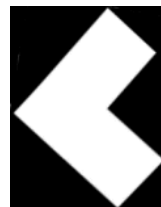


Southside Regional Public Service Authority
Comprehensive Annual Financial Report
Years Ended June 30, 2016 and 2015



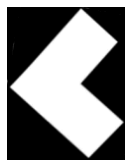
*Creedle, Jones
& Alga, P.C.*
Certified Public Accountants

Southside Regional Public Service Authority

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**Creedle
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A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southside Regional Public Service Authority
Boydton, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Southside Regional Public Service Authority, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Southside Regional Public Service Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Southside Regional Public Service Authority, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1–3 and schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions, and notes to required supplementary information on pages 21-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016, on our consideration of the Southside Regional Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Southside Regional Public Service Authority's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
December 29, 2016

Southside Regional Public Service Authority

Management's Discussion and Analysis

As of June 30, 2016 and 2015

Our discussion and analysis of the Southside Regional Public Service Authority's financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2016 and 2015. Please read this information in conjunction with Southside Regional Public Service Authority's basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL SUMMARY

Financial Position

A summary of the Authority's Statements of Net Position for 2016 and 2015 is presented below:

	<u>2016</u>	<u>2015</u>
Assets	\$ 14,706,234	\$ 14,418,551
Deferred Outflows of Resources	<u>33,452</u>	<u>32,736</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 14,739,686</u>	<u>\$ 14,451,287</u>
Liabilities	\$ 8,472,306	\$ 9,482,614
Deferred Inflows of Resources	37,440	69,970
Net Position		
Net investment in capital assets	7,550,462	6,882,928
Unrestricted	<u>(1,320,522)</u>	<u>(1,984,225)</u>
Total Net Position	<u>6,229,940</u>	<u>4,898,703</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 14,739,686</u>	<u>\$ 14,451,287</u>

Change in Net Position

A summary of the Authority's Condensed Statements of Revenues, Expenses, and Changes in Net Position for 2016 and 2015 is presented below:

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

	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ 2,751,297	\$ 2,627,218
Operating Expenses	<u>(1,258,419)</u>	<u>(1,184,408)</u>
Net Operating Income	1,492,878	1,442,810
Non-Operating Revenue	1,636	1,330
Non-Operating Expense	<u>(163,277)</u>	<u>(164,873)</u>
Changes in Net Position	<u>\$ 1,331,237</u>	<u>\$ 1,279,267</u>

During the year, the Authority's operating income was \$1,492,878. Non-operating revenues were \$1,636 and non-operating expenses were \$163,277. Changes in net position were an overall increase of \$1,331,237.

Cash Flows

A summary of the Authority's Condensed Statements of Cash Flows for 2016 and 2015 is presented below:

Condensed Statements of Cash Flows

	<u>2016</u>	<u>2015</u>
Cash Provided by (Used in)		
Operating activities	\$ 1,748,536	\$ 1,751,065
Capital and related financing activities	<u>(1,409,766)</u>	<u>(1,113,506)</u>
Investing activities	<u>1,473</u>	<u>903</u>
Net Increase in Cash	<u>\$ 340,243</u>	<u>\$ 638,462</u>

Capital Assets

As of June 30, 2016, the Authority's net investment in capital assets totals \$7,550,462 which is net capital assets less related debt.

During fiscal year 2016, the Authority's net capital assets (including additions, decreases, and depreciation) decreased \$78,284 as summarized below:

Change in Capital Assets

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land	\$ 821,717	\$ -	\$ 821,717
Land improvements	9,475,172	-	9,475,172
Buildings and improvements	396,530	-	396,530
Equipment and vehicles	<u>2,361,336</u>	<u>90,293</u>	<u>2,451,629</u>
Total Capital Assets	13,054,755	90,293	13,145,048
Less: Accumulated depreciation	<u>1,716,969</u>	<u>168,577</u>	<u>1,885,546</u>
Total Capital Assets, Net	<u>\$ 11,337,786</u>	<u>\$ (78,284)</u>	<u>\$ 11,259,502</u>

Long-Term Debt

As of June 30, 2016, the Authority's long-term obligations total \$8,283,068.

