

ROANOKE VALLEY RESOURCE AUTHORITY

Comprehensive Annual Financial Report For the Year Ended June 30, 2016



TINKER CREEK TRANSFER STATION

Roanoke, Virginia

ROANOKE VALLEY RESOURCE AUTHORITY

ROANOKE, VIRGINIA

**Comprehensive Annual Financial Report
For The Year Ended June 30, 2016**

Prepared by:

Roanoke County Finance Department

ROANOKE VALLEY RESOURCE AUTHORITY

Comprehensive Annual Financial Report For The Year Ended June 30, 2016

Table of Contents

| <u>Introductory Section</u> | Page |
|--|-------|
| Letter of Transmittal | 1-5 |
| GFOA Certificate of Achievement | 6 |
| Organizational Chart | 7 |
| List of Appointed Officials | 8 |
| <u>Financial Section</u> | |
| Independent Auditors' Report | 9-10 |
| Management's Discussion and Analysis | 11-15 |
| <u>Basic Financial Statements</u> | |
| Exhibit 1 Statement of Net Position | 16-17 |
| Exhibit 2 Statement of Revenues, Expenses, and Changes in Net Position | 18 |
| Exhibit 3 Statement of Cash Flows | 19 |
| Notes to the Financial Statements | 20-55 |
| <u>Required Supplementary Information</u> | |
| Schedule of OPEB Funding Progress | 56 |
| Schedule of the Authority's Proportionate Share of the Net Pension Liability | 57 |
| Schedule of Pension Contribution Requirements | 58 |
| Notes to Required Supplementary Information | 59 |
| <u>Statistical Section</u> | |
| Table 1 Net Position by Component - Last Ten Fiscal Years | 60 |
| Table 2 Changes in Net Position - Last Ten Fiscal Years | 61 |
| Table 3 Operating Revenue by Source - Last Ten Fiscal Years | 62 |

ROANOKE VALLEY RESOURCE AUTHORITY

Comprehensive Annual Financial Report For The Year Ended June 30, 2016

Table of Contents

| <u>Statistical Section (continued)</u> | Page |
|---|-------|
| Table 4 Operating Expenses - Last Ten Fiscal Years | 63 |
| Table 5 Nonoperating Revenues and Expenses - Last Ten Fiscal Years | 64 |
| Table 6 Annual Tonnage Received - Last Ten Fiscal Years | 65 |
| Table 7 Principal Customers | 66 |
| Table 8 Disposal Fees Per Ton - Last Ten Fiscal Years | 67 |
| Table 9 Ratios of Outstanding Debt by Type - Last Ten Fiscal Years | 68 |
| Table 10 Pledged Revenue Coverage - Last Ten Fiscal Years | 69 |
| Table 11 Demographic Information - Last Ten Fiscal Years | 70 |
| Table 12 Principal Employers | 71 |
| Table 13 Number of Employees by Identifiable Activity - Last Ten Fiscal Years | 72 |
| Table 14 Operating and Capital Indicators - Last Ten Fiscal Years | 73 |
| <u>Compliance Section</u> | |
| Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 74-75 |
| Schedule of Findings and Responses | 76 |

INTRODUCTORY SECTION



ROANOKE VALLEY RESOURCE AUTHORITY

October 17, 2016

To the Honorable Chairman, Members of the Board of Directors of the Roanoke Valley Resource Authority, and Citizens of the Cities of Roanoke and Salem, the County of Roanoke and the Town of Vinton, Virginia:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Roanoke Valley Resource Authority (Authority) for the fiscal year ended June 30, 2016. This audit was conducted 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 for the Commonwealth of Virginia.

This report consists of management's representations concerning the finances of the Authority. Consequently, management assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentations, including all disclosures. Management has established a comprehensive framework of internal control to provide a reasonable basis to make these representations. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The basic financial statements have been audited by our independent auditors, Robinson, Farmer, Cox Associates, who have issued an unmodified (clean) opinion on the financial statements of the Authority for the year ending June 30, 2016. The annual audit was conducted in accordance with professional standards which require that the independent auditors plan and perform the audit to obtain reasonable rather than absolute, assurance about whether the financial statements are free of material misstatement. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The Roanoke Valley Resource Authority (Authority) was established on October 23, 1991, as a tax exempt political subdivision within the Commonwealth of Virginia to acquire and construct a regional sanitary landfill and waste collection and transfer station with related treatment facilities. The charter members are the City of Roanoke (City), County of Roanoke (County) and the Town of Vinton (Town). The Authority began its operations in 1993.

The Authority's Board of Directors consists of seven members; four are appointed by the County, two are appointed by the City and one is appointed by the Town. Each member is appointed for a four year term. Regular meetings of the Board of Directors are normally held monthly.

The Authority is administered by a Chief Executive Officer (CEO). The CEO has the direct supervision of all employees of the Authority, the responsibility for the operation of the landfill facilities, and the establishment of guidelines for efficient and sound fiscal management.

Residents and businesses in the City, the County and the Town generate approximately 150,000 tons of waste every year. These localities created the Authority and joined forces with Norfolk Southern in an innovative public-private partnership. The Authority owns the Tinker Creek Transfer Station, the Smith Gap Landfill and the Waste Line Express train. This regional public-private partnership was the first project in the United States to use rail as the sole transportation link between a solid waste transfer station and a landfill.

Each locality collects its own trash using its own equipment. After collection, refuse trucks deliver the trash to the Authority's Tinker Creek Transfer Station in the City. At the Transfer Station, waste is loaded into specially designed rail cars and covered with watertight lock-down lids. Each rail car holds approximately 65 tons of waste, making them among the largest on the railroad. At the end of the day, all waste that has been collected and loaded into the rail cars is transported 33 miles on the Waste Line Express by Norfolk Southern to Smith Gap Station in the County. Upon arriving at the landfill, the rail cars are uncoupled and positioned for unloading the following day. The train then returns the same day with empty rail cars from the previous day's load.

Additional information on this process including a seven minute video may be gleaned by accessing the Authority's website at www.rvra.net.

At Smith Gap Station the rail cars are unloaded using one of the largest rotary tippers in the world. The rail cars are rotated upside down to remove the waste. The unloading operation takes place inside the tipper building, where the waste is inspected and loaded into haul trucks for burial in a 1,200 acre, environmentally protected landfill disposal area that meets all state and federal regulations.

Budgetary and Accounting Controls

The Authority is required to prepare and submit an annual operating budget to the Charter Members for approval on or before April 1 of each year for the upcoming fiscal year (July 1 to June 30). The budget is prepared by staff of the Authority and serves as the foundation for the Authority's financial planning and control.

The Authority's accounting records are maintained on an accrual basis under which revenues are recognized when earned and expenses are recognized when incurred. Accounting functions are separated to the extent possible for a small sized staff. The County of Roanoke currently is the fiscal agent for the Authority. The accounting system the Authority is using belongs to the County and County staff has provided support and assistance to the Authority in its accounting operations.

Local Economy

The Authority draws from a regional labor force of approximately 300,000 within a radius of sixty miles. For 2016, the City's estimated population is 99,681 the County's estimated population is 93,775 and the Town's population is estimated to be 8,151.

The Roanoke Valley as well as the surrounding communities, are fortunate that their economic indicators are more favorable compared to some of the neighboring localities and to the State, but there remain formidable challenges for the Roanoke Valley; not only in the delivery of local government and authority services, but also in maintaining our traditionally high standard of living and quality of life.

The City, County and Town's Economic Development Departments successfully utilize provisions under the public/private partnership policy that allows businesses to receive assistance from them for qualifying facility expansions and relocations. The expected return on investment in new taxes and employment is a critical measure governing the use of public funds to assist businesses and industries.

Long-Term Financial Planning

The Authority annually reviews the adequacy of the Replacement Reserve Requirements under the current operating conditions, and in comparison with industry standards. The review is done in consultation with a professional engineer familiar with solid waste services, equipment, and facilities as utilized by the Authority. A professional consulting engineer, external to the Authority, reviews the plan every five years. The Authority has defined adequacy to mean that funds exist in amounts equivalent to or exceeding the anticipated expenditures during a period of the next five subsequent fiscal years. The Authority annually makes deposits to replacement reserves for funding future planned expenditures. These reserves allow the Authority to establish and project an orderly increase in tipping fees to prepare for future expenses along with annual operating costs. All funds have been determined to be adequate to address industry costs and planning, thus allowing the reserve funds to reflect future anticipated costs over the next five years.

The Authority has established a "Closure Fund" to cover its future closure and post-closure obligations. Maintenance of this fund enables the Authority to qualify for Financial Assurance using a "Corporate Financial Test," thereby eliminating the need for additional financial commitments from its member communities in the form of a "Local Government Financial Test" or the additional annual cost for a "Letter of Credit" assuring the closure obligations will be met.

Major Initiatives and Accomplishments for FY 2016

- During the year, the Roanoke Valley Resources Authority maintained financial and reserve policies providing for the establishment of and the planned funding level of maintenance and improvement reserve accounts for planned expenditures over a short and long-term planning period.
- The Authority continues to maintain an account for a "Closure Fund" to cover future closure and post-closure obligations. This fund enables the Authority to qualify for Financial Assurance by using a "Corporate Financial Test," thereby eliminating the need for additional financial commitments from its member communities in the form of a "Local Government Financial Test" or the additional annual cost for a "Letter of Credit" assuring the closure obligations will be met. The Authority continues to maintain adequate funds (cash) to cover anticipated costs required for closure and post closure care of both the Smith Gap and Rutrough Road landfills.

- The Authority continues to maintain and own sufficient land to provide long-term disposal capacity for its members in excess of 100 years which will be developed in phases or cells. The long-term disposal capacity provides the Authority with the flexibility it needs to properly evaluate emerging solid waste technologies and to allow sufficient timing to properly fund and to ultimately transition to one or more of these technologies if feasible.
- Since its inception, the Authority has developed five landfill cells in five construction phases to-date. The most recent cell, Phase V, was completed April 2009 and was activated on August 5, 2011. Phase V is projected to provide additional disposal capacity through 2017 and possibly 2018. Other than the initial Phase I, all funding associated with the construction of Phases II-V has been cash-funded through an established and dedicated reserve account which continues to receive regular contributions from the Authority's tipping fees to cash-fund subsequent cell developments. The Authority anticipates this dedicated reserve account will be sufficiently funded such that Phase VI will also be cash-funded.
- Portions of the Smith Gap Landfill are nearing final construction grade and in accordance with the Authority's permit, are in the process of being closed. The Authority, in conjunction with its professional engineering consultant, presented an innovative closure design to the VDEQ for consideration as a Research Design and Development (RDD) project utilizing a newly engineered geosynthetic capping system. If approved, the revised cap will prove less costly to construct than the prescriptive capping system, while providing a permanent, more stable construction that would also provide a high level of environmental protection. The proposed project, as planned and if approved, would be the first of its kind in the Commonwealth of Virginia and could serve as a model for subsequent cell closures at Smith Gap and throughout the State. The Authority has submitted its closure plans to VDEQ and is awaiting final VDEQ's approval in FY 2017. The Authority's plans are to initiate closure construction and the construction of Phase VI simultaneously starting in FY 2017 with completion of these portions in FY 2018. The Authority projects a savings on the combined construction activities through one contractor.
- As part of the original closure plan for the Smith Gap Landfill, the Authority installed an active gas collection and control system (GCCS) that began operations in April 2011. All funding for the closure plan, including the GCCS, is funded through an established reserve account which continues to receive regular contributions from tipping fees that will continue to fund subsequent cell closure costs. Although the Authority has no regulatory obligation to install and operate a GCCS at this time, the Authority's GCCS is currently collecting and preventing the annual emissions of approximately 60,000 tons of carbon dioxide equivalent (CO₂e) to the atmosphere, thereby greatly reducing greenhouse gas emissions. The Authority is a registered member of the California Climate Action Registry (CARs) which qualifies the Authority's destruction of greenhouse gases for emission credits which can be sold on the open market to help offset the initial cost of installing the GCCS. In FY 2015, the Authority received third party validation for approximately 93,000 tons of CO₂e emission credits which were sold, after expenses, for approximately \$106,000. The Authority anticipates selling some or all of its ongoing and newly validated credits in FY 2016 and thereafter, creating a new temporary annual revenue stream, albeit in projected lesser amounts. This new revenue stream is projected to last for approximately 5 years when regulations will ultimately disqualify the Authority from generating emission credits.
- In FY 2014, the Authority completed a real estate transaction with the Virginia Department of Transportation for approximately two acres of property located at the Authority's Tinker Creek Transfer Station. Proceeds from the sale were utilized by the Authority to construct a Residential Service Area (RSA) at the transfer station. The new RSA removes residential traffic from the station's regular tipping floor which will greatly minimize the potential for accidents caused by the comingling of commercial & residential disposal vehicles.

