Southside Regional Public Service Authority

Comprehensive Annual Financial Report

Years Ended June 30, 2015 and 2014

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

Southside Regional Public Service Authority

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Year Ended June 30, 2015

Creedle Jones & Alga

A Professional Corporation

Robin B. Jones, CPA, CFP
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American Institute of Certified Public Accountants
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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, 2015 and 2014, 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.

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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, 2015 and 2014, and the respective changes in financial position and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1–3 and schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions, and notes to required supplemental information on pages 22-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015, 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
October 28, 2015

Southside Regional Public Service Authority

Management's Discussion and Analysis

As of June 30, 2015 and 2014

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, 2015 and 2014. Please read this information in conjunction with Southside Regional Public Service Authority's 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 2015 and 2014 is presented below:

	2015	2014
Assets	**$ 14,418,551**	$ 14,075,374
Deferred Outflows of Resources	**32,736**	33,474
Total Assets and Deferred Outflows of Resources	**$ 14,451,287**	$ 14,108,848
Liabilities	**$ 9,482,614**	$ 10,489,412
Deferred Inflows of Resources	**69,970**	-
Net Position		
Net investment in capital assets	**6,882,928**	6,180,414
Unrestricted	**(1,984,225)**	(2,560,978)
Total Net Position	**4,898,703**	3,619,436
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 14,451,287**	$ 14,108,848

Change in Net Position

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

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

	2015	2014
Operating Revenues	**$2,627,218**	$ 2,685,731
Operating Expenses	**(1,184,408)**	(1,244,013)
Net Operating Income	**1,442,810**	1,441,718
Non-Operating Revenue	**1,330**	191,865
Non-Operating Expense	**(164,873)**	(182,653)
Changes in Net Position	**$1,279,267**	$ 1,450,930

During the year, the Authority's operating income was $1,425,192. Non-operating revenues were $1,330 and non-operating expenses were $164,873. Changes in net position were an overall increase of $1,261,649.

Cash Flows

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

Condensed Statements of Cash Flows

	2015	2014
Cash Provided by (Used in)		
Operating activities	**$ 1,751,065**	$ 1,653,373
Capital and related financing activities	**(1,113,506)**	(1,087,019)
Investing activities	**903**	1,058
Net Increase in Cash	**$ 638,462**	$ 567,412

Capital Assets

As of June 30, 2015, the Authority's net investment in capital assets totals $6,882,928 which is net capital assets less related debt.

During fiscal year 2015, the Authority's net capital assets (including additions, decreases, and depreciation) decreased $302,306 as summarized below:

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Change in Capital Assets

	Balance July 1, 2014	Net Additions and Deletions	Balance June 30, 2015
Land	$ 821,717	$ -	$ 821,717
Land improvements	9,475,172	-	9,475,172
Buildings and improvements	396,530	-	396,530
Equipment and vehicles	2,349,676	11,660	2,361,336
Total Capital Assets	13,043,095	11,660	13,054,755
Less: Accumulated depreciation	1,403,003	313,966	1,716,969
Total Capital Assets, Net	$ 11,640,092	$ (302,306)	$ 11,337,786

Long-Term Debt

As of June 30, 2015, the Authority's long-term obligations total $9,284,012.

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

Change in Long-Term Debt

	Balance July 1, 2014	Net Additions and Deletions	Balance June 30, 2015
Caterpillar Financial Services	$ 605,813	$ (125,502)	$ 480,311
Virginia Resources Authority, Revenue Bond Series 2006	2,975,000	(260,000)	2,715,000
Virginia Resources Authority, Revenue Bond Series 2010	1,810,000	(580,000)	1,230,000
Total Outstanding Debt	5,390,813	(965,502)	4,425,311
Add: Unamortized Premium on 2006 Bond	294,130	(15,481)	278,649
Unamortized Premium on 2010 Bond	70,234	(23,411)	46,823
Landfill Closure	4,466,235	66,994	4,533,229
Net Pension Liability	242,018	(88,326)	153,692
Total Long-Term Liabilities	$ 10,463,430	$ (1,025,726)	$ 9,437,704

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, Boydton, Virginia 23917, telephone 434-738-6191.

FINANCIAL STATEMENTS

Exhibit A

Southside Regional Public Service Authority

Statements of Net Position

June 30, 2015 and 2014

	2015	2014
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	$ 2,542,997	$ 1,904,961
Cash - restricted (bond)	295,925	295,499
Accounts receivable	241,843	234,822
Total Current Assets	3,080,765	2,435,282
Capital Assets, Net	11,337,786	11,640,092
Deferred Outflows of Resources		
Deferred outflows - pension liability	32,736	33,474
Total Assets and Deferred Outflows of Resources	$ 14,451,287	$ 14,108,848
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	$ 37,754	$ 25,982
Accrued liabilities payable	7,156	-
Current portion of long-term debt	1,002,851	1,004,395
Total Current Liabilities	1,047,761	1,030,377
Long-Term Liabilities		
Equipment lease payable	352,460	480,311
Landfill closure and post-closure costs	4,533,229	4,466,235
Net pension liability	153,692	242,018
Notes payable	3,395,472	4,270,471
Total Long-Term Liabilities	8,434,853	9,459,035
Total Liabilities	9,482,614	10,489,412
Deferred Inflows of Resources		
Deferred inflows - pension liability	69,970	-
Net Position		
Net investment in capital assets	6,882,928	6,180,414
Unrestricted	(1,984,225)	(2,560,978)
Total Net Position	4,898,703	3,619,436
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 14,451,287	$ 14,108,848

