Roanoke River Service Authority

Comprehensive Annual Financial Report

Years Ended June 30, 2017 and 2016

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

Roanoke River Service Authority

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Years Ended June 30, 2017 and 2016

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REQUIRED SUPPLEMENTARY INFORMATION

COMPLIANCE

Creedle
Jones
& Alga

A Professional Corporation

Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
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Scott A. Thompson, CPA, CGMA
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American Institute of Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Roanoke River Service Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Roanoke River Service Authority, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Roanoke River Service Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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 Roanoke River Service Authority, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 and schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions, and notes to required supplementary information on pages 22 through 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 September 11, 2017, on our consideration of the Roanoke River Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Roanoke River Service Authority's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
September 11, 2017

Roanoke River Service Authority

Management's Discussion and Analysis

As of June 30, 2017 and 2016

Our discussion and analysis of the Roanoke River Service Authority's financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2017 and 2016. Please read this information in conjunction with Roanoke River Service Authority's basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Information regarding the results of our operation during the years is reported in the Statements of Revenues, Expenses, and Changes in Net Position. These statements show how much our overall net position increased or decreased during the 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 2017 and 2016 is presented below:

	2017	2016
Assets	**$10,284,305**	$10,255,732
Deferred Outflows of Resources	**29,677**	20,952
Total Assets and Deferred Outflows of Resources	**$10,313,982**	$10,276,684
Total Liabilities	**$ 6,748,184**	$ 6,982,280
Deferred Inflows of Resources	**3,613**	11,057
Net Position		
Net investment in capital assets	**2,015,509**	1,847,957
Unrestricted	**1,546,676**	1,435,390
Total Net Position	**3,562,185**	3,283,347
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$10,313,982**	$10,276,684

Total net position increased by $278,838 for the Authority in 2017 which is an increase of 8.49% from last year.

Change in Net Position

A summary of the Authority's Statements of Revenues, Expenses, and Changes in Net Position for 2017 and 2016 is presented below:

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

	2017	2016
Operating Revenues	**$1,871,434**	$ 1,866,230
Operating Expenses	**(1,296,154)**	(1,222,584)
Net Operating Income	**575,280**	643,646
Non-Operating Revenue	**831**	563
Non-Operating Expense	**(297,273)**	(292,034)
Changes in Net Position	**$ 278,838**	$ 352,175

During the year, the Authority's net operating income was $575,280. The Authority had non-operating revenue in the form of interest income, which amounted to $831. This revenue was more than offset by non-operating expense in the form of interest expense that totaled $297,273. Operating expenses of $1,296,154 included all expenses necessary to operate the water plant, predominantly salaries, electrical power, chemicals, and depreciation.

Net position increased $278,838 in 2017 as compared to an increase of $352,175 in 2016.

Cash Flows

A summary of the Authority's Statements of Cash Flows for 2017 and 2016 is presented below:

Condensed Statements of Cash Flows

	2017	2016
Cash Provided by (Used in)		
Operating activities	**$ 858,937**	$ 865,389
Capital and related financing activities	**(722,843)**	(625,148)
Investing activities	**831**	660
Net Increase in Cash	**$ 136,925**	$ 240,901

Cash flows from operating activities consist of receipts from customers and grants which are more than operating expenses, creating a positive cash flow of $858,937.

Cash flows from non-operating activities net to a negative $(722,012). The majority of this amount is debt related expenses.

During fiscal year 2017, there was an increase of $136,925 in cash as compared to an increase of $240,901 in 2016.

Capital Assets

As of June 30, 2017, the Authority's net investment in capital assets totals $2,015,509 which is net capital assets less related debt.

During fiscal year 2017, the Authority's net capital assets (including additions, decreases, and depreciation) decreased $99,179 as summarized below:

Change in Capital Assets

	Balance July 1, 2016	Net Additions and Deletions	Balance June 30, 2017
Land and improvements	$ 268,902	$ -	**$ 268,902**
Vehicles and equipment	182,679	9,585	**192,264**
Infrastructure - water system	11,421,591	149,254	**11,570,845**
Total Capital Assets	11,873,172	158,839	**12,032,011**
Less: Accumulated depreciation	(3,044,605)	(258,018)	**(3,302,623)**
Total Net Capital Assets	$ 8,828,567	$ (99,179)	**$ 8,729,388**

Long-Term Debt

As of June 30, 2017, the Authority's long-term obligations total $6,713,879.