Additionally, removing the residential traffic from the tipping floor expedites the ingress and egress of municipal and commercial vehicles which resulting in operational savings for the Authority's members and customers. The RSA became operational in FY 2016.

- The Authority responded to a request for proposals by the City of Salem, VA for solid waste disposal management services which was accepted by the City on May 9, 2016. The Authority's proposal extended full membership status to the City of Salem effective July 1, 2016. In conjunction with Salem's new membership, the Authority will receive ownership and operational responsibilities for Salem's existing transfer station as of November 1, 2016. The new transfer station historically receives approximately 80,000 tons of municipal solid waste annually. The additional annual revenues from the added MSW tonnages are anticipated to exceed the associated annual operating and capital costs resulting in a positive impact on the Authority's current and future tipping fees.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to RVRA for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the seventh consecutive year that the Authority received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our appreciation and gratitude to the personnel at the Authority and in the Department of Finance at the County of Roanoke for their dedication and support in producing this report. Appreciation is also extended to the Authority's Board of Directors whose continuing leadership and support is essential to the financial health of the Authority.

Sincerely,



Daniel D. Miles
Chief Executive Officer



Rebecca E. Owens
Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

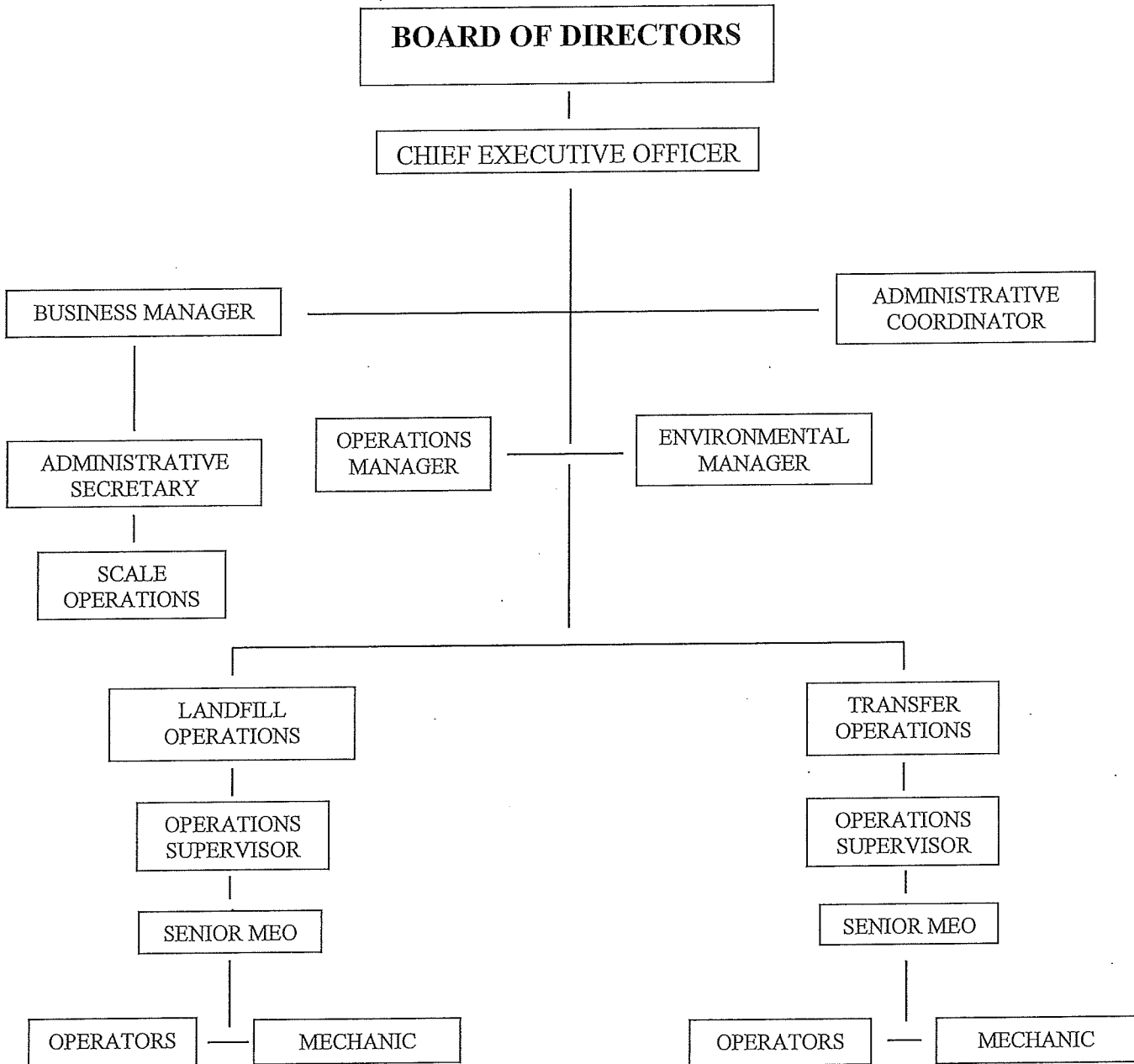
**Roanoke Valley Resource Authority
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

**ROANOKE VALLEY RESOURCE AUTHORITY
ORGANIZATIONAL CHART**



ROANOKE VALLEY RESOURCE AUTHORITY

List of Appointed Officials For The Year Ended June 30, 2016

(A Governmental organization established October 23, 1991
as a tax exempt political subdivision within the Commonwealth of Virginia)

BOARD MEMBERS

Anne Marie Green, Chairman

Michael B. Shockley, Vice Chair

Rebecca E. Owens, MBA, Treasurer

Bobby Edwards

Keith Garman

Thomas Gates

Joey Hiner

Dennis Nalley

Mike Tyler

OFFICIALS

Chief Executive Officer
Operations Manager
Business Manager
Administrative Secretary
Administrative Coordinator
Environmental/Safety Manager
General Counsel

Daniel D. Miles, P.E.
Steven R. Barger, P.E.
Randall Remington
Ollie Tyree
Peggy Bishop
Edward Hacker
Mark A. Williams, Esq.

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of the Board
Roanoke Valley Resource Authority
Roanoke, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2016, the Authority adopted new accounting guidance, GASB Statement No. 72 Fair Value Measurement and Application; GASB Statement No. 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73; and, GASB Statement No. 79 Certain External Investment Pools and Pool Participants. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 11-15 and 56-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Roanoke Valley Resource Authority's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016, on our consideration of the Roanoke Valley Resource 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 Valley Resource Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
September 26, 2016

**Roanoke Valley Resource Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

The management discussion and analysis (MD&A) serves as an introduction to the financial statements of the Roanoke Valley Resource Authority (the Authority) for the year ended June 30, 2016. The MD&A represents management's examination and analysis of the Authority's financial condition and performance and should be read in conjunction with the Authority's basic financial statements which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34)*.

Financial Highlights

- The total assets of the Authority exceeded its liabilities as of June 30, 2016 by \$20,380,656 (Net Position). Of this amount, \$1,733,667 (unrestricted net assets) may be used to meet the Authority's future obligations to citizens and creditors.
- During the year, the Authority's total revenues were \$392,033 less than the \$9,241,885 of expenses.
- The Authority had no outstanding debt at June 30, 2016.

Overview of the Basic Financial Statements

The Authority's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB).

The financial statements provide information about the Authority as a whole using the accrual basis of accounting, which is the method used by most private-sector enterprises. In addition to the basic financial statements, the report includes Notes to the Basic Financial Statements and Required Supplemental Information.

- The **Statements of Net Position** reports assets and deferred outflows, liabilities and deferred inflows and the difference between them. The entire equity section is combined to report total Net Position and displayed in three broad components – net investment in capital assets; restricted assets; and unrestricted assets.
- The **Statement of Revenues, Expenses and Changes in Fund Position** present the results of the business activities over the course of the fiscal year and information about how the Net Position changed during the year. Revenues and expenses are categorized as either operating or non-operating based upon definitions provided by GASB's 33 and 34. Operating revenue consists of tipping fees and recycling fees. Nonoperating revenues consist of net increase in fair value of investments, interest income, gains on disposals of property and equipment and miscellaneous income.

One of the main goals of these two statements is to report the Authority's net position and changes that affected net position during the fiscal year. The change in the Authority's net position is one way to measure the Authority's financial health, or financial position. Increases and decreases in net position are indicators of whether the Authority's financial health is improving or deteriorating. These statements allow readers to answer the question: "Is the Authority's financial position, as a whole, better or worse as a result of the year's activities?"

- The **Statement of Cash Flows** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information without consideration of the earning event, when an obligation arises, or depreciation of capital assets.

Notes to the basic financial statements - The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found beginning on page 20 of this report.

Financial Analysis of the Authority as a Whole

The following comparative condensed Statement of Net Position provides an analysis of the change in financial position from the previous fiscal year.

Statement of Net Position

The following table reflects the condensed Summary of Net Position:

| | FY 2016 | FY 2015 |
|--------------------------------|---------------|---------------|
| Current and other assets | \$ 18,487,166 | \$ 17,287,977 |
| Capital assets, net | 18,930,028 | 20,016,507 |
| Total assets | 37,417,194 | 37,304,484 |
| Deferred outflows of resources | 149,806 | 140,321 |
| Current liabilities | 668,560 | 1,882,862 |
| Noncurrent liabilities | 16,240,782 | 14,428,930 |
| Total Liabilities | 16,909,342 | 16,311,792 |
| Deferred inflows of resources | 277,002 | 360,324 |
| Investment in capital assets | 18,646,989 | 20,016,507 |
| Unrestricted | 1,733,667 | 756,182 |
| Total net position | \$ 20,380,656 | \$ 20,772,689 |

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceed liabilities by \$20,380,656 at the close of fiscal year 2016. This is comparable to last year's Net Position of \$20,772,689.

A portion of the Authority's Net Position, 91.5%, reflects its investment in capital assets (e.g. land, buildings, and equipment); less any related debt used to acquire those assets

that are outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. The Authority's investment in its capital assets is reported net of related debt, if applicable, and it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Authority's Net Position, 8.5%, represents resources that are not subject to restrictions on how they may be used. This unrestricted remaining balance of net position may be used to meet the Authority's ongoing obligations to customers and creditors.

At the end of the current fiscal year, the Authority was able to report a positive balance in all categories of net position. The same situation held true for the prior year fiscal year.

Statement of Revenues, Expenses and Changes in Net Position

The following table shows the revenue and expenses of the Authority:

| | <u>FY 2016</u> | <u>FY 2015</u> |
|---|----------------------|----------------------|
| Revenues | | |
| Charges for services | \$ 8,743,169 | \$ 8,434,037 |
| Nonoperating Revenues: | | |
| Interest income | 106,683 | 69,368 |
| Total revenues | <u>8,849,852</u> | <u>8,503,405</u> |
| Expenses | | |
| Operating expense | | |
| Salaries and benefits | (1,903,883) | (1,859,968) |
| Landfill closure costs | (438,484) | (222,415) |
| Other operating expenses | (4,620,424) | (5,164,825) |
| Depreciation | (2,279,094) | (2,207,814) |
| Total expenses | <u>(9,241,885)</u> | <u>(9,455,022)</u> |
| Change in net position | (392,033) | (951,617) |
| Total net position at beginning of year | 20,772,689 | 21,724,306 |
| Total net position at end of year | <u>\$ 20,380,656</u> | <u>\$ 20,772,689</u> |

The Authority's total revenues increased over the prior year by 4.1% to \$8,849,852 due primarily to increased local economic activity. Tipping fees were higher by 4.0% from the prior year. Interest income increased by 53.8% as a result of higher investment yields. The expenses for all programs and services decreased by 2.3% in FY 2016. There was however a significant increase in expenditures related to the landfill closure costs by 97.1%.

Approximately 97.5% of the Authority's Fiscal Year 2016 revenue is from operating revenue consisting of tipping fees, and recycling income; 1.3% is miscellaneous consisting primarily of mulch sales; 1.2% from non-operating revenue consisting of interest income. Operational expenses for FY 2016 account for 100% of total expenses as there was no interest expense.

