4 will be \$8,665,505. Annual debt service is estimated to be \$499,730 with the first semi-annual payment due on October 1, 2017.

As of June 30, 2015, the Authority had received \$2,066,003 in loan funds from the VCWRLF to cover project expenditures. All contracts have been issued and construction is in progress. Component 1, the generator project, was deemed substantially complete in July, 2015 and the generator system is now operational. Component 2, heat exchangers/boilers and waste gas flare, is expected to be completed by December, 2015. The aeration improvements project, Component 4, is expected to be completed by December, 2016.

Construction of Component 3, the sludge dryer, has been delayed pending further study. The Authority submitted a new VCWRLF application to fund the sludge dryer project during the DEQ's annual solicitation for applications which closed on July 17, 2015. If approved by DEQ, VCWRLF financing would become available as early as February, 2016.

### Requests for Information:

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, at P.O. Box 8, Mount Crawford, VA 22841.

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- Financial Statements -

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**HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY**

Statement of Net Position  
At June 30, 2015 and 2014

<b>ASSETS</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Current Assets		
Cash and cash equivalents	\$ 4,355,610	\$ 3,200,191
Accounts receivable	119,606	568,925
Prepaid items	<u>19,206</u>	<u>19,926</u>
Total Current Assets	<u>\$ 4,494,422</u>	<u>\$ 3,789,042</u>
Noncurrent Assets		
Restricted Assets (Note 2)		
Cash and temporary investments	\$ 828,984	\$ 824,748
Cash and temporary investments held by trustee	<u>2,323,334</u>	<u>2,362,279</u>
Total Restricted Assets	<u>\$ 3,152,318</u>	<u>\$ 3,187,027</u>
Other Assets		
Patronage equities	<u>\$ 775,011</u>	<u>\$ 758,709</u>
Total Other Assets	<u>\$ 775,011</u>	<u>\$ 758,709</u>
Capital Assets		
Land	\$ 193,392	\$ 193,392
Plant	118,105,485	117,820,241
Machinery, equipment and vehicles	23,372,979	22,900,891
Office furniture and equipment	153,482	153,482
Computer equipment	<u>114,815</u>	<u>96,483</u>
	<u>\$ 141,940,153</u>	<u>\$ 141,164,489</u>
Accumulated depreciation	<u>54,474,880</u>	<u>49,748,321</u>
	<u>\$ 87,465,273</u>	<u>\$ 91,416,168</u>
Construction in progress	<u>2,945,423</u>	<u>324,321</u>
Net Capital Assets	<u>\$ 90,410,696</u>	<u>\$ 91,740,489</u>
Total Noncurrent Assets	<u>\$ 94,338,025</u>	<u>\$ 95,686,225</u>
Total Assets	<u>\$ 98,832,447</u>	<u>\$ 99,475,267</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	\$ 560,476	\$ 640,544
Post measurement date employer pension contributions	<u>116,852</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>\$ 677,328</u>	<u>\$ 640,544</u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Statement of Net Position At June 30, 2015 and 2014 (continued)

LIABILITIES	2015	2014
Current Liabilities		
Accounts payable	\$ 410,397	\$ 250,845
Accrued expenses	76,136	75,052
Current maturities of long-term debt	1,942,170	1,801,014
Compensated absences	202,421	240,830
Total Current Liabilities	<u>\$ 2,631,124</u>	<u>\$ 2,367,741</u>
Current Liabilities Payable From Restricted Assets		
Current maturities of long-term debt	\$ 1,775,021	\$ 1,677,939
Accrued interest payable	548,313	684,340
Total Current Liabilities Payable From Restricted Assets	<u>\$ 2,323,334</u>	<u>\$ 2,362,279</u>
Noncurrent Liabilities		
Net OPEB obligation	\$ 45,529	\$ 41,915
Net pension liability	302,760	-
Revenue bonds (net of unamortized premiums)	58,894,387	60,651,654
Total Noncurrent Liabilities	<u>\$ 59,242,676</u>	<u>\$ 60,693,569</u>
Total Liabilities	<u>\$ 64,197,134</u>	<u>\$ 65,423,589</u>
DEFERRED INFLOW OF RESOURCES		
Net difference of actual and expected pension asset earnings	<u>\$ 358,270</u>	<u>\$ -</u>
Net Position		
Net investment in capital assets	\$ 30,134,615	\$ 29,928,365
Restricted for debt service and bond covenants	828,984	824,748
Unrestricted	3,990,772	3,939,109
Total Net Position	<u>\$ 34,954,371</u>	<u>\$ 34,692,222</u>

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

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Statement of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenue		
Operations and maintenance	\$ 4,703,340	\$ 4,691,413
Septage/waste treatment	722,629	340,536
Pretreatment	23,317	49,384
Nutrient credit sales	<u>73,335</u>	<u>73,888</u>
Total Operating Revenue	\$ <u>5,522,621</u>	\$ <u>5,155,221</u>
Operating Expenses		
Power	\$ 930,905	\$ 996,264
Operations and maintenance	293,010	302,926
Sewage treatment	364,927	405,928
Biosolids expenses	537,075	593,281
Professional expenses	60,971	70,072
Personnel	1,932,793	2,082,981
Administrative	<u>135,887</u>	<u>131,016</u>
Total Operating Expenses	\$ <u>4,255,568</u>	\$ <u>4,582,468</u>
Operating Income Before Depreciation	\$ 1,267,053	\$ 572,753
Depreciation	<u>4,726,560</u>	<u>4,683,175</u>
Operating income (loss)	\$ <u>(3,459,507)</u>	\$ <u>(4,110,422)</u>
Nonoperating Revenues (Expenses)		
Debt service revenue	\$ 5,443,505	\$ 5,625,722
Investment income	3,990	2,905
Patronage refunds and miscellaneous	33,468	10,379
Interest expense and bond fees	(1,870,932)	(2,244,108)
Planning and repair expenses	<u>(81,224)</u>	<u>(267,484)</u>
Nonoperating revenues (expenses)	\$ <u>3,528,807</u>	\$ <u>3,127,414</u>
Income (loss) before capital contributions	\$ 69,300	\$ (983,008)
Capital contributions	<u>829,603</u>	<u>820,934</u>
Change in Net Position	\$ 898,903	\$ (162,074)
Net Position, Beginning of Year, as restated (Note 11)	<u>34,055,468</u>	<u>34,854,296</u>
Net Position, End of Year	<u>\$ 34,954,371</u>	<u>\$ 34,692,222</u>