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

Change in Long-Term Debt

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Caterpillar Financial Services	\$ 480,311	\$ (127,851)	\$ 352,460
Virginia Resources Authority, Revenue Bond Series 2006	2,715,000	(270,000)	2,445,000
Virginia Resources Authority, Revenue Bond Series 2010	<u>1,230,000</u>	<u>(605,000)</u>	<u>625,000</u>
Total Outstanding Debt	4,425,311	(1,002,851)	3,422,460
Add: Unamortized Premium on 2006 Bond	278,649	(15,480)	263,169
Unamortized Premium on 2010 Bond	46,823	(23,412)	23,411
Landfill Closure	<u>4,533,229</u>	<u>40,799</u>	<u>4,574,028</u>
Total Long-Term Liabilities	<u>\$ 9,284,012</u>	<u>\$ (1,000,944)</u>	<u>\$ 8,283,068</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Wayne Carter, Executive Director, who as Treasurer is the Fiscal Agent for Southside Regional Public Service Authority, P. O. Box 307, Boynton, Virginia 23917, telephone 434-738-6191.

FINANCIAL STATEMENTS

Southside Regional Public Service Authority

Statements of Net Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	\$ 3,179,165	\$ 2,542,997
Cash - restricted (bond)	-	295,925
Accounts receivable	<u>267,567</u>	<u>241,843</u>
Total Current Assets	3,446,732	3,080,765
Capital Assets, Net	11,259,502	11,337,786
Deferred Outflows of Resources		
Deferred outflows - pension liability	<u>33,452</u>	<u>32,736</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 14,739,686</u>	<u>\$ 14,451,287</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 23,573	\$ 44,910
Current portion of long-term debt	<u>1,040,244</u>	<u>1,002,851</u>
Total Current Liabilities	1,063,817	1,047,761
Long-Term Liabilities		
Equipment lease payable	222,216	352,460
Landfill closure and post-closure costs	4,574,028	4,533,229
Net pension liability	165,665	153,692
Notes payable	<u>2,446,580</u>	<u>3,395,472</u>
Total Long-Term Liabilities	<u>7,408,489</u>	<u>8,434,853</u>
Total Liabilities	8,472,306	9,482,614
Deferred Inflows of Resources		
Deferred inflows - pension liability	37,440	69,970
Net Position		
Net investment in capital assets	7,550,462	6,882,928
Unrestricted	<u>(1,320,522)</u>	<u>(1,984,225)</u>
Total Net Position	<u>6,229,940</u>	<u>4,898,703</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 14,739,686</u>	<u>\$ 14,451,287</u>

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

Southside Regional Public Service Authority

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Landfill charges	\$ <u>2,751,297</u>	\$ 2,627,218
 Total Operating Revenues	 <u>2,751,297</u>	 2,627,218
Operating Expenses		
Salaries and wages	267,747	258,567
Fringe benefits and payroll taxes	79,168	80,548
Administrative fees	4,400	4,400
Advertising	1,081	1,255
Depreciation	323,992	313,966
Dues and permits	8,076	9,644
Electrical services	4,666	5,179
Landfill closure costs	40,799	66,994
Engineering fees	96,133	46,157
Hauling of leachate	109,990	75,775
Insurance	24,524	23,060
Office supplies	4,422	2,798
Professional fees	36,925	7,250
Miscellaneous	6,005	2,500
Recycling	8,934	11,603
Repair and maintenance	92,792	127,033
Site maintenance	74,174	33,475
Uniforms	4,063	4,236
Supplies, gas, and oil	7,381	6,863
Telephone	2,452	2,318
Vehicle	53,565	96,175
Well monitoring	<u>7,130</u>	<u>4,612</u>
 Total Operating Expenses	 <u>1,258,419</u>	 <u>1,184,408</u>
 Operating Income	 <u>1,492,878</u>	 1,442,810
Non-Operating Revenues (Expenses)		
Interest income	1,473	903
Interest income on construction accounts	163	427
Gain/loss on sale of asset	(33,994)	-
Interest expense	<u>(129,283)</u>	<u>(164,873)</u>
 Net Non-Operating Revenues (Expenses)	 <u>(161,641)</u>	 <u>(163,543)</u>
 Change in Net Position	 <u>1,331,237</u>	 1,279,267
Total Net Position - Beginning of Year	<u>4,898,703</u>	<u>3,619,436</u>
Total Net Position - End of Year	<u>\$ 6,229,940</u>	<u>\$ 4,898,703</u>