Capital Assets

As of June 30, 2016, the Authority had invested \$18,930,028 net of accumulated depreciation, in a variety of capital assets including land, landfill development costs, buildings, and equipment. The Authority's investment in capital assets for the current year was \$1,202,844. This investment was composed of four wheel loaders, an excavator, a hydro seeder, and two mowers., and construction in progress included continuation of outlays for a planned residential service area (adjacent to the Tinker Creek transfer facility). This activity increased to a level of \$867,860.

Additional information on the Authority's capital assets can be found in Note 4 in the notes to the basic financial statements on page 27. Capital assets net of accumulated depreciation are illustrated in the following table:

| | <u>FY 2016</u> | <u>FY 2015</u> |
|--------------------------|----------------------|----------------------|
| Land | \$ 1,632,263 | \$ 1,430,680 |
| Landfill and Rail Access | 36,770,591 | 36,770,591 |
| Transfer Station | 6,390,221 | 6,390,221 |
| Equipment | 10,747,347 | 10,610,903 |
| Construction in progress | 867,860 | 145,532 |
| Subtotal | <u>56,408,282</u> | <u>55,347,927</u> |
| Accumulated depreciation | (37,478,254) | (35,331,420) |
| Totals | <u>\$ 18,930,028</u> | <u>\$ 20,016,507</u> |

Long -Term Debt

At June 30, 2016, the Authority had no bonded debt issues outstanding. Plans have been developed to issue bonds in FY 2017. This is necessary to support the development of additional capacity due to the addition of the City of Salem as a member of the Authority. Additional information related to long - term liabilities can be found in Note 5, page 28 in the notes to the basic financial statements.

Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

- Uncertainty regarding the economy
- Projected increases in health insurance premiums and retirement contribution rates assessed by the Virginia Retirement System
- Expansion of the open landfill
- Estimated landfill closure costs
- Renewal and replacement needs; costs of plant and equipment
- Closed landfill groundwater monitoring and remediation costs
- Interest rates
- Issuance of debt
- Energy and fuel costs
- Expansion of the Authority to include City of Salem fiscal year 2017

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, potential investors and creditors with a general overview of the Authority's finances and to demonstrate accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Roanoke Valley Resource Authority, 1020 Hollins Road, Roanoke, VA 24012, telephone (540-857-5055), or visit the Authority's web site at www.rvra.net.

Basic Financial Statements

ROANOKE VALLEY RESOURCE AUTHORITY
Statement of Net Position
June 30, 2016

ASSETS

Current assets:

| | | |
|---------------------------|----|---------------|
| Cash and cash equivalents | \$ | 8,790,307 |
| Investments (note 2) | | 334,202 |
| Accounts receivable | | 917,155 |
| Interest receivable | | 15,581 |
| Inventory | | <u>69,957</u> |

| | | |
|----------------------|----|-------------------|
| Total current assets | \$ | <u>10,127,202</u> |
|----------------------|----|-------------------|

Noncurrent assets:

| | | |
|--|----|-------------------|
| Investments (note 2) | \$ | 8,359,964 |
| Non-depreciable capital assets (note 4) | | 2,500,123 |
| Depreciable capital assets, net of accumulated depreciation (note 4) | | <u>16,429,905</u> |

| | | |
|-------------------------|----|-------------------|
| Total noncurrent assets | \$ | <u>27,289,992</u> |
|-------------------------|----|-------------------|

| | | |
|--------------|----|-------------------|
| Total assets | \$ | <u>37,417,194</u> |
|--------------|----|-------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | | |
|--|----|------------|
| Pension contributions subsequent to measurement date | \$ | 149,204 |
| Change in assumptions related to the net pension liability | | <u>602</u> |

| | | |
|--------------------------------------|----|----------------|
| Total deferred outflows of resources | \$ | <u>149,806</u> |
|--------------------------------------|----|----------------|

The accompanying notes are an integral part of the basic financial statements.

ROANOKE VALLEY RESOURCE AUTHORITY
Statement of Net Position
June 30, 2016

LIABILITIES

Current liabilities:

| | | |
|--|----|----------------|
| Vouchers payable | \$ | 203,459 |
| Retainage payable | | 23,774 |
| Accrued payroll | | 55,806 |
| Compensated absences, current portion (note 5) | | 79,064 |
| Accrued landfill closure, current portion (note 8) | | <u>306,457</u> |

Total current liabilities \$ 668,560

Noncurrent liabilities:

| | | |
|---|----|-------------------|
| Compensated absences, net of current portion (note 5) | \$ | 133,529 |
| Net OPEB obligation (note 7) | | 109,495 |
| Net pension liability (note 6) | | 1,044,396 |
| Accrued landfill closure, net of current portion (note 8) | | <u>14,953,362</u> |

Total noncurrent liabilities \$ 16,240,782

Total liabilities \$ 16,909,342

DEFERRED INFLOWS OF RESOURCES

| | | |
|---|----|----------------|
| Items related to measurement of the net pension liability | \$ | <u>277,002</u> |
|---|----|----------------|

Total deferred inflows of resources \$ 277,002

NET POSITION

| | | |
|------------------------------|----|------------------|
| Investment in capital assets | \$ | 18,646,989 |
| Unrestricted | | <u>1,733,667</u> |

Total net position \$ 20,380,656

The accompanying notes are an integral part of the basic financial statements.

ROANOKE VALLEY RESOURCE AUTHORITY
Statement of Revenues, Expenses and Changes
in Net Position
For the Year Ended June 30, 2016

OPERATING REVENUES

| | |
|--------------------------|---------------------|
| Tipping fees | \$ 8,589,127 |
| Recycling revenue | 38,775 |
| Miscellaneous fees | 115,267 |
| Total operating revenues | \$ <u>8,743,169</u> |

OPERATING EXPENSES

| | |
|--|---------------------|
| Salaries and benefits | \$ 1,903,883 |
| Landfill closure and post closure costs (note 8) | 438,484 |
| Other operating expenses | 4,620,424 |
| Depreciation | 2,279,094 |
| Total operating expenses | \$ <u>9,241,885</u> |

| | |
|-------------------------|---------------------|
| Operating income (loss) | \$ <u>(498,716)</u> |
|-------------------------|---------------------|

NONOPERATING REVENUES (EXPENSES)

| | |
|--|---------------------|
| Interest income | \$ 106,683 |
| Total nonoperating revenues (expenses) | \$ <u>106,683</u> |
| Change in net position | \$ <u>(392,033)</u> |

| | |
|---------------------------------------|-----------------------------|
| Total net position, beginning of year | 20,772,689 |
| Total net position, end of year | \$ <u><u>20,380,656</u></u> |

The accompanying notes are an integral part of the basic financial statements.

ROANOKE VALLEY RESOURCE AUTHORITY
Statement of Cash Flows
For Year Ended June 30, 2016

Cash Flows from Operating Activities

| | |
|--|---------------------|
| Receipts from customers | \$ 8,607,997 |
| Payments to suppliers | (4,608,011) |
| Payments to employees | (1,944,828) |
| Net cash provided by (used for) operating activities | \$ <u>2,055,158</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|--|-----------------------|
| Purchase and construction of capital assets | \$ (1,116,181) |
| Net cash provided by (used for) capital and related financing activities | \$ <u>(1,116,181)</u> |

Cash Flows from Investing Activities

| | |
|--|-------------------|
| Interest income | \$ 94,925 |
| Sale of investments | 149,038 |
| Net cash provided by (used for) investing activities | \$ <u>243,963</u> |

Net increase (decrease) in cash and cash equivalents \$ 1,182,940

Cash and cash equivalents at the beginning of the year 7,607,367
 Cash and cash equivalents at the end of the year \$ 8,790,307

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

| | |
|--|---------------------|
| Operating income (loss) | \$ (498,716) |
| Adjustments to reconcile operating income(loss) to net cash provided by (used for) operating activities: | |
| Depreciation | 2,279,094 |
| Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources: | |
| Accounts receivable | (135,172) |
| Inventory | (18,357) |
| Deferred outflows of resources | (9,485) |
| Vouchers payable | 30,771 |
| Accrued payroll | 8,491 |
| Compensated absences | 35,234 |
| Landfill closure liability | 438,483 |
| Net OPEB obligation | 2,066 |
| Net pension liability | 6,071 |
| Deferred inflows of resources | (83,322) |
| Net cash provided by (used for) operating activities | \$ <u>2,055,158</u> |

Noncash items:

During the fiscal year, assets with a net book value of \$10,229 were traded-in on new assets.
 The accompanying notes are an integral part of the basic financial statements.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
as of June 30, 2016

Note 1—Summary of Significant Accounting Policies:

A. Description of Entity

The Roanoke Valley Resource Authority (the Authority) was established on October 23, 1991 as a tax exempt political subdivision within the Commonwealth of Virginia to acquire and construct a regional sanitary landfill and waste collection and transfer station with related treatment facilities. The charter members are the City of Roanoke (the City), County of Roanoke (the County) and the Town of Vinton (the Town).

Prior to October 23, 1991, the operations of the Authority were accounted for as an enterprise fund of the County of Roanoke. As of October 23, 1991, under agreement between the City, the County and the Town, the County transferred all existing assets and liabilities to the Authority.

Under terms of an agreement with the Roanoke Valley Solid Waste Management Board (the Management Board), certain assets and liabilities were transferred to the Authority, effective October 1, 1993. The terms of the agreement call for the Authority to monitor an old landfill site of the Roanoke Valley Regional Solid Waste Management Board during the postclosure care period.

B. Basis of Accounting

The Roanoke Valley Resource Authority operates as an enterprise fund, and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

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

C. Deferred Outflows/Inflows or Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority's deferred outflows of resources are comprised of contributions to the pension plans made during the current year and subsequent to the net pension liability measurement date and changes in pension assumptions. For more detailed information on these items, please refer to the pension note.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Deferred Outflows/Inflows or Resources: (Continued)

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

D. Basic Financial Statements

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's Discussion and Analysis
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Required Supplementary Information
 - Schedules of Pension and OPEB Funding Progress

E. Capital Assets

Capital assets are stated at cost or historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the respective assets.

Maintenance, repairs and minor renewals are charged to expense as incurred, while major renewals and replacements are capitalized. Upon the sale or retirement of a capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the related accounts, and any resulting gain or loss is included in income.

The Authority defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life of at least one year. Assets are depreciated over their estimated useful lives. Equipment, furniture and fixtures are depreciated over three to ten years. Buildings and structures, including the transfer station, are depreciated over 35 years. Landfill and rail access assets are depreciated over fifteen to thirty-five years. Landfill cell development costs are depreciated over the expected life of the cell.

Note 1—Summary of Significant Accounting Policies: (Continued)

F. Interest on Indebtedness

Interest expense applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities, is capitalized during the period of construction as part of the cost of such facilities. Other interest costs of the Authority are treated as nonoperating expenses. No interest was capitalized during the current or prior fiscal year.

G. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

H. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

I. Budgets and Budgetary Accounting

A budget is prepared for information, fiscal planning purposes, and to provide the basis for setting user rates. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses.

J. Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Primary customers consist of the City of Roanoke, County of Roanoke, Town of Vinton and their respective citizens, and local businesses. Management does not feel that an allowance of balances is necessary so the direct write off method of accounting for uncollectible accounts is used.

K. Inventory

Inventory is recorded using the first-in, first-out method (FIFO) and is valued at the lower of cost or market (net realizable value). Inventory consists of parts and supplies utilized in the daily operation of the landfill.

L. Use of Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Note 1— Summary of Significant Accounting Policies: (Continued)

M. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted —consist of assets that are restricted by the Authority's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

N. Net Position Flow Assumption

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

O. Long-Term Obligations

Long-term obligations are reported as liabilities in the statement of net position at face value, net of any applicable premiums and discounts.

P. Compensated Absences

The liability for compensated absences consists of unpaid accumulated vacation and sick leave balances. The liability is based on the sick leave and the vacation leave accumulated at June 30. Limited vacation and sick leave may be accumulated until retirement or termination. Accumulated sick leave is paid at a fixed daily rate and accumulated vacation is paid at the employee's current wage upon retirement or termination.