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

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Statement of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,974,061	\$ 5,117,334
Payments to suppliers	(2,162,503)	(2,394,650)
Payments to and on behalf of employees	(2,059,080)	(2,067,918)
Net cash provided by (used for) operating activities	\$ 1,752,478	\$ 654,766
Cash flows from noncapital financing activities:		
Planning and major repair outlays	\$ (81,224)	\$ (267,484)
Cash flows from capital and related financing activities:		
Additions to fixed assets	\$ (3,396,766)	\$ (803,365)
Proceeds from localities-debt service revenues	5,443,505	5,625,722
Proceeds from localities-capital contributions	829,603	820,934
Proceeds from issuance of bonds	2,066,003	-
Principal payments on bonds	(3,540,404)	(3,354,653)
Interest and fees paid on bonds	(1,971,520)	(2,266,934)
Net cash provided by (used for) capital and related financing activities	\$ (569,579)	\$ 21,704
Cash flows from investing activities:		
Interest income	\$ 3,990	\$ 2,905
Patronage refunds	15,045	5,771
Net cash provided by (used for) investing activities	\$ 19,035	\$ 8,676
Net Increase (Decrease) in Cash	\$ 1,120,710	\$ 417,662
Cash & cash equivalents, beginning of year (including \$3,187,027 and \$3,155,786, respectively reported in restricted accounts)	6,387,218	5,969,556
Cash & cash equivalents, end of year (including \$3,152,318 and \$3,187,027, respectively reported in restricted accounts)	\$ 7,507,928	\$ 6,387,218
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (3,459,507)	\$ (4,110,422)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,726,560	4,683,175
Miscellaneous revenues	2,121	1,557
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	449,319	(39,444)
(Increase) decrease in prepaid items	720	(493)
Increase (decrease) in accounts payable	159,552	105,330
(Increase) decrease in pension deferred outflows of resources	14,359	-
Increase (decrease) in pension deferred inflows of resources	358,270	-
Increase (decrease) in net pension liability	(465,205)	-
Increase (decrease) in accrued expenses	1,084	10,880
Increase (decrease) in compensated absences	(38,409)	(1,749)
Increase (decrease) in net OPEB obligation	3,614	5,932
Net cash flows from operating activities	\$ 1,752,478	\$ 654,766

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

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014

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### **NOTE 1 - FORMATION OF THE HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY:**

The Harrisonburg-Rockingham Regional Sewer Authority ("HRRSA") is a public body politic and corporate organized and existing under the provisions of the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended (the "Enabling Act"), and Chapter 61, 1971 Va. Acts of Assembly (the "HRRSA Enabling Act"). HRRSA was created by concurrent resolutions adopted by the governing bodies of the Member Jurisdictions and was chartered by the State Corporation Commission on July 15, 1970. The SCC charter was extended for fifty years on September 13, 2005. The purpose for which HRRSA was formed is to acquire, finance, construct, operate and maintain facilities for the collection and treatment of sewage within its service area.

The Enabling Act provides that HRRSA is authorized, among other things (a) to acquire, construct, improve, operate and maintain any sewer system or sewage disposal system, (b) to issue revenue bonds of HRRSA, payable solely from revenues, to pay all or any part of the cost of a sewer system or sewage disposal system, (c) to fix, revise, charge and collect rates, fees and charges for the use of and for the services furnished by any system operated by HRRSA, and (d) to enter into contracts with any counties, towns and cities, providing for or relating to the furnishing of services and facilities or to the use of any sewer system or sewage disposal system of HRRSA, including the provision of charges therefore. The Enabling Act also provides that HRRSA is subject in all respects to the jurisdiction of the Virginia State Water Control Board under the provisions of the State Water Control Law.

#### **Financial Reporting Entity:**

The member jurisdictions are the City of Harrisonburg, the County of Rockingham and the Towns of Bridgewater, Dayton and Mt. Crawford. These governmental entities have an ongoing financial responsibility to the Authority because a covenant to pay the Authority's rates and charges is included in the service contract.

The Authority's governing body is composed of four members appointed by the City of Harrisonburg and one member each appointed by the other member jurisdictions. Therefore, none of the participants appoints a voting majority of board members.

No participating government has access to the Authority's resources or surpluses, nor is any participant liable for the Authority's debts or deficits. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds.

Based on the above representations, the Harrisonburg-Rockingham Regional Sewer Authority has been determined to be a joint venture of its member jurisdictions. The Authority is not a component unit of any of the participating governments. There are no component units to be included within the Authority's financial statements.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **A. Basis of Accounting:**

The Harrisonburg-Rockingham Regional Sewer Authority operates as an enterprise fund or business-type activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority follows all applicable Governmental Accounting Standards Board (GASB) pronouncements.

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

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## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### A. Basis of Accounting: (Continued)

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

### B. Allowance for Doubtful Accounts:

The Authority bills the member jurisdictions for substantially all of its services and consequently no provision for doubtful accounts is considered necessary.

### C. Basic Financial Statements:

For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis
- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Required Supplementary Information
  - Schedule of Components of and Changes in Net Pension Liability and Related Ratios
  - Schedule of Employer Contributions
  - Notes to Required Supplementary Information
  - Schedule of OPEB Funding Progress

### D. Capital Assets:

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

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## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### D. Capital Assets: (Continued)

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

<u>Assets</u>	<u>Years</u>
Sewage treatment plant and equipment	10 to 50
Machinery and equipment	3 to 25
Office furniture and equipment	10
Automotive	5

### E. Interest on Indebtedness:

Interest expense applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities, is capitalized during the period of construction as part of the cost of such facilities. Other interest costs of the Authority are treated as nonoperating expenses. Such capitalized interest totaled \$0 and \$0 for the years ended June 30, 2015 and 2014, respectively.

### F. Cash and Cash Equivalents:

The Authority's cash and cash equivalents consist of demand deposits, investments in the Virginia State Treasurer's Local Government Investment Pool, and investments in United States Government Securities money market mutual funds, all of which have original maturities of three months or less from the date of acquisition.

### G. Investments:

Investments are stated at fair value.