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

Southside Regional Public Service Authority

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Receipts from landfill charges	\$ 2,725,573	\$ 2,620,197
Payments for personnel costs and fringe benefits	(368,188)	(349,577)
Payments for operating expenses	<u>(608,849)</u>	<u>(519,555)</u>
Net Cash Provided by Operating Activities	1,748,536	1,751,065
Cash Flows from Capital and Related Financing Activities		
Adjustment on estimated closure and post-closure costs	40,799	66,994
Purchase of capital assets	(279,702)	(11,660)
Payment on long-term debt and leases	(1,041,743)	(1,004,394)
Interest income on construction accounts	163	427
Interest expense on long-term debt	<u>(129,283)</u>	<u>(164,873)</u>
Net Cash Used in Capital and Related Financing Activities	(1,409,766)	(1,113,506)
Cash Flows from Investing Activities		
Interest income	<u>1,473</u>	<u>903</u>
Net Cash Provided by Investing Activities	<u>1,473</u>	<u>903</u>
Net Increase in Cash and Cash Equivalents	340,243	638,462
Cash and Cash Equivalents - Beginning of Year	<u>2,838,922</u>	<u>2,200,460</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,179,165</u>	<u>\$ 2,838,922</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 1,492,878	\$ 1,442,810
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>		
Depreciation	323,992	313,966
<i>Changes in assets and liabilities</i>		
Receivables	(25,724)	(7,021)
Accounts payable and accrued liabilities	(21,337)	18,928
Net pension liability	11,973	(88,326)
Deferred outflows - pension liability	(716)	738
Deferred inflows - pension liability	<u>(32,530)</u>	<u>69,970</u>
Net Cash Provided by Operating Activities	<u>\$ 1,748,536</u>	<u>\$ 1,751,065</u>

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

Southside Regional Public Service Authority

Notes to the Financial Statements

Year Ended June 30, 2016

1 Organization, Description of the Entity, and Its Activities

The Southside Regional Public Service Authority (the "Authority") was created under the authority of the Virginia State Corporation Commission on September 21, 2004.

The Authority consists of a six-member Board made up of two members from each locality for a term of four years. The Board operates independently of the localities.

2 Significant Accounting Policies

Financial Statement Presentation

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

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

Basis of Accounting

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

Property and Equipment

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

Use of Estimates

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

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer agent plan. 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 Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision'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.

Adoption of New GASB Statements

During the fiscal year ended June 30, 2016, the Authority adopted the following GASB statements:

- Statement No. 72, "Fair Value Measurement and Application"
- Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"
- Statement No. 77, "Tax Abatement Disclosures"

The adoption of these statements had no effect on the current financial statements.

3 Cash Equivalents

Deposits

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

4 Amount of Allowance for Uncollectible Accounts

The Authority calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. Management estimates no allowance was required for the year ended June 30, 2016.