Q. Accrued Landfill Closure

Accrued landfill closure represents the estimated liability for closure and postclosure costs for the landfill sites. This includes the cost of any equipment and facilities to be installed near or after the date of landfill closure for purposes of closure, the cost of landfill capping, and the cost of monitoring and maintaining the sites during the postclosure period. A total estimate of these expenses is made and updated on a periodic basis and expenses are charged to current period usage of the landfill site. Current cost of landfill closure and postclosure care is an estimate and subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Note 1—Summary of Significant Accounting Policies: (Continued)

R. Funding Requirements

The City, County and the Town are responsible for their pro rata share, based on population, of any year-end operating deficit or capital expenditures, if additional funding is required. The Authority is responsible for paying all outstanding debt.

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plans and the additions to/deductions from the Authority's Retirement Plans' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS) and the City of Roanoke Pension Plan. 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.

Note 2—Deposits and Investments:

Deposits - The County of Roanoke maintains a cash and investment pool that is available for use by all County funds, component units and entities for which the County is the fiscal agent. The Authority participates in this pool and at June 30, 2016, the carrying value of the Authority's deposits with banks and savings institutions was \$8,790,306. Deposits with banks are covered by Federal depository insurance and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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

Information related to the County of Roanoke pooled account is presented in the audited financial statements of the County of Roanoke and can be obtained from the Director of Finance, County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or visit the County's web site at www.roanokecountyva.gov.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2016

Note 2—Deposits and Investments: (Continued)

Custodial Credit Risk (Investments)

The Authority's investment policy provides that securities purchased for the Authority shall be held by the Authority Treasurer or by the Treasurer's custodian. If held by a custodian, the securities must be in the Authority's name or in the custodian's name and identifiable on the custodian's books as belonging to the Authority. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller) to the transaction. At June 30, 2016 all of the Authority's investments were held in accordance with this policy.

Credit Risk of Debt Securities

The Authority's investment policy for credit risk is consistent with the investments allowed by statute as detailed above.

The Authority's debt investments as of June 30, 2016 have not been rated as noted below.

Authority's Rated Debt Investments' Values

| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> | |
|---|-----------------------------|------------------|
| | <u>Not rated</u> | |
| Roanoke County Treasurer's Investment Pool | \$ | 8,694,166 |
| Total | \$ | <u>8,694,166</u> |

The Roanoke County Investment Pool is not rated; however, underlying investments in the pool are rated. Those ratings along with additional information concerning the pool are presented in the Roanoke County, Virginia Comprehensive Annual Financial Report, a copy of which may be requested from: County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or by visiting the County's web site at www.roanokecountyva.gov.

This space left blank intentionally

Note 2—Deposits and Investments: (Continued)**Interest Rate Risk**

The Authority's policy with regard to interest rate risk requires that all investments mature within five years of their purchase date. The policy further requires maturity scheduling be timed to anticipated need and scheduled to coincide with projected cash flow needs. All funds shall be considered short-term except those reserved for capital projects. Investment maturities presented below are based on the maturity dates for individual investments held within the pool as allocated based on the Authority's percentage of funds invested in the pool.

| Investment Maturities (in years) | | | |
|---|-------------------|---------------|------------------|
| Investment Type | Fair Value | 1 Year | 1-5 Years |
| Roanoke County Investment Pool | \$ 8,694,166 | \$ 334,202 | \$ 8,359,964 |
| Totals | \$ 8,694,166 | \$ 334,202 | \$ 8,359,964 |

The fair value of the positions in the external investment pools (Roanoke County Investment Pool) is the same as the value of the pool shares. As the Roanoke County Investment Pool is not SEC registered, regulatory oversight of the pool rests with the Roanoke County Board of Supervisors.

Note 3-Fair Value Measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Authority maximizes the use of observable inputs and minimized the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2 - Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3 - Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2016

Note 3-Fair Value Measurement: (Continued)

The Authority has the following recurring fair value measurements as of June 30, 2016:

| | | Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets |
|--------------------------------|-----------|---|
| Roanoke County Investment Pool | 6/30/2016 | <u>\$ 8,694,166</u> |

Note 4—Capital Assets:

Capital asset activity for the year ended June 30, 2016 was as follows:

| | Balance July 1, 2015 | Increases | Decreases | Balance June 30, 2016 |
|--|-------------------------|-----------------------|-------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,430,680 | \$ 201,583 | \$ - | \$ 1,632,263 |
| Construction in Progress | 145,532 | 722,328 | - | 867,860 |
| Total capital assets not being depreciated | <u>\$ 1,576,212</u> | <u>\$ 923,911</u> | <u>\$ -</u> | <u>\$ 2,500,123</u> |
| Capital assets being depreciated: | | | | |
| Landfill and Rail Access | \$ 36,770,591 | \$ - | \$ - | \$ 36,770,591 |
| Transfer Station (Building and Structure) | 6,390,221 | - | - | 6,390,221 |
| Equipment | 10,610,903 | 278,933 | 142,489 | 10,747,347 |
| Total capital assets being depreciated | <u>\$ 53,771,715</u> | <u>\$ 278,933</u> | <u>\$ 142,489</u> | <u>\$ 53,908,159</u> |
| Accumulated depreciation: | | | | |
| Landfill and Rail Access | \$ 23,738,648 | \$ 1,235,702 | \$ - | \$ 24,974,350 |
| Transfer Station (Building and Structure) | 4,324,333 | 158,914 | - | 4,483,247 |
| Equipment | 7,268,439 | 884,478 | 132,260 | 8,020,657 |
| Total accumulated depreciation | <u>\$ 35,331,420</u> | <u>\$ 2,279,094</u> | <u>\$ 132,260</u> | <u>\$ 37,478,254</u> |
| Total capital assets being depreciated, net | <u>\$ 18,440,295</u> | <u>\$ (2,000,161)</u> | <u>\$ 10,229</u> | <u>\$ 16,429,905</u> |
| Total capital assets, net | <u>\$ 20,016,507</u> | <u>\$ (1,076,250)</u> | <u>\$ 10,229</u> | <u>\$ 18,930,028</u> |

*Additions include retainage payable of \$23,774 (\$2,250 prior year) and accounts payable of \$54,910 at year end.
Assets with a net book value of \$10,229 were traded in on the purchase of new assets during the year.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2016

Note 5—Long-Term Liabilities:

Changes in long-term liabilities for the year are as follows:

| | Balance July 1, 2015 | Additions | Reductions | Balance June 30, 2016 | Due Within One Year |
|--|-------------------------|---------------------|---------------------|--------------------------|------------------------|
| Compensated Absences | \$ 177,359 | \$ 80,250 | \$ (45,016) | \$ 212,593 | \$ 103,603 |
| Accrued Landfill Closure and Postclosure (Note 7) | 14,821,336 | 438,483 | - | 15,259,819 | 306,457 |
| Net OPEB Obligation | 107,429 | 28,422 | (26,356) | 109,495 | - |
| Net Pension Liability | 1,038,325 | 593,750 | (587,679) | 1,044,396 | - |
| | <u>\$ 16,144,449</u> | <u>\$ 1,140,905</u> | <u>\$ (659,051)</u> | <u>\$ 16,626,303</u> | <u>\$ 410,060</u> |

All liabilities are liquidated by operating funds.

Details of the Authority's outstanding long-term liabilities at June 30, 2016 are as follows:

| | Total | Due Within One Year |
|--|----------------------|------------------------|
| Liabilities | | |
| Compensated Absences | \$ 212,593 | \$ 103,603 |
| Accrued landfill closure and postclosure | 15,259,819 | 306,457 |
| Net OPEB Obligation | 109,495 | - |
| Net Pension Liability | 1,044,396 | - |
| Total | <u>\$ 16,626,303</u> | <u>\$ 410,060</u> |

Note 6—Pension Plans:

Employees of the Roanoke Valley Resource Authority are eligible to participate in one of two pension plans: the Roanoke City Pension Plan or the Roanoke County Pension Plan. Upon creation of the Authority, employees that transferred from the City of Roanoke, Virginia were allowed to remain in the City's Pension Plan; however all other employees and new hires are required to participate in the Roanoke County Pension Plan as administered by the Virginia Retirement System (VRS). Both plans are cost sharing multiple employer plans.

The Roanoke County Pension Plan does not issue standalone financial statement; however the pension plan is included in the County of Roanoke, Virginia Comprehensive Annual Financial Report. That report, including required supplementary information, may be obtained from the Director of Finance, County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or visit the County's web site at www.roanokecountyva.gov.

The Roanoke City Pension Plan issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of the most recent report may be obtained by writing to the City of Roanoke Retirement Office, Attention: Retirement Administrator, P.O. Box 1220, Roanoke, Virginia, 24006.

Note 6—Pension Plans: (Continued)

Plan Description - Roanoke County Plan

All full-time, salaried permanent employees of the Roanoke Valley Resource Authority, which do not participate in the City of Roanoke Pension Plan, are covered by the Roanoke County Pension Plan. This is a cost-sharing multiple employer plan 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 pays 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:

| RETIREMENT PLAN PROVISIONS | | |
|---|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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.</p> | <p>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.</p> | <p>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")</p> <ul style="list-style-type: none"> • 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. |

Note 6—Pension Plans: (Continued)**Plan Description - Roanoke County Plan (Continued)**

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| | | <ul style="list-style-type: none"> 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. |
| <p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. |

Note 6—Pension Plans: (Continued)

Plan Description - Roanoke County Plan (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p> | <p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p> |
| <p>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.</p> | <p>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.</p> | <p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |

Note 6—Pension Plans: (Continued)**Plan Description - Roanoke County Plan (Continued)**

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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.</p> | <p>Creditable Service Same as Plan 1.</p> | <p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |

Note 6—Pension Plans: (Continued)**Plan Description - Roanoke County Plan (Continued)**

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

Notes to the Financial Statements
As of June 30, 2016

Note 6—Pension Plans: (Continued)

Plan Description - Roanoke County Plan (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Vesting (Cont.) | Vesting (Cont.) | <p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p> |
| <p>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.</p> | <p>Calculating the Benefit See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> |

Note 6—Pension Plans: (Continued)**Plan Description - Roanoke County Plan (Continued)**

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Calculating the Benefit (Cont.) 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 (Cont.) | Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| 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%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. | Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1. | Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable. |

Note 6—Pension Plans: (Continued)

Plan Description - Roanoke County Plan (Continued)

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

Note 6—Pension Plans: (Continued)

Plan Description - Roanoke County Plan (Continued)

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

Note 6—Pension Plans: (Continued)**Plan Description - Roanoke County Plan (Continued)**

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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. | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p> |

Note 6—Pension Plans: (Continued)**Plan Description - Roanoke County Plan (Continued)**

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> | <p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> | <p>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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> |
| <p>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 toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p> | <p>Purchase of Prior Service Same as Plan 1.</p> | <p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the highest 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. <p><u>Defined Contribution Component:</u> Not applicable.</p> |

Note 6—Pension Plans: (Continued)

Plan Description - Roanoke County Plan (Continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Plan Contributions - Roanoke County Plan

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

The Roanoke Valley Resource Authority's contractually required contribution rate for the year ended June 30, 2016 was 13.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Roanoke Valley Resource Authority were \$142,468 and \$132,644 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability - Roanoke County Plan

At June 30, 2016, the Authority reported a liability of \$970,264 for its proportionate share of the net pension liability. The Roanoke Valley Resource Authority's net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. The Authority's proportionate share of same was calculated using the average creditable compensation for the 2014 and 2015 fiscal years as a basis for allocation. At June 30, 2014 and 2015, the Authority's proportion was 2.7738% and 2.7704%, respectively.

Note 6—Pension Plans: (Continued)**Actuarial Assumptions - Roanoke County Plan**

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

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

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the fair value of 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**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest)**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

Note 6—Pension Plans: (Continued)

Actuarial Assumptions - Roanoke County Plan (Continued)

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

Largest 10 - Non-LEOS:

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

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

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

This space left blank intentionally

Note 6—Pension Plans: (Continued)**Actuarial Assumptions - Roanoke County Plan (Continued)****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%.