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

Exhibit B

Southside Regional Public Service Authority

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Landfill charges	$ 2,627,218	$ 2,685,731
Total Operating Revenues	2,627,218	2,685,731
Operating Expenses		
Salaries and wages	258,567	252,240
Fringe benefits and payroll taxes	80,548	85,831
Administrative fees	4,400	6,400
Advertising	1,255	1,051
Depreciation	313,966	252,951
Dues and permits	9,644	9,490
Electrical services	5,179	5,231
Landfill closure costs	66,994	61,664
Engineering fees	46,157	53,311
Hauling of leachate	75,775	94,391
Insurance	23,060	16,359
Office supplies	2,798	4,741
Professional fees	7,250	15,846
Miscellaneous	2,500	5,257
Recycling	11,603	8,374
Repair and maintenance	127,033	200,139
Site maintenance	33,475	43,694
Uniforms	4,236	3,318
Supplies, gas, and oil	6,863	15,427
Telephone	2,318	2,246
Vehicle	96,175	99,944
Well monitoring	4,612	6,108
Total Operating Expenses	1,184,408	1,244,013
Operating Income	1,442,810	1,441,718
Non-Operating Revenues (Expenses)		
Interest income	903	1,058
Interest income on construction accounts	427	521
Timber sales	-	190,286
Interest expense	(164,873)	(182,653)
Net Non-Operating Revenues (Expenses)	(163,543)	9,212
Change in Net Position	1,279,267	1,450,930
Total Net Position - Beginning of Year (Restated)	3,619,436	2,168,506
Total Net Position - End of Year	$ 4,898,703	$ 3,619,436

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

Exhibit C

Southside Regional Public Service Authority

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Receipts from landfill charges	$ 2,620,197	$ 2,672,463
Payments for personnel costs and fringe benefits	(349,577)	(338,182)
Payments for operating expenses	(519,555)	(680,908)
Net Cash Provided by Operating Activities	1,751,065	1,653,373
Cash Flows from Capital and Related Financing Activities		
Adjustment on estimated closure and post-closure costs	66,994	61,664
Purchase of capital assets	(11,660)	(187,945)
Gain on sale of timber	-	190,286
Payment on long-term debt and leases	(1,004,394)	(968,892)
Interest income on construction accounts	427	521
Interest expense on long-term debt	(164,873)	(182,653)
Net Cash Used in Capital and Related Financing Activities	(1,113,506)	(1,087,019)
Cash Flows from Investing Activities		
Interest income	903	1,058
Net Cash Provided by Investing Activities	903	1,058
Net Increase in Cash and Cash Equivalents	638,462	567,412
Cash and Cash Equivalents - Beginning of Year	2,200,460	1,633,048
Cash and Cash Equivalents - End of Year	$ 2,838,922	$ 2,200,460
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 1,442,810	$ 1,441,718
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	313,966	252,951
Changes in assets and liabilities		
Receivables	(7,021)	(13,268)
Accrued liability	7,156	(111)
Accounts payable	11,772	(27,917)
Net pension liability	(88,326)	-
Deferred outflows - pension liability	738	-
Deferred inflows - pension liability	69,970	-
Net Cash Provided by Operating Activities	$ 1,751,065	$ 1,653,373

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

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

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.

3 Cash Equivalents

Deposits

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

4 Amount of Allowance for Uncollectible Accounts

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

5 Capital Assets

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

	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015
Land	$ 821,717	$ -	$ -	**$ 821,717**
Land improvements	9,475,172	-	-	**9,475,172**
Buildings and improvements	396,530	-	-	**396,530**
Equipment and vehicles	2,349,676	11,660	-	**2,361,336**
Total Capital Assets	13,043,095	11,660	-	**13,054,755**
Less: Accumulated depreciation	1,403,003	313,966	-	**1,716,969**
Net Capital Assets	$ 11,640,092	$ (302,306)	$ -	**$ 11,337,786**

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

The remainder of this page is left blank intentionally.