### H. Budgets and Budgetary Accounting:

A budget is prepared for information, fiscal planning purposes, and to provide the basis for setting wholesale rates, in accordance with the requirements of the Service Contract, among the member jurisdictions. Rates are not subjected to regulatory scrutiny but may be changed at any time by the Authority's Board of Directors if necessary in order to adjust revenues. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses.

### I. Inventory:

Consumption of materials and supplies is recorded as an expense when used. No inventory amount is recorded as an asset, as available inventory is not significant.

### J. 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.



## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

### Notes to Financial Statements

As of June 30, 2015 and 2014 (Continued)

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#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **K. Deferred Outflows/Inflows of Resources:**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category. One item is the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

##### **L. Net Position:**

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

##### **M. Net Position Flow Assumption:**

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

##### **N. 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 Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

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## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### O. Restricted Assets:

The Authority maintains a number of restricted accounts which are required by contract with the users, by bond resolution, or by the Board of Directors. At June 30, 2015 and 2014 restricted assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Restricted Assets:		
Cash and temporary investments held by Authority:		
O & M Reserve Account	\$ <u>828,984</u>	\$ <u>824,748</u>
Cash and temporary investments held by Trustee:		
Bond Service fund	\$ <u>2,323,334</u>	\$ <u>2,362,279</u>
Total	\$ <u>2,323,334</u>	\$ <u>2,362,279</u>
Restricted asset balance June 30	\$ <u><u>3,152,318</u></u>	\$ <u><u>3,187,027</u></u>
Board designated accounts, included in current assets:		
Special reserve account	\$ 248,695	\$ 247,425
Planning and repair account	2,114,175	1,501,746
Capital outlay escrow	<u>60,496</u>	<u>60,428</u>
Total	\$ <u><u>2,423,366</u></u>	\$ <u><u>1,809,599</u></u>

Special Reserve Account: The purpose of this account is to hold monies in reserve for the financing of special unanticipated repairs, maintenance, additions, and/or improvements as designated by the Board.

Operating and Maintenance (O & M) Reserve Account: This account is required by contract to equal two months of operations and maintenance expenses under the current budget. This fund is to be used for current operations and maintenance if there are insufficient monies in the operation and maintenance account (unrestricted) caused by extraordinary maintenance and repairs and for capital expenditures.

Planning and Repair Account: This account, held by the Authority, may be used to pay costs or expenses related to the construction, replacement, renewal, or improvement of the Authority's sewage disposal system.

Bond Service Fund: This account, established by the 1992 and 1998 Bond Resolutions, is held in trust and is to be used by the trustee to pay all interest and principal requirements of the bonds. The Authority covenants that it will pay to the Trustee, on a monthly basis, funds sufficient to service the current interest and principal requirements of the Sewer Revenue Bonds.

Capital Outlay Escrow: This account was established by the Board and is used to accumulate funds for capital outlay purchases, such as vehicles.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### P. Long-Term Obligations:

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

#### Q. Reclassification:

Certain amounts in previously issued financial statements have been restated to conform to the current year's classifications.

### NOTE 3 - 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 institution 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.

The Authority has no formal deposit and investment policy.

#### Investments:

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

#### Credit Risk of Debt Securities

The Authority's rated debt investments as of June 30, 2015 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Authority's Rated Debt Investments' Values</u>	
	Fair Quality Ratings
<u>Rated Debt Investments</u>	<u>AAA<sup>m</sup></u>
Local Government Investment Pool	\$ 3,334,299
Federated Automated Government Money Trust	2,323,334
Total deposits and investments	\$ <u>5,657,633</u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 3 - DEPOSITS AND INVESTMENTS: (CONTINUED)

### External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC rule 2a-7.

## NOTE 4 - CAPITAL ASSETS:

Details of changes in capital assets for the year ended June 30, 2015 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 193,392	\$ -	\$ -	\$ 193,392
Construction in progress	324,321	3,183,256	562,154	2,945,423
Total capital assets not being depreciated	<u>\$ 517,713</u>	<u>\$ 3,183,256</u>	<u>\$ 562,154</u>	<u>\$ 3,138,815</u>
<b>Capital assets being depreciated:</b>				
Plant	\$ 117,820,241	\$ 285,244	\$ -	\$ 118,105,485
Machinery and equipment	22,488,661	438,133	-	22,926,794
Vehicles	412,230	33,955	-	446,185
Office furniture and equipment	153,482	-	-	153,482
Computer equipment	96,483	18,332	-	114,815
Total capital assets being depreciated	<u>\$ 140,971,097</u>	<u>\$ 775,664</u>	<u>\$ -</u>	<u>\$ 141,746,761</u>
<b>Accumulated depreciation:</b>				
Plant	\$ (40,278,065)	\$ (3,126,607)	\$ -	\$ (43,404,672)
Machinery and equipment	(9,058,851)	(1,522,505)	-	(10,581,356)
Vehicles	(275,517)	(48,603)	-	(324,120)
Office furniture and equipment	(69,715)	(14,815)	-	(84,530)
Computer equipment	(66,173)	(14,029)	-	(80,202)
Total accumulated depreciation	<u>\$ (49,748,321)</u>	<u>\$ (4,726,559)</u>	<u>\$ -</u>	<u>\$ (54,474,880)</u>
Total capital assets, being depreciated, net	<u>\$ 91,222,776</u>	<u>\$ (3,950,895)</u>	<u>\$ -</u>	<u>\$ 87,271,881</u>
Total capital assets net	<u>\$ 91,740,489</u>	<u>\$ (767,639)</u>	<u>\$ 562,154</u>	<u>\$ 90,410,696</u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 4 - CAPITAL ASSETS: (CONTINUED)