Note 6—Pension Plans: (Continued)

Actuarial Assumptions - Roanoke County Plan (Continued)

Discount Rate

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

Plan Description - Roanoke City Plan

Former City employees of the Authority participate in the City of Roanoke, Virginia Pension Plan. The Pension Plan is a cost-sharing multiple-employer defined benefit plan established by City Council and is included in the City's basic financial statements as a Pension Trust Fund. The Pension Plan was established by City Ordinance No. 8559 dated May 27, 1946, effective July 1, 1946. Provisions of the pension plan are subject to amendment by City Council. The City is the major contributor of employer contributions to the Pension Plan. City Council appoints members of the Pension Plan Board of Trustees to administer the Pension Plan. The Pension Plan is not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

Effective July 1, 1984, the Pension Plan changed its name from the Employees' Retirement System of the City of Roanoke, Virginia (ERS) to City of Roanoke Pension Plan. This change provided for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by the ERS. All employees covered under the provisions of the ERS at June 30, 1984, could elect to remain with the ERS or be covered under the provisions of the ESRS. Coverage under the ESRS was mandatory for all employees hired or rehired on or after July 1, 1984. On November 28, 1994, June 1, 1998, November 2, 1998, and June 5, 2000, City Council authorized the Pension Plan to offer members of the ERS an opportunity to transfer to the ESRS. The option was available from February 1, 1995 to May 16, 1995, July 1, 1998 through August 31, 1998, December 1, 1998 through December 31, 1998, and July 1, 2000 through July 31, 2000. Both the ERS and the ESRS share a common trust fund from which all benefits are paid without distinction as to the source of funds and are administered by the Board of Trustees. The Pension Plan provides retirement benefits as well as death and disability benefits.

Employees who are members of the ERS with 30 years of service or age 60 (normal retirement age) are entitled to an annual benefit equal to $1/70$ (1.429%) of their average final salary compensation (highest consecutive 12 months), excluding overtime, for each year of service. Employees may retire with 20 years of service and receive a reduced retirement benefit. For employees who are married at their retirement date, a joint and survivor annuity is payable monthly. There is no mandatory retirement age.

Note 6—Pension Plans: (Continued)

Plan Description - Roanoke City Plan (Continued)

Employees who are members of the ESRS with 5 years or more of credited service and age 65 or over, general employees who have attained age 50 with age plus service equal to 80 and police officers and firefighters who have attained age 45 with age plus service equal to 70, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.1 percent of their final average compensation for each year of credited service up to a maximum of 63 percent. Final average compensation is the employee's average salary, excluding overtime, over the 36 consecutive months of credited service rendering the highest average. Employees with 5 years of credited service may retire at age 55 and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees under age 65 terminate before rendering five years of service they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

Employees hired on or after July 1, 2014 participate in a new ESRS tier of benefits. These employees who have attained age 55 with age plus service equal to 85 and police officers and firefighters who have attained age 50 with age plus service equal to 75, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.0 percent of their final average compensation for each year of credited service up to a maximum of 63 percent. Final average compensation is the employee's average salary, excluding overtime, over the 60 consecutive months of credited service rendering the highest average. Employees with 15 years of credited service may retire at age 55 and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees under age 65 terminate before rendering five years of service they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age. The Hybrid Plan includes the same new eligibility provisions and 1.0 percent benefits multiplier and includes a defined contribution component that is funded with a 5.0 percent employee contribution. Employees direct the investment of their defined contribution fund and the Board does not have investment responsibility nor do they have custody of the assets in the plan.

Effective July 1, 2000, an additional monthly supplement equal to the greater of (a) \$159; or (b) 75% of the amount the City contributes toward the cost of a single active employee's health insurance shall be paid for eligible retirees until the month in which the retiree attains age 65. Any member of the City of Roanoke Pension Plan who was an employee of one of the participating employers of the Plan (not including employees of the City of Roanoke School Board) and who retired after earning 20 or more years of creditable service but prior to attaining the age of 65 is eligible for this supplement. This supplement is not available to retirees receiving the early retiree incentive plan supplement. This supplement was not available for those employees hired after June 30, 2013.

Note 6—Pension Plans: (Continued)

Plan Contributions - Roanoke City Plan

Employees hired after June 30, 2014 are required to contribute 5.00% of annual compensation. All other employees were not required to contribute 5.00% until July 1, 2015. Employer and employee contributions to the Pension Plan are based on a percentage of the annual compensation of the active members. The Authority's contribution rate (exclusive of the 5.00% employee contribution rate) for the fiscal year ended June 30, 2016 was 15.64% of annual covered payroll, actuarially determined as an amount that, when combined with employee contributions, is 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 Roanoke Valley Resource Authority were \$6,736 and \$8,004 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability - Roanoke City Plan

At June 30, 2016, the Authority reported a liability of \$74,132 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to projected contributions of all participants, as actuarially determined. At June 30, 2015, the Authority's proportion was 0.0529%, which was a decrease of 0.0449% from its proportion measured as of June 30, 2014.

Actuarial Assumptions - Roanoke City Plan

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.75 percent |
| Salary increases | 2.75 percent, plus 0.5% for national productivity plus merit (age-based) |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Actuarial assumptions are based on the last experience study performed as of June 30, 2013. The Plan did not perform a 2015 actuarial experience study. City Code requires that the Plan have an experience study performed every 5 years. The experience study covers a 5 year period. The Plan has an actuarial valuation performed annually.

Note 6—Pension Plans: (Continued)**Actuarial Assumptions - Roanoke City Plan (Continued)**

Discount rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from entities will be made at contractually required rates, actuarially determined. 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return - The long-term expected rate of return on pension plan investments was determined using projected long-term rates of returns developed for each asset class. The expected long-term rate of return for each asset class as weighted by the Investment Policy target asset allocation was used, to derive the overall expected rate of return for the portfolio. The following table reflected the long-term expected rate of return based upon the defined target allocation for each asset class as defined in the Statement of Investment Policy:

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|-------------------------------|------------------------------|---|---|
| Equity | | | |
| Large Cap | 34.00% | 8.49% | 2.89% |
| Mid Cap | 7.00% | 9.17% | 0.64% |
| Small Cap | 7.00% | 9.24% | 0.65% |
| Int. Developed Markets | 18.00% | 9.24% | 1.66% |
| Emerging Markets | 4.00% | 11.50% | 0.46% |
| Fixed Income | | | |
| Core | 3.00% | 4.35% | 0.13% |
| Core Plus | 5.00% | 4.60% | 0.23% |
| Long Duration | 8.00% | 5.18% | 0.41% |
| Distressed Debt (high yield) | 4.00% | 6.75% | 0.27% |
| Other Asset Classes | | | |
| Convertible Securities | 4.00% | 7.79% | 0.31% |
| Real Estate | 3.00% | 6.67% | 0.20% |
| Infrastructure | 3.00% | 7.97% | 0.24% |
| Total | <u>100.00%</u> | | <u>8.09%</u> |

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2016

Note 6—Pension Plans: (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the Roanoke Valley Resource Authority using the discount rate of 7.00% for the Roanoke County Pension Plan and 7.75% for the Roanoke City Pension Plan, as well as what the Roanoke Valley Resource Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00% and 6.75%, respectively) or one percentage point higher (8.00% and 8.75%, respectively) than the current rates:

| | Rate | | |
|--|-----------|---------|---------|
| | (6.00%) | (7.00%) | (8.00%) |
| Roanoke County Pension Plan Net Pension Liability (Asset) | 1,791,205 | 970,264 | 287,899 |
| | (6.75%) | (7.75%) | (8.75%) |
| Roanoke City Pension Plan Net Pension Liability (Asset) | 105,327 | 74,132 | 47,815 |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (City and County Plans)

For the year ended June 30, 2016, the Roanoke Valley Resource Authority recognized pension expense of \$62,404. At June 30, 2016, the Roanoke Valley Resource Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Change in proportion and differences between contributions and proportionate share of same | \$ - | \$ 61,547 |
| Change in assumptions | 602 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 215,455 |
| Employer contributions subsequent to the measurement date | 149,204 | - |
| Total | \$ 149,806 | \$ 277,002 |

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2016

Note 6—Pension Plans: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (City and County Plans) (Continued)

\$149,204 reported as deferred outflows of resources related to pensions resulting from the Roanoke Valley Resource Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. 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

| | | |
|------------|----|------------------|
| 2017 | \$ | (102,498) |
| 2018 | | (102,498) |
| 2019 | | (97,153) |
| 2020 | | 25,749 |
| Thereafter | | - |
| Total | \$ | <u>(276,400)</u> |

Note 7—Other Postemployment Benefits:

A. Plan Description

The Authority administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to employees. The Plan will provide retiring employees the option to continue health insurance offered by the Authority. Employees are eligible for the program after ten (10) years of service to the Authority. The benefits, employee contributions, and the employer contributions are governed by the Authority's Board and can be amended through Board action. The Plan does not issue publicly available financial reports.

B. Funding Policy

The contribution requirement of the plan members and the Authority are established and may be amended by the Authority. The Authority currently pays for post-retirement health care benefits on a pay-as-you-go basis. The Authority has 30 active employees who are eligible for the program. Retirees are responsible for the payment of 100% of the health care insurance rates shown below. The rates were as follows for the 2016 fiscal year:

| Participants | KC 200 Plan | | KC 1000 Plan | |
|----------------------|-----------------|-------------------|-----------------|-------------------|
| | Monthly Premium | RVRA Contribution | Monthly Premium | RVRA Contribution |
| Employee | \$ 585.16 | \$ 469.84 | \$ 536.32 | \$ 428.16 |
| Employee / Spouse | 1,157.56 | 703.14 | 1,053.00 | 619.80 |
| Employee / One Minor | 809.60 | 504.84 | 738.80 | 421.50 |
| Family | 1,348.58 | 820.32 | 1,225.48 | 736.98 |

Note 7—Other Postemployment Benefits: (Continued)**C. Annual OPEB Cost and Net OPEB Obligation**

The Authority is required to compute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB costs for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligations:

| | |
|--|-------------------|
| Annual required contribution | \$ 28,311 |
| Interest on net OPEB obligation | 4,297 |
| Adjustment to annual required contribution | (4,186) |
| Annual OPEB cost (expense) | <u>28,422</u> |
| Contributions made | <u>(26,356)</u> |
| Increase in net OPEB obligation | 2,066 |
| Net OPEB obligation - beginning of year | 107,429 |
| Net OPEB obligation - ending of year | <u>\$ 109,495</u> |

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost (ARC) | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------------|--|------------------------|
| 6/30/2014 | \$ 30,413 | 67.74% | \$ 101,425 |
| 6/30/2015 | 29,599 | 79.72% | 107,429 |
| 6/30/2016 | 28,422 | 92.73% | 109,495 |

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2015 (the year of the most recent actuarial valuation), was as follows:

| | |
|---|--------------|
| Actuarial accrued liability (AAL) | \$ 304,939 |
| Actuarial value of plan assets | \$ - |
| Unfunded actuarial accrued liability (UAAL) | \$ (304,939) |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |
| Covered payroll (active plan members) | \$ 1,326,850 |
| UAAL as a percentage of covered payroll | -22.98% |

Note 7—Other Postemployment Benefits: (Continued)**E. Actuarial Methods and Assumptions**

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2015 actuarial valuation, the Projected Unit Credit actuarial cost method was used. Under this method, future benefits are projected for life and their present value is determined. The present value is divided into equal parts, which are earned over the period from the date of hire to the full eligibility date. The actuarial assumptions for the Authority include:

| | <u>Assumptions</u> |
|-----------------------------|-----------------------------------|
| Amortization period | 30 years |
| Investment rate of return | 4% (includes inflation at 2.5%) |
| Health Care Cost Trend Rate | 7.5% graded to 5.00% over 6 years |
| Payroll growth | 3.00% |

The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2015, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 8—Accrued Landfill Closure:

The Authority currently has responsibility for closure and postclosure care related to two landfill sites and the transfer station. The landfills include the old landfill site formerly owned by the Roanoke Valley Regional Solid Waste Management Board closed in 1994 and the new Smith Gap landfill placed in service during 1994. The new landfill has a permitted life of approximately 50 years and remaining life of approximately 38 years. State and Federal laws and regulations require that the Authority place a final cover on its landfills when closed and perform certain maintenance and monitoring functions for a minimum of thirty years after closure.

Note 8—Accrued Landfill Closure: (Continued)

Closure costs will be paid as closure occurs and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste. The Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity of the existing cells used to date (94.417%) of the constructed cells at June 30, 2016 for the Smith Gap landfill) and includes anticipated effects of changes in regulations and cost estimates. The total liability recorded at June 30, 2016, is \$15,259,819 and includes \$3,064,571 designated for the old landfill site; \$12,074,512 designated for the new Smith Gap landfill; and \$120,736 for the Tinker Creek Transfer station. Total closure and postclosure cost for all opened landfill cells is estimated at \$15,973,760, of which 96% has been recognized as noted above based on usage. As such, \$713,941 or 4.0% of the total estimated liability will be recognized in future periods as the usage percentage increases. For the year ending June 30, 2016, the Authority's liability for closure and postclosure care increased as a result of a change in estimated closure costs.