Change in Long-Term Debt

	Balance July 1, 2016	Net Additions and Deletions	Balance June 30, 2017
Virginia Resources Authority - Series 2000A and 2000B	$ 561,897	$ (102,499)	**$ 459,398**
Citizens Community Bank	497,142	(31,859)	**465,283**
Rural Development	5,917,772	(129,334)	**5,788,438**
Sheffield Financing	3,799	(3,039)	**760**
Total Outstanding Debt	$ 6,980,610	$ (266,731)	**$ 6,713,879**

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

Roanoke River Service Authority

Statements of Net Position

June 30, 2017 and 2016

	2017	2016
Assets and Deferred Outflows of Resources		
Assets		
Current Assets		
Cash	$ 360,785	$ 397,060
Cash - restricted	1,033,718	860,518
Accounts receivable	160,414	169,587
Total Current Assets	1,554,917	1,427,165
Capital Assets		
Land and improvements	268,902	268,902
Vehicles and equipment	192,264	147,100
Infrastructure - water system	11,570,845	11,457,170
Less: Accumulated depreciation	(3,302,623)	(3,044,605)
Net Capital Assets	8,729,388	8,828,567
Total Assets	10,284,305	10,255,732
Deferred Outflows of Resources		
Deferred outflows - pension liability	29,677	20,952
Total Assets and Deferred Outflows of Resources	$ 10,313,982	$ 10,276,684
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	$ 15,971	$ 1,075
Accrued payroll liabilities	-	528
Notes payable - current portion	275,338	266,616
Total Current Liabilities	291,309	268,219
Long-Term Liabilities		
Net pension liability	18,334	67
Notes payable - less current portion	6,438,541	6,713,994
Total Long-Term Liabilities	6,456,875	6,714,061
Total Liabilities	6,748,184	6,982,280
Deferred Inflows of Resources		
Deferred inflows - pension liability	3,613	11,057
Net Position		
Net investment in capital assets	2,015,509	1,847,957
Unrestricted	1,546,676	1,435,390
Total Net Position	3,562,185	3,283,347
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 10,313,982	$ 10,276,684

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

Exhibit B

Roanoke River Service Authority

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Charges for services	$ 1,791,383	$ 1,790,114
Contribution from counties	27,500	27,500
Wireless communication fees	38,310	25,857
Miscellaneous	6,884	2,753
Connection fees	7,357	20,006
Total Operating Revenues	1,871,434	1,866,230
Operating Expenses		
Depreciation	258,018	242,545
Salaries	306,679	290,971
Electrical services	160,889	167,143
Chemicals	200,790	200,981
Professional fees	19,140	17,065
Payroll taxes	22,552	22,213
Employee insurance	44,835	36,458
Retirement and pension expense	18,861	15,802
Repairs and maintenance	139,656	107,845
Insurance	28,281	28,927
Engineering	770	533
Lab supplies and testing	15,723	17,058
Miscellaneous other expenses	14,083	15,014
Safety	11,110	9,761
Distribution expansion	3,119	16,342
Office supplies	8,683	4,595
Plant heating	4,644	3,600
Fuel	14,170	6,604
Uniforms	1,488	1,930
Cellular and mobile communications	10,268	5,356
Telephone	3,575	3,177
Postage and delivery	4,479	4,875
Raw water withdrawal	4,341	3,789
Total Operating Expenses	1,296,154	1,222,584
Operating Income	575,280	643,646
Non-Operating Revenues (Expenses)		
Interest income	831	660
Loss on sale of vehicle	-	(97)
Interest expense	(297,273)	(292,034)
Net Non-Operating Revenues (Expenses)	(296,442)	(291,471)
Change in Net Position	278,838	352,175
Total Net Position - Beginning of Year	3,283,347	2,931,172
Total Net Position - End of Year	$ 3,562,185	$ 3,283,347