Details of changes in capital assets for the year ended June 30, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 193,392	\$ -	\$ -	\$ 193,392
Construction in progress	<u>241,699</u>	<u>685,382</u>	<u>602,760</u>	<u>324,321</u>
Total capital assets not being depreciated	<u>\$ 435,091</u>	<u>\$ 685,382</u>	<u>\$ 602,760</u>	<u>\$ 517,713</u>
<b>Capital assets being depreciated:</b>				
Plant	\$ 117,758,317	\$ 61,924	\$ -	\$ 117,820,241
Machinery and equipment	21,896,874	591,787	-	22,488,661
Vehicles	345,198	67,032	-	412,230
Office furniture and equipment	153,482	-	-	153,482
Computer equipment	<u>96,483</u>	<u>-</u>	<u>-</u>	<u>96,483</u>
Total capital assets being depreciated	<u>\$ 140,250,354</u>	<u>\$ 720,743</u>	<u>\$ -</u>	<u>\$ 140,971,097</u>
<b>Accumulated depreciation:</b>				
Plant	\$ (37,161,874)	\$ (3,116,191)	\$ -	\$ (40,278,065)
Machinery and equipment	(7,571,924)	(1,486,927)	-	(9,058,851)
Vehicles	(229,640)	(45,877)	-	(275,517)
Office furniture and equipment	(54,830)	(14,885)	-	(69,715)
Computer equipment	<u>(46,877)</u>	<u>(19,296)</u>	<u>-</u>	<u>(66,173)</u>
Total accumulated depreciation	<u>\$ (45,065,145)</u>	<u>\$ (4,683,176)</u>	<u>\$ -</u>	<u>\$ (49,748,321)</u>
Total capital assets, being depreciated, net	<u>\$ 95,185,209</u>	<u>\$ (3,962,433)</u>	<u>\$ -</u>	<u>\$ 91,222,776</u>
Total capital assets net	<u>\$ 95,620,300</u>	<u>\$ (3,277,051)</u>	<u>\$ 602,760</u>	<u>\$ 91,740,489</u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 5 - LONG-TERM OBLIGATIONS:

### A. Changes in Long-Term Obligations:

The following is a summary of long-term obligations transactions for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 63,928,922	\$ 2,066,003	\$ (3,540,403)	\$ 62,454,522	\$ 3,717,191
Unamortized issuance premiums	<u>201,685</u>	<u>-</u>	<u>(44,629)</u>	<u>157,056</u>	<u>-</u>
Total revenue bonds	\$ 64,130,607	\$ 2,066,003	\$ (3,585,032)	\$ 62,611,578	\$ 3,717,191
Net OPEB obligation	41,915	10,500	(6,886)	45,529	-
Net pension liability	767,965	544,563	(1,009,768)	302,760	-
Compensated absences	<u>240,830</u>	<u>-</u>	<u>(38,409)</u>	<u>202,421</u>	<u>202,421</u>
Totals	<u>\$ 65,181,317</u>	<u>\$ 2,621,066</u>	<u>\$ (4,640,095)</u>	<u>\$ 63,162,288</u>	<u>\$ 3,919,612</u>

The following is a summary of long-term obligations transactions for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 67,283,575	\$ -	\$ (3,354,653)	\$ 63,928,922	\$ 3,478,953
Unamortized issuance premiums	<u>250,254</u>	<u>-</u>	<u>(48,569)</u>	<u>201,685</u>	<u>-</u>
Total revenue bonds	\$ 67,533,829	\$ -	\$ (3,403,222)	\$ 64,130,607	\$ 3,478,953
Net OPEB obligation	35,983	10,300	(4,368)	41,915	-
Compensated absences	<u>242,579</u>	<u>-</u>	<u>(1,749)</u>	<u>240,830</u>	<u>240,830</u>
Totals	<u>\$ 67,812,391</u>	<u>\$ 10,300</u>	<u>\$ (3,409,339)</u>	<u>\$ 64,413,352</u>	<u>\$ 3,719,783</u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Notes to Financial Statements

As of June 30, 2015 and 2014 (Continued)

### NOTE 5 - LONG-TERM OBLIGATIONS: (CONTINUED)

#### B. Annual Amortization of Long-Term Obligations:

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2016	\$ 3,717,191	1,688,512
2017	3,935,312	1,615,192
2018	4,162,274	1,473,221
2019	4,288,350	1,349,595
2020	4,406,536	1,221,367
2021	4,546,886	1,083,780
2022	4,689,457	941,341
2023	3,609,308	823,405
2024	3,701,499	731,214
2025	3,796,092	636,621
2026	3,881,592	539,564
2027	3,759,992	440,812
2028	3,859,373	341,431
2029	3,961,385	239,419
2030	4,066,097	134,707
2031	2,073,178	27,223
Total	\$ 62,454,522	\$ 13,287,404

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

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## NOTE 5 - LONG-TERM OBLIGATIONS: (CONTINUED)

### C. Details of Long-Term Obligations:

#### Revenue Bonds:

\$12,650,000 Series 2008A Sewer Revenue and Refunding Bonds dated June 19, 2008 bearing interest at rates ranging from 2.95% to 4.8%, principal payable annually on October 1 and interest payable semi-annually on April 1 and October 1, final maturity October 1, 2021. \$ 7,337,056

\$30,000,000 Series 2007 Sewer Revenue Bond dated December 20, 2007 bearing interest at 2.52%, due in semi-annual installments of combined principal and interest of \$984,273, final maturity September 1, 2030. 25,129,887

\$33,219,297 Series 2008B Sewer Revenue Bond dated November 25, 2008 bearing interest at 2.72%, due in semi-annual installments of combined principal and interest of \$1,116,129, final maturity September 1, 2030. 28,078,632

\$4,021,387 Series 2015 Sewer Revenue Bond dated February 27, 2015 bearing interest at 1.20%, due in semi-annual installments beginning April 1, 2017 of combined principal and interest of \$115,954, final maturity April 1, 2036, amount borrowed to date. 2,066,003

Total Revenue Bonds \$ 62,611,578

Net OPEB obligation 45,529

Net pension liability 302,760

Compensated absences 202,421

Total Long-Term Obligations \$ 63,162,288

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 5 - LONG-TERM OBLIGATIONS: (CONTINUED)

### D. Presentation of Long-Term Debt:

The following is a summary of long-term debt accounts:

	June 30,	
	2015	2014
Revenue Bonds:		
2008A Series	\$ 7,180,000	\$ 8,035,000
Unamortized issuance premium	157,056	201,685
Current portion	(895,000)	(855,000)
	<u>\$ 6,442,056</u>	<u>\$ 7,381,685</u>
2007 Series	\$ 25,129,887	\$ 26,426,342
Current portion	(1,343,685)	(1,283,076)
	<u>\$ 23,786,202</u>	<u>\$ 25,143,266</u>
2008B Series	\$ 28,078,632	\$ 29,467,580
Current portion	(1,478,506)	(1,340,877)
	<u>\$ 26,600,126</u>	<u>\$ 28,126,703</u>
2015 Series	\$ 2,066,003	\$ -
Current portion	-	-
	<u>\$ 2,066,003</u>	<u>\$ -</u>
Revenue Bonds	<u><u>\$ 58,894,387</u></u>	<u><u>\$ 60,651,654</u></u>

### E. Revenue Covenants:

The Authority is required to establish, charge and collect rates and enter into agreements with the Units contracting with the Authority for use of its services and facilities. Under the contracts, net revenues will in each fiscal year be sufficient to provide, together with any other funds available, an amount at least equal to the sum of 100% of the principal and interest requirements on account of all the bonds then outstanding under the Resolution.