The Authority will periodically update these closure and postclosure cost estimates and, as necessary, make revisions to reflect any significant changes in estimates due to inflation or deflation, technology, or changes in applicable laws and regulations.

Closure and postclosure care requirements are mandated under the United States Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Facility Criteria", and are subject to periodic revisions by the EPA.

Federal and state regulations require owners of municipal solid waste landfills to demonstrate financial responsibility for closure care, postclosure care and corrective costs arising from the operations of such facilities. The Authority has demonstrated financial assurance requirements for closure and postclosure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 9—Commitments, Contingencies, and Other Information:

Under terms of a transportation contract, a rail carrier will haul waste for a predetermined transportation charge to be adjusted on an annual basis. The contract will expire June 30, 2018, and the Authority has the option to renew the contract for an additional five year period. Expenditures under this contract were approximately \$1,924,380 for the year ended June 30, 2016.

From time to time the Authority is involved in litigation in the normal course of operations. It is the opinion of the Authority's management that any adverse outcomes related to litigation would not have a material impact on the financial position or results of operations of the Authority as of and for the year ended June 30, 2016.

Note 10—Arbitrage Rebate Compliance:

As of June 30, 2016 and for the year then ended, the Authority was not liable for any amounts due under current rules governing arbitrage earnings.

Note 11—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 others; and natural disasters. The Authority participates with other localities in the Virginia Municipal Group Self Insurance public entity risk pool and the Virginia Association of Counties Risk Pool for certain coverage noted below. Each member of these risk pools jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the risk pools contributions and assessments based upon classifications and rates into designated cash reserve funds out of which expenses of the pools, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, each pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority carries insurance coverage for all other risk of loss. Settled claims have not exceeded coverage in the current or prior three fiscal years.

Worker's Compensation - Worker's Compensation Insurance is provided through the Virginia Municipal Group Self Insurance Association. During 2015-16, the total premiums paid were \$37,132. Benefits are those afforded through the State of Virginia as outlined in the Code of Virginia Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience.

General Liability and Other - The Authority carries general liability, machinery, property and other insurance through policies administered by the Virginia Association of Counties Risk Pool. General liability and business automobile have a \$1,000,000 combined single limit. Machinery coverage and property insurance are covered as per statement of values. Public officials' liability with a \$1,000,000 limit is covered through a policy with the Commonwealth of Virginia. Total premiums paid for year ended June 30, 2016 were \$28,731.

Healthcare - Healthcare insurance coverage is provided to Authority employees through Roanoke County's self-insured health insurance program. The Authority's employees pay a monthly amount based upon estimates from the claims processor that should cover administrative expenses, stop loss insurance premiums, and claims. An excess coverage insurance policy covers each individual's pooled claims in excess of \$200,000. The Authority has no claims payable as of June 30, 2016.

Note 12—Related Party Transactions:

The following table summarizes approximate tipping fees received and accounts receivable from charter members as of and for the year ended June 30, 2016:

| | <u>Tipping Fees</u> | <u>Accounts Receivable</u> |
|-------------------|---------------------|----------------------------|
| | <u>2016</u> | <u>2016</u> |
| City of Roanoke | \$ 1,944,524 | \$ 191,073 |
| County of Roanoke | 1,926,747 | 187,897 |
| Town of Vinton | 165,662 | 15,204 |
| | <u>\$ 4,036,933</u> | <u>\$ 394,174</u> |

Note 13-Subsequent Event:

Subsequent to year end, the Authority committed funds of approximately \$11 million toward engineering, capital and construction costs related to a facilities modification and improvement project. The Authority anticipates issuing bonds to cover the aforementioned expenditures.

The Authority entered into an agreement with the City of Salem as of July 1, 2016 to become a member of the Authority. Pursuant to this agreement, certain assets and liabilities of the City's waste collection function will be transferred to the Authority.

Note 14-Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application

The Authority implemented the above statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Authority to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Authority's financial statement as a result of the implementation of Statement No. 72. All required disclosures are added to Note 3.

Governmental Accounting Standards Board Statement No. 82 Pension Issues - and amendment of GASB Statements No. 67, No. 68, and No. 73

The Authority implemented provisions of Governmental Accounting Standards Board (GASB) Statement No. 82 during the fiscal year. The objective of this Statement is to address certain issues that have been raised with respect to Statements. No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants

The Roanoke Valley Resource Authority implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Roanoke Valley Resource Authority's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

Note 15-Upcoming Pronouncements:

The Authority will implement provisions of the following standards in subsequent periods.

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

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

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

Roanoke Valley Resource Authority
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2016

OPEB Healthcare Plan:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | UAAL as a Percent of Covered Payroll |
|-----------------------------|------------------------------|--------------------------------------|---|--------------|-----------------|--|
| June 30, 2011 | - | 426,392 | 426,392 | 0.00% | 1,215,681 | 35.07% |
| June 30, 2013 | - | 343,350 | 343,350 | 0.00% | 1,276,475 | 26.90% |
| June 30, 2015 | - | 304,939 | 304,939 | 0.00% | 1,326,850 | 22.98% |

Roanoke Valley Resource Authority
Schedule of the Authority's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2016

Roanoke County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VR5)

| Actuarial Valuation Date | Proportion of the Net Pension Liability (NPL) | Proportionate Share of the NPL | Covered Employee Payroll | Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability |
|--------------------------------|---|-----------------------------------|-----------------------------|---|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 2015 | 2.7704% | \$ 970,264 | \$ 1,024,950 | 94.66% | 84.61% |
| 2014 | 2.7738% | 923,522 | 951,353 | 97.07% | 84.61% |

Roanoke City, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the City of Roanoke, Va)

| Actuarial Valuation Date | Proportion of the Net Pension Liability (NPL) | Proportionate Share of the NPL | Covered Employee Payroll | Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability |
|--------------------------------|---|-----------------------------------|-----------------------------|---|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 2015 | 5.29% | \$ 74,132 | \$ 39,095 | 189.62% | 73.81% |
| 2014 | 9.78% | 114,803 | 46,454 | 247.13% | 77.23% |

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

Roanoke Valley Resource Authority
Schedule of Pension Contribution Requirements
For the Year Ended June 30, 2016

Roanoke County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)

| Actuarial Valuation Date | Contractually Required Employer Contribution | Contributions Recognized by the Pension Plan | Difference in Contributions (1) - (2) | Annual Covered Payroll | Proportionate Share of Contrib. Recognized as a Percentage of Covered Payroll (2)/(4) |
|--------------------------------|---|--|---|---------------------------|--|
| | (1) | (2) | (3) | (4) | (5) |
| 2015 | \$ 142,468 | \$ 142,468 | \$ - | \$ 1,024,950 | 13.90% |
| 2014 | 132,238 | 132,238 | - | 951,353 | 13.90% |

Roanoke City, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the City of Roanoke, Va)

| Actuarial Valuation Date | Contractually Required Employer Contribution | Contributions Recognized by the Pension Plan | Difference in Contributions (1) - (2) | Annual Covered Payroll | Proportionate Share of Contrib. Recognized as a Percentage of Covered Payroll (2)/(4) |
|--------------------------------|---|--|---|---------------------------|--|
| | (1) | (2) | (3) | (4) | (5) |
| 2015 | \$ 6,736 | \$ 6,736 | \$ - | \$ 39,095 | 17.23% |
| 2014 | 8,083 | 8,004 | - | 46,454 | 17.23% |

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

Roanoke Valley Resource Authority
Notes to Required Supplementary Pension Information
June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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

Changes of assumptions - For the Roanoke County Retirement Plan, 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

STATISTICAL SECTION

Statistical Section

This part of the Roanoke Valley Resource Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents

Financial Trends

Page

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

60-61

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate its operating revenue.

62-67

Debt Capacity

These schedules contain information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

68-69

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other authorities.

70-71

Operating Information

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.

72-73

Table 1

Roanoke Valley Resource Authority
Net Position by Component
Last Ten Fiscal Years
(unaudited)
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|---------------|---------------|------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Net investment in capital assets | \$ 18,646,989 | \$ 20,016,507 | 20,859,509 | 22,126,898 | \$ 23,579,296 | \$ 24,601,591 | \$ 17,072,072 | \$ 16,599,546 | \$ 13,808,939 | \$ 8,036,429 |
| Restricted | - | - | - | - | - | 1,091,000 | 5,560,294 | 5,571,982 | 6,650,882 | 7,324,665 |
| Unrestricted | 1,733,667 | 756,182 | 2,159,326 | 2,087,537 | 3,028,633 | 965,985 | 5,120,125 | 6,625,374 | 11,900,616 | 13,534,793 |
| Total primary government net position | \$ 20,380,656 | \$ 20,772,689 | 23,018,835 | \$ 24,214,435 | \$ 26,607,929 | \$ 26,658,576 | \$ 27,752,491 | \$ 28,796,902 | \$ 32,360,437 | \$ 28,895,887 |

The Authority implemented provisions of GASB Statements 63 and 65 during the 2013 fiscal year, and applied all changes required thereof retroactively to statistical information, as necessary.

The Authority implemented provisions of GASB Statement 68 during the 2015 fiscal year and restated beginning net position accordingly. Information relative to GASB Statement 68 was not available for prior fiscal years and therefore provisions of this statement were not applied retroactively in this table.

Source: RVRA audited financial statements

Table 2

Roanoke Valley Resource Authority

Changes in Net Position

Last Ten Fiscal Years

(unaudited)

(accrual basis of accounting)

| Fiscal Year | Total | | | | | | Change in Net Position | |
|----------------|-----------------------|-----------------------|----------------------------|-------------------------|--------------|--|------------------------------|--------------------------|
| | Operating Revenues | Operating Expenses | Operating Income (Loss) | Non-Operating | | Income/(Loss) before Capital Contributions | | Capital Contributions |
| | | | | Revenues/ (Expenses) | | | | |
| 2016 | \$ 8,743,169 | \$ 9,241,885 | \$ (498,716) | \$ 106,683 | \$ (392,033) | \$ - | \$ (392,033) | - |
| 2015 | 8,434,037 | 9,455,022 | (1,020,985) | 69,368 | (951,617) | - | (951,617) | - |
| 2014 | 8,125,576 | 9,680,144 | (1,554,568) | 358,968 | (1,195,600) | - | (1,195,600) | - |
| 2013 | 7,890,905 | 10,327,241 | (2,436,336) | 42,842 | (2,393,494) | - | (2,393,494) | - |
| 2012 | 7,561,367 | 7,660,234 | (98,867) | 48,220 | (50,647) | - | (50,647) | - |
| 2011 | 7,677,198 | 8,514,962 | (837,764) | (256,151) | (1,093,915) | - | (1,093,915) | - |
| 2010 | 8,067,614 | 8,942,409 | (874,795) | (169,616) | (1,044,411) | - | (1,044,411) | - |
| 2009 | 7,872,891 | 11,364,306 | (3,491,415) | (72,120) | (3,563,535) | - | (3,563,535) | - |
| 2008 | 8,410,747 | 5,718,711 | 2,692,036 | 772,514 | 3,464,550 | - | 3,464,550 | - |
| 2007 | 8,614,653 | 6,662,857 | 1,951,796 | 754,359 | 2,706,155 | - | 2,706,155 | - |

The Authority implemented provisions of GASB Statements 63 and 65 during the 2013 fiscal year, and applied all changes required thereof retroactively to statistical information, as necessary.

The Authority implemented provisions of GASB Statement 68 during the 2015 fiscal year and restated beginning net position accordingly. Information relative to GASB Statement 68 was not available for prior fiscal years and therefore provisions of this statement were not applied retroactively in this table.