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

Roanoke River Service Authority

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Receipts from customers	$ 1,807,913	$ 1,811,734
Other receipts	45,194	28,610
Receipts from counties	27,500	27,500
Payments for salaries and related personnel costs	(393,455)	(365,444)
Payments to suppliers	(628,215)	(637,011)
Net Cash Provided by Operating Activities	858,937	865,389
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(158,839)	(604,912)
Proceeds of new debt	-	497,142
Sale of vehicle	-	(97)
Payments on long-term debt	(266,731)	(225,247)
Interest expense paid on capital debt	(297,273)	(292,034)
Net Cash Used in Capital and Related Financing Activities	(722,843)	(625,148)
Cash Flows from Investing Activities		
Interest income	831	660
Net Cash Provided by Investing Activities	831	660
Net Increase in Cash and Cash Equivalents	136,925	240,901
Cash and Cash Equivalents - Beginning of Year	1,257,578	1,016,677
Cash and Cash Equivalents - End of Year	$ 1,394,503	$ 1,257,578
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 575,280	$ 643,646
Adjustments to reconcile operating income		
Depreciation expense	258,018	242,545
Changes in current assets and liabilities		
Receivables, net	9,173	1,614
Accounts payable	14,896	(17,558)
Accrued payroll liabilities	(528)	88
Net pension liability	18,267	4,627
Deferred outflows - pension liability	(8,725)	2,097
Deferred inflows - pension liability	(7,444)	(11,670)
Net Cash Provided by Operating Activities	$ 858,937	$ 865,389

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

1 Organization, Description of the Entity, and Its Activities

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

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

2 Significant Accounting Policies

Financial Statement Presentation

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

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

Basis of Accounting

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

Property and Equipment

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

Use of Estimates

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

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, 2017, the Authority adopted the following GASB statements:

- Statement No. 74, "*Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans*"
- Statement No. 82, *"Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73"*

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, 2017.

5 Capital Assets

The schedule below shows the breakdown of capital assets by category at June 30, 2017:

	Balance July 1, 2016	Acquired (Increased)	Deleted (Decreased)	Balance June 30, 2017
Land and improvements	$ 268,902	$ -	$ -	**$ 268,902**
Vehicles and equipment	182,679	9,585	-	**192,264**
Infrastructure - water system	11,421,591	149,254	-	**11,570,845**
Total Capital Assets	11,873,172	158,839	-	**12,032,011**
Less: Accumulated depreciation	(3,044,605)	(258,018)	-	**(3,302,623)**
Net Capital Assets	$ 8,828,567	$ (99,179)	$ -	**$ 8,729,388**

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

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

6 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by a 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:

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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 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, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 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, 2017 was 6.8% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were $19,395 and $20,748 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2016 The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

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/less 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, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 440,022	$ 439,955	$ 67
Changes for the Year			
Service cost	33,432	-	33,432
Interest	30,755	-	30,755
Benefit changes	-	-	-
Differences between expected		-	
and actual experience	(2,646)	-	(2,646)
Contributions - employer	-	20,748	(20,748)
Contributions - employee	-	13,982	(13,982)
Net investment income	-	8,799	(8,799)
Benefit payments, including refunds	(1,318)	(1,318)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(252)	252
Other changes	-	(3)	3
Net Changes	60,223	41,956	18,267
Balances at June 30, 2016	$ 500,245	$ 481,911	$ 18,334

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:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's			
Net Pension Liability	$ 99,908	$18,334	$(48,234)

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of $18,657. At June 30, 2017, 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	$ -	$ 3,613
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	12,914	-
Employer contributions subsequent to the measurement date	16,763	-
Total	$ 29,677	$ 3,613

$29,677 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, 2018. 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,	
2018	$ 154
2019	155
2020	5,836
2021	3,917
2022	(545)
Thereafter	(216)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's fiduciary net position is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

7 Long-Term Debt

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

Year(s) Ending June 30,	Principal	Interest
2018	$ 275,338	$ 286,386
2019	286,060	274,905
2020	298,040	262,925
2021	253,274	250,424
2022	205,374	241,056
2023-2027	1,162,633	1,069,519
2028-2032	1,273,556	808,246
2033-2037	1,453,056	511,944
2038-2042	1,506,548	150,832
	$ 6,713,879	$ 3,856,237

Changes in Long-Term Debt

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

Details of Long-Term Indebtedness	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017	Due Within One Year
Virginia Resources Authority Series 2000A issued November 27, 2000 for $200,344; payable in semi-annual installments of $3,454 at 0% interest for 30 years.	$ 97,246	$ -	$ 6,705	**$ 90,541**	$ 6,706
Virginia Resources Authority Series 2000B issued November 27, 2000 for $1,523,853; payable in semi-annual installments of $59,891 at 4.25% interest for 20 years.	464,651	-	95,794	**368,857**	99,908
Citizens Community Bank unsecured loan dated October 21, 2015 for $497,142; payable in annual installments of $46,724 at 2.99% interest for 13 years.	497,142	-	31,859	**465,283**	32,812
United States Department of Agriculture Series 2001A - Rural Development issued November 2, 2001 for $7,135,000; payable interest only for first 25 months then monthly installments of $32,750 for 456 months at 4.50% interest.	5,917,772	-	129,334	**5,788,438**	135,152
Sheffield Financing dated August 28, 2013 for the purchase of a Dixie Chopper Lawnmower payable over 48 months with monthly payments of $253.31 and zero interest.	3,799	-	3,039	**760**	760
	$ 6,980,610	$ -	$ 266,731	**$ 6,713,879**	$ 275,338