## NOTE 6 - COMPENSATED ABSENCES:

Effective July 1, 2014, the Authority combined its annual and sick leave plans into a single Paid Time Off (PTO) leave plan. Employee accumulated annual leave balances as of June 30, 2014 were converted to PTO leave and accumulated sick leave was converted to frozen sick leave. As of July 1, 2014, Authority employees earn Paid Time Off (PTO) leave each month in accordance with the years of service. Accumulated unpaid PTO and other compensatory leave amounts are accrued when incurred. Accumulated sick leave which was converted to frozen sick leave was accrued when incurred. At June 30, 2015 and 2014 the liability for accrued leave (including frozen sick leave) was \$202,421 and \$240,830 respectively.



# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 7 - PENSION PLAN:

### *Plan Description*

All full-time, salaried permanent employees of the Authority 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 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:

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

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 7 - PENSION PLAN: (CONTINUED)

### *Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 7 - PENSION PLAN: (CONTINUED)

### *Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> 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><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> 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><b>Retirement Contributions</b> 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.</p>	<p><b>Retirement Contributions</b> 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.</p>	<p><b>Retirement Contributions</b> 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>

HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

**NOTE 7 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> 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><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

**NOTE 7 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

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

HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

**NOTE 7 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

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

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 7 - PENSION PLAN: (CONTINUED)

### Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Calculating the Benefit (Cont.)</b> 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.	<b>Calculating the Benefit (Cont.)</b>	<b>Calculating the Benefit (Cont.)</b> <u><b>Defined Contribution Component:</b></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.
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> <b>VRS:</b> 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%.  <b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.  <b>Political subdivision hazardous duty employees:</b> 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.	<b>Service Retirement Multiplier</b> <b>VRS:</b> 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.  <b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.  <b>Political subdivision hazardous duty employees:</b> Same as Plan 1.	<b>Service Retirement Multiplier</b> <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> 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.  <b>Sheriffs and regional jail superintendents:</b> Not applicable.  <b>Political subdivision hazardous duty employees:</b> Not applicable.  <b>Defined Contribution Component:</b> Not applicable.

HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

**NOTE 7 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

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



# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 7 - PENSION PLAN: (CONTINUED)

### *Plan Description (Continued)*

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

HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

**NOTE 7 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 7 - PENSION PLAN: (CONTINUED)

### *Plan Description (Continued)*

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

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

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### **NOTE 7 - PENSION PLAN: (CONTINUED)**

#### *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:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>14</u>
Inactive members:	
Vested inactive members	5
Non-vested inactive members	4
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	15
Active members	<u>28</u>
Total covered employees	<u>57</u>

#### *Contributions*

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

The Authority's contractually required contribution rate for the year ended June 30, 2015 was 8.04% 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$116,852 and \$131,211 for the years ended June 30, 2015 and June 30, 2014, respectively.

#### *Net Pension Liability*

The Authority's 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 Authority'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.

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

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## NOTE 7 - PENSION PLAN: (CONTINUED)

### *Actuarial Assumptions - General Employees (Continued)*

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

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

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

#### Largest 10 - Non-LEOS:

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

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

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

The actuarial assumptions used in the June 30, 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

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 7 - PENSION PLAN: (CONTINUED)

### *Actuarial Assumptions - General Employees (Continued)*

- 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%.

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 7 - PENSION PLAN: (CONTINUED)

### *Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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 Authority Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 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*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 5,822,653	\$ 5,054,688	\$ 767,965
Changes for the year:			
Service cost	\$ 140,711	\$ -	\$ 140,711
Interest	399,558	-	399,558
Differences between expected and actual experience	-	-	-
Contributions - employer	-	131,211	(131,211)
Contributions - employee	-	77,714	(77,714)
Net investment income	-	800,801	(800,801)
Benefit payments, including refunds of employee contributions	(229,374)	(229,374)	-
Administrative expenses	-	(4,294)	4,294
Other changes	-	42	(42)
Net changes	\$ 310,895	\$ 776,100	\$ (465,205)
Balances at June 30, 2014	\$ 6,133,548	\$ 5,830,788	\$ 302,760

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2015 and 2014 (Continued)

## NOTE 7 - PENSION PLAN: (CONTINUED)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Authority			
Net Pension Liability	\$ 1,115,984	\$ 302,760	\$ (374,922)

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

For the year ended June 30, 2015, the Authority recognized pension expense of \$24,276. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	358,270
Employer contributions subsequent to the measurement date	116,852	-
Total	\$ 116,852	\$ 358,270

\$116,852 reported as deferred outflows of resources related to pensions resulting from the Authority'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	\$ (89,568)
2017	(89,568)
2018	(89,568)
2019	(89,568)
Thereafter	-



## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

### Notes to Financial Statements

As of June 30, 2015 and 2014 (Continued)

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#### **NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE:**

The costs of postemployment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the period in which it will be paid. The Authority adopted the provisions of GASB Statement No. 45 during the year ended June 30, 2010. Pursuant to that statement, the Authority recognizes the costs of postemployment health care and the related liability in the year when employee services are rendered. The entire liability related to OPEB will be phased in over a thirty year period from the date on which Statement No. 45 is implemented.

##### **A. Plan Description:**

The Authority administers a single-employer healthcare plan ("the Retiree Plan"). The plan provides for participation by eligible retirees of the Authority and their dependents in the health insurance programs available to Authority employees. The Retiree Health Plan will provide retiring employees the option to continue health insurance offered by the Authority. An eligible Authority retiree may receive this benefit until the retiree is eligible to receive Medicare. Participants in the Harrisonburg-Rockingham Regional Sewer Authority (Authority) must meet the eligibility requirements based on service earned with the Authority to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for a benefit. Participants must meet one of the following criteria to be eligible for benefits:

- Participants must attain the age of 50 with at least 30 years of service with the Virginia Retirement System, have 15 years of service with the Authority and must have participated in the health plan for the last 5 years prior to retirement.
- Participants must attain the age of 55 with at least 15 years of service with the Authority and must have participated in the health plan for the last 5 years prior to retirement.