Source: RVRA audited financial statements

Table 3

Roanoke Valley Resource Authority
Operating Revenue by Source
Last Ten Fiscal Years
(unaudited)
(accrual basis of accounting)

| Fiscal Year | Municipal Revenue | Commercial Revenue | Private Revenue | Residential | | | Miscellaneous Revenue | Total Revenues |
|----------------|----------------------|-----------------------|--------------------|----------------------|----------------------|----|--------------------------|-------------------|
| | | | | Recycling Revenue | Homeowner Revenue | | | |
| 2016 | \$ 4,035,795 | \$ 2,760,585 | \$ 1,372,023 | \$ 38,775 | \$ 420,724 | \$ | 115,267 | \$ 8,743,169 |
| 2015 | 3,928,363 | 2,578,463 | 1,315,017 | 33,491 | 438,105 | | 140,598 | 8,434,037 |
| 2014 | 3,962,910 | 2,221,222 | 1,499,014 | 39,970 | 390,324 | | 12,136 | 8,125,576 |
| 2013 | 4,061,632 | 2,050,320 | 1,351,256 | 41,062 | 386,635 | | - | 7,890,905 |
| 2012 | 3,885,701 | 1,876,495 | 1,204,215 | 47,524 | 397,427 | | 150,005 | 7,561,367 |
| 2011 | 3,927,059 | 1,932,618 | 1,315,910 | 64,570 | 433,503 | | 3,538 | 7,677,198 |
| 2010 | 4,080,939 | 2,108,682 | 1,376,333 | 64,307 | 436,117 | | 1,236 | 8,067,614 |
| 2009 | 4,203,257 | 1,827,458 | 1,352,746 | 49,509 | 436,707 | | 3,215 | 7,872,892 |
| 2008 | 4,253,118 | 1,994,092 | 1,689,071 | 19,376 | 433,874 | | 21,216 | 8,410,747 |
| 2007 | 4,483,626 | 1,809,064 | 1,896,615 | 23,533 | 401,815 | | - | 8,614,653 |

Source: RVRA audited financial statements

Table 4

Roanoke Valley Resource Authority
Operating Expenses
Last Ten Fiscal Years
(unaudited)
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|----------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Salaries and Benefits | \$ 1,903,883 | \$ 1,859,968 | \$ 1,912,552 | \$ 1,869,179 | \$ 1,772,108 | \$ 1,794,891 | \$ 1,717,528 | \$ 1,647,211 | \$ 1,440,854 | \$ 1,476,421 |
| Landfill Closure and Postclosure | 438,484 | 222,415 | 1,217,034 | 2,298,948 | (164,307) | 512,817 | 1,560,459 | 3,813,828 | (924,452) | (108,390) |
| Other operating expenses | 4,620,424 | 5,164,825 | 4,436,385 | 4,048,933 | 3,897,231 | 3,856,292 | 3,362,015 | 3,932,881 | 3,512,724 | 3,540,803 |
| Depreciation | 2,279,094 | 2,207,814 | 2,114,173 | 2,110,181 | 2,155,202 | 2,350,962 | 2,302,407 | 1,970,386 | 1,689,585 | 1,754,023 |
| Total Operating Expenses | \$ 9,241,885 | \$ 9,455,022 | \$ 9,680,144 | \$ 10,327,241 | \$ 7,660,234 | \$ 8,514,962 | \$ 8,942,409 | \$ 11,364,306 | \$ 5,718,711 | \$ 6,662,857 |

Source: RVRA audited financial statements

Table 5

Roanoke Valley Resource Authority
Nonoperating Revenues and Expenses
Last Ten Fiscal Years
(unaudited)
(accrual basis of accounting)

| Fiscal Year | Interest Revenue | Net increase (Decrease) In Fair Value of Investments | Gain on Sale of Assets | Interest and Fiscal Charges | Total Non-Operating Income (Expenses) |
|-------------|------------------|--|------------------------|-----------------------------|---------------------------------------|
| 2016 | \$ 106,683 | \$ - | \$ - | \$ - | 106,683 |
| 2015 | 69,368 | - | - | - | 69,368 |
| 2014 | 46,812 | - | 312,156 | - | 358,968 |
| 2013 | 42,842 | - | - | - | 42,842 |
| 2012 | 48,220 | - | - | - | 48,220 |
| 2011 | 95,016 | (1,532) | 5,270 | (354,905) | (256,151) |
| 2010 | 233,266 | (11,490) | 68,980 | (460,372) | (169,616) |
| 2009 | 530,440 | (15,003) | - | (587,557) | (72,120) |
| 2008 | 1,256,134 | 44,604 | 174,103 | (702,327) | 772,514 |
| 2007 | 1,511,986 | 40,264 | 23,102 | (820,993) | 754,359 |

Source: RVRA audited financial statements

Table 6

Roanoke Valley Resource Authority
Annual Tonnage Received
Last Ten Fiscal Years
(unaudited)
(accrual basis of accounting)

| Fiscal Year | Municipal Tonnage | Commercial Tonnage | Private Tonnage | Residential Tonnage | Total Tonnage |
|------------------------|------------------------------|-------------------------------|----------------------------|--------------------------------|--------------------------|
| 2016 | 84,167 | 46,854 | 23,553 | 9,329 | 163,903 |
| 2015 | 82,865 | 44,417 | 22,916 | 8,541 | 158,739 |
| 2014 | 85,773 | 39,022 | 26,758 | 9,020 | 160,573 |
| 2013 | 92,824 | 37,399 | 24,508 | 10,076 | 164,807 |
| 2012 | 87,373 | 34,518 | 21,142 | 9,473 | 152,506 |
| 2011 | 88,183 | 35,312 | 23,592 | 8,796 | 155,883 |
| 2010 | 91,473 | 38,637 | 24,687 | 9,119 | 163,916 |
| 2009 | 92,935 | 34,294 | 25,649 | 9,579 | 162,457 |
| 2008 | 98,386 | 34,824 | 31,158 | 9,114 | 173,482 |
| 2007 | 99,980 | 34,114 | 42,215 | 8,550 | 184,859 |

Source: RVRA reports provided by staff

Table 7

**Roanoke Valley Resource Authority
Principal Customers
(unaudited)
(accrual basis of accounting)**

| | FY 2016 | | FY 2007 | |
|------------------------------|-------------------|------------------------|-------------------|------------------------|
| | Revenue Amount | Percentage of Total | Revenue Amount | Percentage of Total |
| City of Roanoke | \$ 1,944,523 | 22.24% | \$ 2,320,329 | 26.81% |
| County of Roanoke | 1,926,749 | 21.57% | 1,989,892 | 22.99% |
| Waste Management Inc | 1,092,432 | 10.62% | N/A | - |
| First Piedmont Corporation | 586,538 | 6.71% | N/A | - |
| Residential Disposal Program | 420,723 | 4.81% | 401,814 | 4.64% |
| Tidy Services | 375,102 | 4.29% | N/A | - |
| Allied Waste Services | 271,315 | 3.10% | N/A | - |
| Affordable Container Service | 172,314 | 1.97% | N/A | - |
| Town of Vinton | 165,662 | 1.89% | 181,829 | 2.10% |
| Kav Kan Corporation | 75,348 | 0.86% | N/A | - |
| Subtotal largest customers | 7,030,706 | 80.41% | 4,893,864 | 56.54% |
| Balance From other Customers | 1,712,461 | 19.59% | 3,849,303 | 43.46% |
| Grand Totals | \$ 8,743,167 | 100.00% | \$ 8,743,167 | 100.00% |

Source: RVRA reports provided by staff

Table 8

Roanoke Valley Resource Authority
Disposal Fees Per Ton
Last Ten Fiscal Years
(unaudited)
(accrual basis of accounting)

| Fiscal Year | | Municipal Rate | | Commercial Rate | | Private Rate | | Residential Rate |
|------------------------|----|---------------------------|----|----------------------------|----|-------------------------|----|-----------------------------|
| 2016 | \$ | 49.00 | \$ | 59.00 | \$ | 59.00 | \$ | 49.00 |
| 2015 | | 48.00 | | 58.00 | | 58.00 | | 48.00 |
| 2014 | | 47.00 | | 57.00 | | 57.00 | | 57.00 |
| 2013 | | 45.00 | | 55.00 | | 55.00 | | 45.00 |
| 2012 | | 45.00 | | 55.00 | | 55.00 | | 45.00 |
| 2011 | | 45.00 | | 55.00 | | 55.00 | | 45.00 |
| 2010 | | 45.00 | | 55.00 | | 55.00 | | 45.00 |
| 2009 | | 45.00 | | 55.00 | | 55.00 | | 45.00 |
| 2008 | | 45.00 | | 55.00 | | 55.00 | | 45.00 |
| 2007 | | 45.00 | | 55.00 | | 55.00 | | 45.00 |

Source RVRA Budget Book

Table 9

Roanoke Valley Resource Authority
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Revenue Bonds | Roanoke County | | | Roanoke City | | | Vinton | | |
|----------------|------------------|----------------|--------|--|--------------|--------|--|------------|--------|--|
| | | As a Share | | | of Personal | | | Income | | |
| | | Per Capita | Income | | Per Capita | Income | | Per Capita | Income | |
| 2016 | - | - | 0.00% | | - | 0.00% | | - | 0.00% | |
| 2015 | - | - | 0.00% | | - | 0.00% | | - | 0.00% | |
| 2014 | - | - | 0.00% | | - | 0.00% | | - | 0.00% | |
| 2013 | - | - | 0.00% | | - | 0.00% | | - | 0.00% | |
| 2012 | - | - | 0.00% | | - | 0.00% | | - | 0.00% | |
| 2011 | - | - | 0.00% | | - | 0.00% | | - | 0.00% | |
| 2010 | 7,675,145 | 85 | 0.16% | | 84 | 0.21% | | 976 | 0.16% | |
| 2009 | 9,952,124 | 111 | 0.24% | | 108 | 0.32% | | 1,279 | 0.24% | |
| 2008 | 12,100,357 | 134 | 0.29% | | 131 | 0.39% | | 1,539 | 0.29% | |
| 2007 | 14,130,701 | 157 | 0.35% | | 154 | 0.47% | | 1,788 | 0.35% | |

Source: Comprehensive Annual Financial Reports from Roanoke County, Roanoke City and Vinton
Population and Personal Income data from the Bureau of Economic Analysis
Audited financial statements Roanoke Valley Resource Authority

Note: The Authority did not have any revenue bonds outstanding as of June 30, 2011 and for any subsequent periods.

Table 10

Roanoke Valley Resource Authority
Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Operating Revenues | Investment Income | Miscellaneous Income | Transfer from Reserves | Gross Revenues | Less: Operating Expenses (excluding depreciation) | Debt Service | | | | Net Available Revenues |
|-------------|--------------------|-------------------|----------------------|------------------------|----------------|---|--------------|----------|--------------------|-------------------|------------------------|
| | | | | | | | Principal | Interest | Total Debt Service | 110% Debt Service | |
| 2016* | \$ 8,743,169 | \$ 106,683 | \$ - | \$ - | \$ 8,849,852 | \$ 6,962,791 | \$ - | \$ - | \$ - | \$ - | \$ 1,887,061 |
| 2015* | 8,434,037 | 69,368 | - | - | 8,503,405 | 7,247,208 | - | - | - | - | 1,256,197 |
| 2014* | 8,125,576 | 46,812 | - | - | 8,172,388 | 7,565,971 | - | - | - | - | 606,417 |
| 2013* | 7,890,905 | 42,842 | - | - | 7,933,747 | 8,217,060 | - | - | - | - | (283,313) |
| 2012* | 7,411,362 | 48,220 | 150,005 | - | 7,609,587 | 5,505,032 | - | - | - | - | 2,104,555 |
| 2011 | 7,673,660 | 95,016 | 8,808 | 9,784,603 | 17,562,087 | 6,164,000 | 7,775,000 | 352,604 | 8,127,604 | 8,940,364 | 2,457,723 |
| 2010 | 8,067,614 | 233,266 | 68,980 | 1,982,603 | 10,352,463 | 6,640,002 | 2,355,000 | 409,146 | 2,764,146 | 3,040,561 | 671,900 |
| 2009 | 7,820,167 | 530,440 | 52,724 | 892,020 | 9,295,351 | 5,580,092 | 2,250,000 | 509,940 | 2,759,940 | 3,035,934 | 679,325 |
| 2008 | 8,389,531 | 1,256,134 | 195,319 | 926,499 | 10,767,483 | 4,943,288 | 2,155,000 | 600,504 | 2,755,504 | 3,031,054 | 2,793,141 |
| 2007 | 8,614,653 | 1,511,986 | 23,102 | 783,555 | 10,933,296 | 5,017,224 | 2,070,000 | 687,319 | 2,757,319 | 3,033,051 | 2,883,021 |

Note: The revenue covenant is 110% of the senior debt service and 100% of the total outlays for the fiscal year.

*The Authority fully defeased their debt during the fiscal year ending June 30, 2011 and as such the revenue covenant does not apply to subsequent periods.