6 Long-Term Debt

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

Details of Long-Term Indebtedness	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015	Due Within One Year
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%.	$ 1,810,000	$ -	$ (580,000)	$ 1,230,000	$ 605,000
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.	605,813	-	(125,502)	480,311	127,851
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.	2,975,000	-	(260,000)	2,715,000	270,000
Subtotals	5,390,813	-	(965,502)	4,425,311	1,002,851
Add: Unamortized Premium on Bond 2006 Series	294,130	-	(15,481)	278,649	-
Add: Unamortized Premium on Bond 2010 Series	70,234	-	(23,411)	46,823	-
Add: Landfill Closure and Post-closure Costs	4,466,235	66,994	-	4,533,229	-
Add: Net Pension Liability	242,018	-	(88,326)	153,692	-
Total Long-Term Liabilities Associated with Debt	$ 10,463,430	$ 66,994	$ (1,092,720)	$ 9,437,704	$ 1,002,851

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

Year(s) Ended June 30,	Enterprise Fund Principal	Enterprise Fund Interest
2016	$ 1,002,851	$ 166,320
2017	1,040,244	127,246
2018	317,216	102,537
2019	95,000	97,677
2020	105,000	92,914
2021-2025	595,000	383,708
2026-2030	735,000	223,915
2031-2033	535,000	40,198
Total	4,425,311	$ 1,234,515
Add: Unamortized Premium on 2006 Bond	278,649	
Unamortized Premium on 2010 Bond	46,823	
Landfill Closure and Post-Closure Costs	4,533,229	
Net Pension Liability	153,692	
Total Long-Term Debt	$ 9,437,704	

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

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

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 $4,533,229. These amounts are based on what it would cost to perform all closure care as of June 30, 2015. 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 are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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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 electio 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	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions	***Retirement Contributions***	***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.	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.	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	***Creditable Service***	***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.	Same as Plan 1.	**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	***Vesting***	***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.	Same as Plan 1.	**Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

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

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age	***Normal Retirement Age***	***Normal Retirement Age***
VRS: Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**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	***Earliest Unreduced Retirement Eligibility***	***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.	**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.	**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	***Earliest Reduced Retirement Eligibility***	***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.	**VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**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	***Cost-of-Living Adjustment (COLA) in Retirement***	***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.	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*	**Defined Benefit Component:** Same as Plan 2 **Defined Contribution Component:** Not applicable *Eligibility:* *Same as Plan 1 and Plan 2*

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: •The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. •The member retires on disability. •The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). •The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. •The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	*Exceptions to COLA Effective Dates:* Same as Plan 1	*Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	***Disability Coverage*** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	***Disability Coverage*** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	***Purchase of Prior Service*** Same as Plan 1	***Purchase of Prior Service*** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members:	
Vested inactive members	1
Non-vested Inactive members	1
Inactive members active elsewhere in VRS	3
Total inactive members	5
Active members	6
Total covered employees	14

Contributions

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

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 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 $32,736 and $32,028 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

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

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Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-LEOS:

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	$ 1,236,670	$ 994,652	$ 242,018
Changes for the Year			
Service cost	28,965	-	28,965
Interest	84,842	-	84,842
Differences between expected and actual experience	-	-	-
Contributions - employer	-	33,474	(33,474)
Contributions - employee	-	12,546	(12,546)
Net investment income	-	156,945	(156,945)
Benefit payments, including refunds of employee contributions	(49,294)	(49,294)	-
Administrative expenses	-	(840)	840
Other changes	-	8	(8)
Net Changes	64,513	152,839	(88,326)
Balances at June 30, 2014	$ 1,301,183	$ 1,147,491	$ 153,692

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

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

	(6.00%)	Rate (7.00%)	(8.00%)
Political subdivision's Net Pension Liability	$328,248	$ 153,692	$ 9,197

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

For the year ended June 30, 2015, the political subdivision recognized pension expense of $15,118. At June 30, 2015, the political subdivision 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	-	69,970
Employer contributions subsequent to the measurement date	-	-
Total	$ -	$ 69,970

$32,736 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	$ (17,493)
2017	(17,493)
2018	(17,493)
2019	(17,493)
Thereafter	-

10 Governmental Accounting Standards Board Statement No. 68

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

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

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11 Restatement of Net Position

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

Restatement of Net Position	
Beginning balance, June 30, 2014	$ 3,827,980
Net pension liability, July 1, 2014	(242,018)
Affect of prior year 2014 contributions	33,474
Restated Net Position, July 1, 2014	$ 3,619,436

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, 2015

		2014
Total pension liability		
Service cost	$	28,965
Interest		84,842
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions		-
Benefit Payments, including refunds of employee contributions		(49,294)
Net change in total pension liability		64,513
Total pension liability - beginning		1,236,670
Total pension liability - ending (a)	$	1,301,183
Plan fiduciary net position		
Contributions - employer	$	33,474
Contributions - employee		12,546
Net investment income		156,945
Benefit Payments, including refunds of employee contributions		(49,294)
Administrative expense		(840)
Other		8
Net change in plan fiduciary net position		152,839
Plan fiduciary net position - beginning		994,652
Plan fiduciary net position - ending (b)	$	1,147,491
Political subdivision's net pension liability - ending (a) - (b)	$	153,692
Plan fiduciary net position as a percentage of the total Pension liability		113.39%
Covered--employee payroll	$	240,132
Political subdivision's net pension liability as a percentage of covered-employee payroll		64.00%

Southside Regional Public Service Authority

Schedule of Employer Contributions

For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	$ 32,691	$ 32,736	$ (45)	$ 246,167	13.30%

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

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

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS

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

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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, 2015 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 October 28, 2015.

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*.

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Purpose of this Report

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
October 28, 2015