5 Capital Assets

The schedule below shows the breakdown of capital assets by category at June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>
Land	\$ 821,717	\$ -	\$ -	\$ 821,717
Land improvements	9,475,172	-	-	9,475,172
Buildings and improvements	396,530	-	-	396,530
Equipment and vehicles	<u>2,361,336</u>	<u>309,702</u>	<u>(219,409)</u>	<u>2,451,629</u>
Total Capital Assets	13,054,755	309,702	(219,409)	13,145,048
Less: Accumulated depreciation	<u>1,716,969</u>	<u>323,992</u>	<u>(155,415)</u>	<u>1,885,546</u>
Net Capital Assets	<u>\$ 11,337,786</u>	<u>\$ (14,290)</u>	<u>\$ (63,994)</u>	<u>\$ 11,259,502</u>

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

Land improvements	25 years
Buildings and improvements	40 years
Equipment and vehicles	5 to 10 years

6 Long-Term Debt

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

<u>Details of Long-Term Indebtedness</u>	<u>Balance July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Virginia Resource Authority Bond Series 2010 in the amount of \$2,935,000 payable in five annual installments from \$555,000 to \$625,000 beginning November 01, 2012 with interest ranging from 2.48% to 2.75%.	\$ 1,230,000	\$ -	\$ (605,000)	\$ 625,000	\$ 625,000
Caterpillar Financial Services Corporation - lease payable in 36 monthly installments of \$11,307 with a balloon payment of \$222,560; interest at the rate of 1.856%, secured by equipment.	480,311	-	(127,851)	352,460	130,244
Solid Waste Revenue Bond, Series 2006, \$8,995,000 issued December 14, 2006 with Virginia Resources Authority; interest ranging from 4.2842% to 4.8862% payable semiannually over 27 years maturing October 2032.	2,715,000	-	(270,000)	2,445,000	285,000
Subtotals	4,425,311	-	(1,002,851)	3,422,460	1,040,244
Add: Unamortized Premium on Bond 2006 Series	278,649	-	(15,480)	263,169	-
Add: Unamortized Premium on Bond 2010 Series	46,823	-	(23,412)	23,411	-
Add: Landfill Closure and Post-closure Costs	4,533,229	40,799	-	4,574,028	-
Total Long-Term Liabilities Associated with Debt	\$ 9,284,012	\$ 40,799	\$ (1,041,743)	\$ 8,283,068	\$ 1,040,244

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

<u>Year(s) Ended June 30,</u>	<u>Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,040,244	\$ 127,246
2018	317,216	102,537
2019	95,000	97,677
2020	105,000	92,914
2021	110,000	87,804
2022-2026	620,000	354,641
2027-2031	770,000	187,175
2032-2033	365,000	18,201
Total	3,422,460	\$ 1,068,195
Add: Unamortized Premium on 2006 Bond	263,169	
Unamortized Premium on 2010 Bond	23,411	
Landfill Closure and Post-Closure Costs	4,574,028	
Total Long-Term Debt	\$ 8,283,068	

7 Contingent Liabilities (Including Federally Assisted Programs – Compliance Audits)

If applicable, federal programs in which the Authority participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

8 Landfill Obligation

State and federal laws and regulations require the Authority to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for ten years after closure.

The Authority recognizes the estimated closure and post-closure costs of \$4,574,028. These amounts are based on what it would cost to perform all closure care as of June 30, 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Authority is paying these costs on an annual pay-as-you-go basis.

9 Pension

Plan Description

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

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

The remainder of this page is left blank intentionally.

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election

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

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

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

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

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

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

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

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

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

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

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

PLAN 2

Retirement Contributions

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

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service.

Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees:

The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees:

Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70 1/2.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees:

Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1

Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

PLAN 2

Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

HYBRID

RETIREMENT PLAN

Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2014 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	3
Inactive members:	
Vested inactive members	1
Non-vested Inactive members	1
Inactive members active elsewhere in VRS	<u>3</u>
Total inactive members	5
Active members	<u>6</u>
Total covered employees	<u>14</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.