Health benefits include medical, dental, and vision coverage. Retirees under the age of 65 may elect the Anthem BCBS (PPO) medical option and a separate dental option. Retirees may elect to cover a spouse until the earliest of any of the following conditions: the retiree reaches age 65; the spouse reaches age 65 or the spouse becomes eligible for Medicare.

Retirees who are aged 65 and older may elect the Medicare supplement offered by Anthem BCBS (PPO). Medicare eligible spouses are not eligible for this supplement.

All benefits cease upon the death of the retiree.

The benefits, employee contributions and the employer contributions are governed by the Board of Directors of the Harrisonburg-Rockingham Regional Sewer Authority and can be amended through Board action. The Retiree Health Plan does not issue a publicly available financial report.

##### **B. Funding Policy:**

The Authority currently pays for postemployment health care benefits on a pay-as-you-go basis for four (4) retirees. The Authority currently has 28 employees that are eligible for the program.

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Notes to Financial Statements

As of June 30, 2015 and 2014 (Continued)

### NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (CONTINUED)

#### B. Funding Policy: (Continued)

Coverage is for the retiree and eligible dependents. The monthly premiums below are for the year beginning July 1, 2014. Vision is included in the medical premium.

	<u>Retiree</u>	<u>Retiree &amp; Child</u>	<u>Retiree &amp; Children</u>	<u>Retiree &amp; Spouse</u>	<u>Family</u>
Anthem BCBS (PPO)	\$ 457.12	\$ 669.06	\$ 954.26	\$ 1,002.12	\$ 1,408.96
Dental	27.26	63.94	63.94	55.54	69.35

#### Employer Contributions

- Non-Medicare Eligible retirees (Under Age 65) - The Authority contributes \$7.00 per month towards the retiree's elected medical option for each year of service with the Authority, up to a maximum of \$250.00 per month. Retirees contribute the remainder of the premium cost for medical coverage. Retirees pay 100% of the premium cost for their elected dental coverage.
- Medicare Eligible retirees (Age 65+) - Retirees contribute 100% of the premium cost for retiree coverage.

#### C. Annual OPEB Cost and Net OPEB Obligation:

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Authority's net OPEB obligation:

Annual required contribution	\$ 11,200
Interest on net OPEB obligation	1,100
Adjustment to annual required contribution	(1,800)
Annual OPEB cost (expense)	\$ 10,500
Contributions made	(6,886)
Increase in net OPEB obligation	\$ 3,614
Net OPEB obligation-beginning of year	41,915
Net OPEB obligation-end of year	<u>\$ 45,529</u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Notes to Financial Statements

As of June 30, 2015 and 2014 (Continued)

### NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (CONTINUED)

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

For 2015, the Authority's contribution of \$6,886 did not equal the annual OPEB cost (expense) of \$10,500. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014, and 2013 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 10,500	66%	\$ 45,529
6/30/2014	10,300	42%	41,915
6/30/2013	10,300	44%	35,983

#### D. Funded Status and Funding Progress:

The funded status of the Plan as of January 1, 2013, was as follows:

Actuarial accrued liability (AAL)	\$ 116,500
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 116,500
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 1,396,200
UAAL as a percentage of covered payroll	8.34%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### E. Actuarial Methods and Assumptions:

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

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

### Notes to Financial Statements

As of June 30, 2015 and 2014 (Continued)

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#### **NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (CONTINUED)**

##### **E. Actuarial Methods and Assumptions: (Continued)**

In the January 1, 2013 actuarial valuation, the projected unit credit actuarial cost method and a level dollar amortization method were used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: an investment rate of return at 3.5%, and a health care trend rate of 7.7% graded to 4.8% over 70 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at January 1, 2013, was 30 years.

#### **NOTE 9 - RISK MANAGEMENT:**

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

The Authority provides employee health and accident insurance through participation in the City of Harrisonburg's health insurance pool. The Authority pays a monthly premium to the pool for health insurance coverage. Settled claims resulting from these risks have not exceeded pool insurance coverage in any of the past three fiscal years.

#### **NOTE 10 - UPCOMING PRONOUNCEMENTS:**

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

### Notes to Financial Statements

As of June 30, 2015 and 2014 (Continued)

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#### NOTE 10 - UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

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

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

### Notes to Financial Statements

As of June 30, 2015 and 2014 (Continued)

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#### NOTE 11 - ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The Authority implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

Net Position as reported at June 30, 2014	\$ 34,692,222
Implementation of GASB 68	<u>636,754</u>
Net Position as restated at June 30, 2014	<u>\$ 34,055,468</u>

In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirements of GASB 68 and 71. In addition, pension information as required by GASB 27 was reported in the financial report dated June 30, 2014 and 2013. This information was not reported herein to avoid confusion and duplication. For details related to the 2014 pension information, the prior year financial report should be referenced.

#### NOTE 12 - CONSTRUCTION COMMITMENTS:

The Authority has active construction projects as of June 30, 2015. The projects are part of the Authority's Energy Efficiency Improvements Projects and will be funded by the Series 2015 bonds. At year end the Authority's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Generator equipment	\$ 1,692,661	\$ 188,074
Heat exchangers/boilers/ waste gas flair	191,161	729,850
Blower equipment	66,862	674,038
Blower electrical gear	11,890	113,190

- Required Supplementary Information -

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# Harrisonburg-Rockingham Regional Sewer Authority

## Schedule of Components of and Changes in Net Pension Liability and Related Ratios Year Ended June 30, 2015

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 140,711
Interest	399,558
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(229,374)
<b>Net change in total pension liability</b>	<u>\$ 310,895</u>
<b>Total pension liability - beginning</b>	<u>5,822,653</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 6,133,548</u></u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 131,211
Contributions - employee	77,714
Net investment income	800,801
Benefit payments, including refunds of employee contributions	(229,374)
Administrative expense	(4,294)
Other	42
<b>Net change in plan fiduciary net position</b>	<u>\$ 776,100</u>
<b>Plan fiduciary net position - beginning</b>	<u>5,054,688</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 5,830,788</u></u>
 <b>Political subdivision's net pension liability - ending (a) - (b)</b>	 \$ 302,760
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	  95.06%
 <b>Covered-employee payroll</b>	 \$ 1,503,498
 <b>Political subdivision's net pension liability as a percentage of covered-employee payroll</b>	  20.14%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