8 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the Statements of Net Position as of June 30, 2017 and 2016 is determined as follows:

	2017	2016
Cost of capital assets	**$ 12,032,011**	$ 11,873,172
Less: Accumulated depreciation	**(3,302,623)**	(3,044,605)
Book value	**8,729,388**	8,828,567
Less: Capital related debt	**(6,713,879)**	(6,980,610)
Net Investment in Capital Assets	**$ 2,015,509**	$ 1,847,957

9 Commitments and Contingencies

If applicable, federal programs in which the Authority participates were audited as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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.

10 Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Authority pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority continues to carry commercial insurance for all other risks of loss and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11 Litigation

At June 30, 2017, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decision or pending matter not be favorable to the Authority.

12 Subsequent Events

Management has evaluated subsequent events through September 11, 2017, the date the financial statements were available to be issued. The Authority, in conjunction with the County of Mecklenburg, Virginia, is in the final stages of an agreement with a customer for a tank farm. Once finalized, per the agreement, the customer will pay a monthly operation and maintenance cost. Certain stipulations, such as a separate accounting of these costs, will be required by the Authority. The County of Mecklenburg, Virginia has funded the costs of this tank farm and transfer of the assets will be forthcoming. Management has determined there are no other subsequent events to be reported in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Roanoke River Service Authority

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

	2016	2015	2014
Total pension liability			
Service cost	$ 33,432	$ 31,958	$ 31,639
Interest	30,755	26,868	23,125
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,646)	(1,988)	-
Changes in assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	(1,318)	(1,296)	(1,278)
Net change in total pension liability	60,223	55,542	53,486
Total pension liability - beginning	440,022	384,480	330,994
Total pension liability - ending (a)	$ 500,245	$ 440,022	$ 384,480
Plan fiduciary net position			
Contributions - employer	$ 20,748	$ 20,110	$ 21,481
Contributions - employee	13,982	13,554	13,194
Net investment income	8,799	18,773	50,917
Benefit Payments, including refunds of employee contributions	(1,318)	(1,296)	(1,278)
Administrative expense	(252)	(221)	(243)
Other	(3)	(5)	3
Net change in plan fiduciary net position	41,956	50,915	84,074
Plan fiduciary net position - beginning	439,955	389,040	304,966
Plan fiduciary net position - ending (b)	$ 481,911	$ 439,955	$ 389,040
Political subdivision's net pension liability - ending (a) - (b)	$ 18,334	$ 67	$ (4,560)
Plan fiduciary net position as a percentage of the total Pension liability	96.33%	99.98%	101.19%
Covered payroll	$ 279,629	273,133	263,889
Political subdivision's net pension liability as a percentage of covered payroll	6.56%	0.02%	-1.73%

Roanoke River Service Authority

Schedule of Employer Contributions

For the Years Ended June 30, 2008 through 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	**$ 19,395**	**$ 19,395**	**$ -**	**$ 285,221**	**6.80%**
2016	20,748	20,748	-	279,629	7.42%
2015	20,167	20,167	-	273,133	7.42%
2014	21,481	21,481	-	263,889	8.14%
2013	20,849	20,849	-	256,136	8.14%
2012	16,197	16,197	-	217,996	7.43%
2011	17,015	17,015	-	229,006	7.43%
2010	10,694	10,694	-	183,435	5.83%
2009	10,403	10,403	-	178,440	5.83%
2008	10,389	10,389	-	167,033	6.22%

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

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 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
Scott A. Thompson, CPA, CGMA
Kimberly W. Jackson, CPA

James A. Allen, Jr., CPA
Nadine L. Chase, CPA

Sherwood H. Creedle, Emeritus

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Roanoke River Service Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Roanoke River Service Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Roanoke River Service Authority's basic financial statements, and have issued our report thereon dated September 11, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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Compliance and Other Matters

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

Purpose of this Report

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
September 11, 2017