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2016 was 13.28% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$33,452 and \$32,736 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute

100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	<u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 1,301,183	\$ 1,147,491	\$ 153,692
Changes for the Year			
Service cost	29,149	-	29,149
Interest	89,399	-	89,399
Differences between expected and actual experience	(9,689)	-	(9,689)
Contributions - employer	-	32,616	(32,616)
Contributions - employee	-	12,376	(12,376)
Net investment income	-	52,618	(52,618)
Benefit payments, including refunds of employee contributions	(48,094)	(48,094)	-
Administrative expenses	-	(713)	713
Other changes	-	(11)	11
Net Changes	<u>60,765</u>	<u>48,792</u>	<u>11,973</u>
Balances at June 30, 2015	<u>\$ 1,361,948</u>	<u>\$ 1,196,283</u>	<u>\$ 165,665</u>

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political subdivision's			
Net Pension Liability	\$ 345,994	\$ 165,665	\$ 16,115

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

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$12,179. At June 30, 2016, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,020
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	30,420
Employer contributions subsequent to the measurement date	<u>33,452</u>	<u>-</u>
Total	<u>\$ 33,452</u>	<u>\$ 37,440</u>

\$33,452 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended
June 30,**

2017	\$ (14,647)
2018	(14,647)
2019	(13,660)
2020	5,514
2021	-
Thereafter	-

REQUIRED SUPPLEMENTARY INFORMATION

Southside Regional Public Service Authority

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

Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 29,149	\$ 28,965
Interest	89,399	84,842
Changes of benefit terms	-	-
Differences between expected and actual experience	(9,689)	-
Changes in assumptions	-	-
Benefit Payments, including refunds of employee contributions	<u>(48,094)</u>	<u>(49,294)</u>
Net change in total pension liability	60,765	64,513
Total pension liability - beginning	<u>1,301,183</u>	<u>1,236,670</u>
Total pension liability - ending (a)	<u>\$ 1,361,948</u>	<u>\$ 1,301,183</u>
 Plan fiduciary net position		
Contributions - employer	\$ 32,616	\$ 33,474
Contributions - employee	12,376	12,546
Net investment income	52,618	156,945
Benefit Payments, including refunds of employee contributions	(48,094)	(49,294)
Administrative expense	(713)	(840)
Other	<u>(11)</u>	<u>8</u>
Net change in plan fiduciary net position	48,792	152,839
Plan fiduciary net position - beginning	<u>1,147,491</u>	<u>994,652</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,196,283</u>	<u>\$ 1,147,491</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 165,665</u>	<u>\$ 153,692</u>
 Plan fiduciary net position as a percentage of the total Pension liability	87.84%	88.19%
 Covered payroll	\$ 246,167	\$ 240,132
 Political subdivision's net pension liability as a percentage of covered payroll	67.30%	64.00%

Southside Regional Public Service Authority

Schedule of Employer Contributions

For the Years Ended June 30, 2014 through 2016

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2016	\$ 33,578	\$ 33,452	\$ 126	\$ 252,848		13.23%
2015	32,691	32,736	(45)	246,167		13.30%
2014	32,754	32,028	726	240,132		13.34%

NOTE: Ten-year trend information will be presented as data accumulates.

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

Southside Regional Public Service Authority

Notes to Required Supplementary Information

For the Year Ended June 30, 2016

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

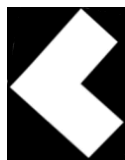
All Others (Non 10 Largest) – Non-LEOS:

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

All Others (Non 10 Largest) – LEOS:

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

COMPLIANCE



**Creedle
Jones
& Alga**

A Professional Corporation

Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
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Members of
American Institute of Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Southside Regional Public Service Authority
Boydton, 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 *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Southside Regional Public Service Authority, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Southside Regional Public Service Authority's basic financial statements, and have issued our report thereon dated December 29, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
December 29, 2016