# Harrisonburg-Rockingham Regional Sewer Authority

## Schedule of Employer Contributions

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	\$ 116,852	\$ 116,852	\$ -	\$ 1,466,601	7.97%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

**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

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Schedule of OPEB Funding Progress

Year Ended June 30, 2015

### Retiree Health Insurance Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
1/1/2013	\$ -	\$ 116,500	\$ 116,500	0.00%	\$ 1,396,200	8.34%
1/1/2010	-	159,600	159,600	0.00%	1,175,300	13.58%

- Other Supplementary Information -

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- Supporting Schedules -

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Schedule of Income and Expenses - By Fund

Years Ended June 30, 2015 and 2014

	Budgeted Operating	Unrestricted Operating	Special Reserve	Debt Service
Operating Revenue				
Operations and maintenance	\$ 4,703,342	\$ 4,703,340	\$ -	\$ -
Septage/waste treatment	190,000	722,629	-	-
Pretreatment	22,500	23,317	-	-
Nutrient credit sales	75,000	73,335	-	-
Total Operating Revenue	\$ 4,990,842	\$ 5,522,621	\$ -	\$ -
Operating Expenses				
Power	\$ 1,111,250	\$ 930,905	\$ -	\$ -
Operations and maintenance	335,500	293,010	-	-
Sewage treatment	505,500	364,927	-	-
Biosolids expenses	654,000	537,075	-	-
Professional expenses	78,720	60,971	-	-
Personnel	2,165,872	1,932,793	-	-
Administrative	140,000	135,887	-	-
Total Operating Expenses	\$ 4,990,842	\$ 4,255,568	\$ -	\$ -
Operating Income Before Depreciation	\$ -	\$ 1,267,053	\$ -	\$ -
Depreciation		4,726,560	-	-
Operating income (loss)		\$ (3,459,507)	\$ -	\$ -
Nonoperating Revenues (Expenses)				
Debt service revenue		\$ -	\$ -	\$ 5,443,505
Investment income		1,141	278	262
Patronage refunds and miscellaneous		33,468	-	-
Transfers		(615,416)	992	-
Interest expense and bond fees		-	-	(1,870,932)
Planning & repair expenses		-	-	-
Nonoperating revenues (expenses)		\$ (580,807)	\$ 1,270	\$ 3,572,835
Income (loss) before capital contributions		\$ (4,040,314)	\$ 1,270	\$ 3,572,835
Capital contributions		829,603	-	-
Change in Net Position		\$ (3,210,711)	\$ 1,270	\$ 3,572,835



## Schedule 1

O & M Reserve	Planning & Repair	Capital Outlay Escrow	2015 Actual Total	2014 Actual Total
\$ -	\$ -	\$ -	\$ 4,703,340	\$ 4,691,413
-	-	-	722,629	340,536
-	-	-	23,317	49,384
-	-	-	73,335	73,888
\$ -	\$ -	\$ -	\$ 5,522,621	\$ 5,155,221
\$ -	\$ -	\$ -	\$ 930,905	\$ 996,264
-	-	-	293,010	302,926
-	-	-	364,927	405,928
-	-	-	537,075	593,281
-	-	-	60,971	70,072
-	-	-	1,932,793	2,082,981
-	-	-	135,887	131,016
\$ -	\$ -	\$ -	\$ 4,255,568	\$ 4,582,468
\$ -	\$ -	\$ -	\$ 1,267,053	\$ 572,753
-	-	-	4,726,560	4,683,175
\$ -	\$ -	\$ -	\$ (3,459,507)	\$ (4,110,422)
\$ -	\$ -	\$ -	\$ 5,443,505	\$ 5,625,722
927	1,314	68	3,990	2,905
-	-	-	33,468	10,379
3,309	611,115	-	-	-
-	-	-	(1,870,932)	(2,244,108)
-	(81,224)	-	(81,224)	(267,484)
\$ 4,236	\$ 531,205	\$ 68	\$ 3,528,807	\$ 3,127,414
\$ 4,236	\$ 531,205	\$ 68	\$ 69,300	\$ (983,008)
-	-	-	829,603	820,934
\$ 4,236	\$ 531,205	\$ 68	\$ 898,903	\$ (162,074)

Schedule of Operating Expenses - Budget and Actual  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Power costs:				
Plant	\$ 1,090,000	\$ 1,090,000	\$ 912,047	\$ 177,953
Bridgewater pumping station	18,700	18,700	16,693	2,007
Metering	2,550	2,550	2,165	385
	<u>\$ 1,111,250</u>	<u>\$ 1,111,250</u>	<u>\$ 930,905</u>	<u>\$ 180,345</u>
Operation and Maintenance:				
Sewage treatment equipment	\$ 200,000	\$ 200,000	\$ 154,071	\$ 45,929
Generator	-	-	13,110	(13,110)
Bridgewater pumping station	9,000	9,000	12,608	(3,608)
Sewer lines	9,000	9,000	7,816	1,184
Buildings	32,500	32,500	39,558	(7,058)
Grounds	40,000	40,000	35,800	4,200
Vehicles	45,000	45,000	30,047	14,953
	<u>\$ 335,500</u>	<u>\$ 335,500</u>	<u>\$ 293,010</u>	<u>\$ 42,490</u>
Sewage Treatment:				
Chemicals	\$ 385,000	\$ 385,000	\$ 275,898	\$ 109,102
Laboratory	76,000	76,000	57,695	18,305
Pretreatment	15,000	15,000	7,295	7,705
Lubricants	8,000	8,000	4,520	3,480
Tools/other	6,500	6,500	7,280	(780)
Environmental/safety	15,000	15,000	12,239	2,761
	<u>\$ 505,500</u>	<u>\$ 505,500</u>	<u>\$ 364,927</u>	<u>\$ 140,573</u>
Biosolids Expenses:				
Chemicals	\$ 128,000	\$ 128,000	\$ 131,177	\$ (3,177)
Laboratory	7,000	7,000	4,775	2,225
Equipment	24,000	24,000	6,805	17,195
Contract hauling - liquid	190,000	190,000	50,538	139,462
Contract hauling - dewatered	305,000	305,000	343,780	(38,780)
	<u>\$ 654,000</u>	<u>\$ 654,000</u>	<u>\$ 537,075</u>	<u>\$ 116,925</u>
Professional Expenses:				
Board members expense	\$ 10,720	\$ 10,720	\$ 10,389	\$ 331
Legal	18,000	18,000	15,947	2,053
Other	50,000	50,000	34,635	15,365
	<u>\$ 78,720</u>	<u>\$ 78,720</u>	<u>\$ 60,971</u>	<u>\$ 17,749</u>

Schedule of Operating Expenses - Budget and Actual  
Year Ended June 30, 2015 (continued)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Personnel Expenses:				
Salaries	\$ 1,624,903	\$ 1,624,903	\$ 1,538,920	\$ 85,983
Payroll taxes	124,305	124,305	115,902	8,403
Virginia Retirement System	147,122	147,122	41,748 *	105,374
Health and disability insurance	239,542	239,542	210,171	29,371
Uniform service	10,500	10,500	12,568	(2,068)
Travel & training	16,000	16,000	8,854	7,146
Miscellaneous	3,500	3,500	4,630	(1,130)
	<u>\$ 2,165,872</u>	<u>\$ 2,165,872</u>	<u>\$ 1,932,793</u>	<u>\$ 233,079</u>
Administrative:				
Insurance - regular	\$ 83,000	\$ 83,000	\$ 80,036	\$ 2,964
Office supplies	13,000	13,000	15,303	(2,303)
Dues and subscriptions	10,000	10,000	10,017	(17)
Licenses	15,000	15,000	11,014	3,986
Telephone/internet/security	17,000	17,000	16,813	187
Advertising	2,000	2,000	2,704	(704)
	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 135,887</u>	<u>\$ 4,113</u>
Total Operating Expenses	<u>\$ 4,990,842</u>	<u>\$ 4,990,842</u>	<u>\$ 4,255,568</u>	<u>\$ 735,274</u>

\* - Actual employer payments to the Virginia Retirement System were \$134,324 during the year.

## Insurance Coverage

June 30, 2015

Insurance Company	Policy Number	Dates	Type	Policy Limits
Virginia Municipal Liability Pool	Member #301	7/1/14-7/1/15	Workmen's Compensation and Employer's Liability	\$ 1,000,000
			Automobile Contribution	1,000,000
		7/1/14-7/1/15	Values per policy	169,518,444
			Fidelity/Crime Contribution	100,000
			Comprehensive general liability	1,000,000
			Excess umbrella liability	5,000,000
			Boiler: Machinery Contribution	1,000,000
		7/1/14-7/1/15	Local government liability	1,000,000

## Average Daily Flow and Revenue by Locality

	Fiscal Year 2015	Fiscal Year 2014
<b>City of Harrisonburg:</b>		
Average Daily Flow (mgd)	7.283	7.037
Operation & Maintenance Payments	\$ 2,884,245	\$ 2,773,993
Capital Outlay Payments	133,989	103,772
Pretreatment Payments	13,432	20,688
Projects	374,254	381,383
Debt Service Payments	2,742,164	2,814,570
Total Payments	<u>\$ 6,148,084</u>	<u>\$ 6,094,406</u>
<b>Town of Dayton:</b>		
Average Daily Flow (mgd)	1.579	1.669
Operation & Maintenance Payments	\$ 657,410	\$ 739,445
Capital Outlay Payments	30,540	27,662
Pretreatment Payments	425	714
Projects	85,309	101,663
Debt Service Payments	670,440	694,726
Total Payments	<u>\$ 1,444,124</u>	<u>\$ 1,564,210</u>
<b>Town of Bridgewater:</b>		
Average Daily Flow (mgd)	0.715	0.792
Operation & Maintenance Payments	\$ 302,150	\$ 346,774
Capital Outlay Payments	14,037	12,972
Pretreatment Payments	9,083	11,886
Projects	39,206	47,676
Debt Service Payments	485,106	503,947
Total Payments	<u>\$ 849,582</u>	<u>\$ 923,255</u>
<b>Rockingham County:</b>		
Average Daily Flow (mgd)	2.085	2.087
Operation & Maintenance Payments	\$ 835,117	\$ 816,110
Capital Outlay Payments	38,796	30,530
Pretreatment Payments	376	955
Projects	108,358	112,203
Debt Service Payments	1,540,572	1,607,025
Total Payments	<u>\$ 2,523,219</u>	<u>\$ 2,566,823</u>
<b>Town of Mount Crawford:</b>		
Average Daily Flow (mgd)	0.043	0.053
Operation & Maintenance Payments	\$ 23,607	\$ 15,091
Flow Exceedence Surcharge	811	434
Capital Outlay Payments	1,134	565
Projects	3,169	2,075
Debt Service Payments	5,223	5,455
Total Payments	<u>\$ 33,944</u>	<u>\$ 23,620</u>
TOTAL DAILY AVERAGE FLOW (mgd)	11.705	11.638

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- Compliance -

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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Board of Directors  
Harrisonburg-Rockingham Regional Sewer Authority  
Mt. Crawford, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Harrisonburg-Rockingham Regional Sewer Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Harrisonburg-Rockingham Regional Sewer Authority's basic financial statements and have issued our report thereon dated October 27, 2015.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

### Purpose of this Report

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

*Robinson, Famm, Cox Associates*

Charlottesville, Virginia

October 27, 2015

# ROBINSON, FARMER, COX ASSOCIATES

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CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report on Compliance with Bond Covenants

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### Board of Directors

Harrisonburg-Rockingham Regional Sewer Authority  
Mt. Crawford, Virginia

We have audited in accordance with auditing standards generally accepted in the United States of America, the statement of net position of the Harrisonburg-Rockingham Regional Sewer Authority as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and have issued our report thereon dated October 27, 2015.

In connection with our audits, nothing came to our attention that caused us to believe that the Authority failed to comply with the financial terms, covenants, provisions, or conditions of the Series 2007, Series 2008A, and Series 2008B bonds insofar as they relate to accounting matters. Also, nothing came to our attention that caused us to believe that the Authority failed to apply monies received in accordance with the provisions of the bond resolution; expenditures for current expenses did not exceed the total amount provided for in the annual budget; and that all operations and maintenance, debt service and other payments required by contract were made. The Authority satisfied the Rate Covenant included in the Series 2007, Series 2008A, and Series 2008B bonds issued through the Virginia Resources Authority. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Directors and management of the Harrisonburg-Rockingham Regional Sewer Authority and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
October 27, 2015

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