Source: RVRA financial and budget records.

Table 11

Roanoke Valley Resource Authority
Demographic Information
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Roanoke County | | | | Roanoke City | | | |
|-------------|----------------|-------------------|-------------------|-------------------|--------------|-----------------|-------------------|-------------------|
| | Population | Personal Income * | Per Capita Income | Unemployment Rate | Population | Personal Income | Per Capita Income | Unemployment Rate |
| 2007 | 90,902 | 4,303,761,000 | 37,324 | 2.6% | 93,048 | 3,477,315,000 | 36,636 | 3.2% |
| 2008 | 90,420 | 4,750,916,000 | 41,019 | 2.8% | 93,734 | 3,645,705,000 | 38,050 | 3.9% |
| 2009 | 90,867 | 4,561,791,000 | 39,315 | 4.6% | 94,482 | 3,636,678,000 | 37,483 | 7.7% |
| 2010 | 91,011 | 4,672,291,000 | 39,315 | 6.3% | 97,032 | 3,711,143,000 | 38,347 | 7.4% |
| 2011 | 92,376 | 4,561,791,000 | 40,688 | 5.7% | 97,206 | 4,879,361,000 | 40,148 | 6.9% |
| 2012 | 92,687 | 4,672,000,000 | 42,288 | 5.6% | 97,206 | 4,031,570,000 | 41,363 | 6.5% |
| 2013 | 93,256 | 4,789,030,000 | 42,288 | 5.8% | 98,641 | 4,031,570,000 | 41,363 | 5.9% |
| 2014 | 92,703 | 4,984,547,000 | 42,288 | 5.2% | 98,913 | 4,031,570,000 | 41,363 | 6.5% |
| 2015 | 93,569 | 5,159,100,000 | 42,288 | 4.2% | 99,320 | 4,031,570,000 | 41,363 | 5.4% |
| 2016 | 93,775 | 5,435,865,000 | 45,577 | 3.6% | 99,681 | 4,031,570,000 | 41,363 | 4.5% |

| Fiscal Year | Vinton | | | |
|-------------|------------|-----------------|-------------------|-------------------|
| | Population | Personal Income | Per Capita Income | Unemployment Rate |
| 2007 | 7,922 | 4,303,761,000 | 37,324 | 2.6% |
| 2008 | 7,905 | 4,750,916,000 | 41,019 | 2.8% |
| 2009 | 7,876 | 4,561,791,000 | 39,315 | 4.6% |
| 2010 | 7,814 | 4,672,291,000 | 39,315 | 6.3% |
| 2011 | 8,098 | 4,561,791,000 | 39,315 | 5.7% |
| 2012 | 8,130 | 4,672,000,000 | 39,866 | 5.7% |
| 2013 | 8,092 | 4,789,030,000 | 40,688 | 5.9% |
| 2014 | 8,151 | 4,984,547,000 | 42,288 | 5.5% |
| 2015 | 8,151 | 5,159,100,000 | 43,418 | 4.5% |
| 2016 | 8,151 | 5,435,865,000 | 43,418 | 3.6% |

Source: Comprehensive Annual Financial Reports from Roanoke County, Roanoke City and Vinton
 Population and Personal Income data from the Bureau of Economic Analysis

* includes Salem, VA

Table 12

COUNTY OF ROANOKE, VIRGINIA
Principal Employers
(unaudited)
Fiscal Years 2016 and 2007

| Employer | 2016 | | | 2007 | | |
|---|------|-------------|---------------------|------|-------------|---------------------|
| | Rank | Ownership | Number of Employees | Rank | Ownership | Number of Employees |
| Roanoke County Schools | 1 | Local Govt. | 2000+ | 2 | Local Govt. | 1,000+ |
| Wells Fargo Operations Center (Wachovia division) | 2 | Private | 1,500+ | 4 | Private | 1,500+ |
| County of Roanoke | 3 | Local Govt. | 500-999 | 7 | Local Govt. | 1,000+ |
| Kroger | 4 | Private | 500-999 | 5 | Private | 1,500+ |
| Friendship Manor | 5 | Private | 500-999 | - | - | - |
| Richfield Recovery & Care Center | 6 | Private | 500-999 | - | - | - |
| Allstate Insurance Company | 7 | Private | 500-999 | 6 | Private | 1,000+ |
| Walmart | 8 | Private | 250-499 | - | - | - |
| ITT Exelis - Harris Corporation | 9 | Private | 250-499 | 7 | Private | 1,000+ |
| Integrity Windows | 10 | Private | 250-499 | - | - | - |
| Carilion Health System | - | - | - | 1 | Private | 3,000+ |
| Advance Auto | - | - | - | 3 | Private | 1500+ |
| MW Manufacturers | - | - | - | 8 | Private | 500-999 |
| Medical Facilities of America, Inc. | - | - | - | 9 | Private | 500-999 |
| Home Shopping Network | - | - | - | 10 | Private | 500-999 |

Source: Roanoke County Economic Development Department

Roanoke Valley Resource Authority
Number of Employees by Identifiable Activity
Last Ten Fiscal Years
(unaudited)

Table 13

| | Fiscal Year | | | | | | | | | |
|----------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Administration | | | | | | | | | | |
| General Management | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 |
| Finance | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Administrative Coordinator | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 |
| Business Supervisor | 1 | 1 | 1 | 1 | 1 | 2 | - | - | - | - |
| Operating | | | | | | | | | | |
| Supervisors | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Scale Operators | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| Equipment Operators | 18 | 18 | 16 | 17 | 17 | 16 | 14 | 14 | 15 | 15 |
| Building and General Maintenance | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Equipment Mechanic | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Laborer | 0 | 0 | 0 | 0 | 0 | 1 | 3 | 3 | 2 | 2 |
| Total Employees | 29 | 29 | 27 | 28 | 28 | 29 | 29 | 29 | 28 | 30 |

Source: RVRA Budget Book

Table 14

Roanoke Valley Resource Authority
Operating and Capital Indicators
Last Ten Fiscal Years
(Unaudited)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Waste Received in tons | 163,903 | 158,739 | 160,573 | 164,807 | 152,506 | 155,883 | 163,917 | 162,457 | 173,482 | 184,858 | 169,884 |
| Materials Recycled in tons (equals total above) | | | | | | | | | | | |
| Wood | 11,344 | 8,463 | 11,407 | 18,720 | 11,637 | 10,551 | 11,294 | 11,899 | 15,031 | 13,743 | 14,392 |
| Metal | 262 | 182 | 187 | 170 | 228 | 314 | 416 | 408 | 469 | 613 | 776 |
| Tires | 299 | 259 | 315 | 238 | 256 | 252 | 405 | 780 | 807 | 743 | 789 |
| Other (batteries, cardboard, glass, newspapers) | 43 | 40 | 47 | 27 | 44 | 2 | 39 | 1,877 | 21 | 14,983 | 4,131 |
| Landfilled | 151,955 | 149,795 | 148,617 | 145,652 | 140,141 | 144,764 | 151,763 | 147,494 | 157,154 | 154,776 | 149,796 |
| Percent Recycled | | 5.63% | 7.45% | 11.62% | 8.11% | 7.13% | 7.41% | 9.21% | 9.41% | 16.27% | 11.82% |
| Residential Waste Disposal | | | | | | | | | | | |
| Tonnage | 9,329 | 8,541 | 9,020 | 10,076 | 9,472 | 8,796 | 9,119 | 9,579 | 9,114 | 8,550 | 8,448 |
| Tires (Count) | 1,971 | 1,505 | 1,397 | 1,451 | 1,893 | 1,667 | 1,801 | 1,521 | 1,571 | 619 | 533 |
| Transactions | 37,911 | 34,500 | 36,441 | 40,600 | 37,284 | 35,157 | 36,850 | 38,493 | 38,599 | 37,385 | 39,086 |
| Disposal Fees | \$ 420,724 | \$ 438,101 | \$ 390,324 | \$ 386,633 | \$ 396,057 | \$ 432,871 | \$ 436,144 | \$ 436,929 | \$ 429,668 | \$ 406,253 | \$ 401,334 |
| Disposal Fees | | | | | | | | | | | |
| Municipal Rate | \$ 49.5 | \$ 49.0 | \$ 47.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 |
| Commercial Rate | \$ 59.5 | \$ 59.0 | \$ 57.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 |
| Private Rate | \$ 59.5 | \$ 59.0 | \$ 57.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 |
| Residential Rate | \$ 49.5 | \$ 49.0 | \$ 47.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 |
| Wood Waste Rate | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 |
| Railcar Waste Transported in tons | | | | | | | | | | | |
| Railcars | 2,351 | 2,172 | 2,258 | 2,231 | 2,142 | 2,216 | 2,409 | 2,469 | 2,719 | 2,747 | 2,593 |
| Tonnage | 150,597 | 148,908 | 146,309 | 145,448 | 139,066 | 144,428 | 151,911 | 147,980 | 157,783 | 155,594 | 150,558 |
| Average | 63,779 | 68,56 | 64,80 | 65,19 | 64,92 | 65,18 | 63,06 | 59,94 | 58,03 | 56,54 | 58,06 |
| Shipping Cost | \$ 1,734,373 | \$ 1,864,514 | \$ 1,935,012 | \$ 1,797,827 | \$ 1,857,047 | \$ 1,687,991 | \$ 1,506,684 | \$ 2,000,222 | \$ 1,777,545 | \$ 1,793,728 | \$ 1,619,525 |
| Capital Indicators | | | | | | | | | | | |
| Number of Permitted Sites | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Number of Open Permitted Sites | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of Collection sites | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

Source: Roanoke Valley Resource Authority records

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the Board
Roanoke Valley Resource Authority
Roanoke, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Roanoke Valley Resource Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Roanoke Valley Resource Authority's basic financial statements and have issued our report thereon dated September 26, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Roanoke Valley Resource Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Roanoke Valley Resource Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Roanoke Valley Resource 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned responses that we consider to be significant deficiencies. [2016-001]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Roanoke Valley Resource 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*.

Roanoke Valley Resource Authority's Response to Findings

The Roanoke Valley Resource Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned responses. The Roanoke Valley Resource Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Towner, Co. Associates

Blacksburg, Virginia
September 26, 2016

Roanoke Valley Resource Authority

Schedule of Findings and Responses For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

| | |
|---|------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | Yes |
| Noncompliance material to financial statements noted? | No |

Section II - Financial Statement Findings

2016-001

| | |
|------------------------|--|
| Condition: | The Authority lacks proper segregation of duties over billing and collections. |
| Criteria: | A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets. |
| Cause: | The Authority's limited number of staff does not allow them to properly segregate duties. |
| Effect: | There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting. |
| Management's Response: | Limited number of staff has precluded the Roanoke Valley Resource Authority from segregating key duties related to billings and collections. Currently, the Authority does not plan on hiring additional personnel to address the aforementioned condition as same is not considered cost-effective. |

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

September 26, 2016

To the Board of Directors
Roanoke Valley Resource Authority

We have audited the financial statements of the business-type activities of the Roanoke Valley Resource Authority for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 16, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Roanoke Valley Resource Authority are described in Note 1 to the financial statements. As described in note 14 to the financial statements, in 2016, the Roanoke Valley Resource Authority adopted statements 72, 79 and 82 of the Governmental Accounting Standards Board (GASB). We noted no transactions entered into by the Roanoke Valley Resource Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation expense is based on established guidelines and experience. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability for landfill closure and post-closure monitoring is based on established guidelines and experience. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, we have attached a copy of the recommended adjustments (attached).

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Roanoke Valley Resource Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Roanoke Valley Resource Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Roanoke Valley Resource Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Robinson, Turner, Cox Associates

September 26, 2016

Client: 057703.AUDIT - Roanoke Valley Resource Authority
Engagement: 2016 - Roanoke Valley Resource Authority
Period Ending: 6/30/2016
Trial Balance: TB.01 - TB
Workpaper: TB.09 - Adjusting Journal Entries Report

| Account | Description | W/P Ref | Debit | Credit |
|---|--|---------|---------------------|---------------------|
| Adjusting Journal Entries JE # 1 | | | | |
| To post prior year pension balances. | | | | |
| | | PY | | |
| 146.00 | Deferred outflows of resources pension | | 8,083.00 | |
| 147.00 | Deferred outflows of resources pension | | 132,238.00 | |
| 220.00 | Unrestricted | | 1,258,328.00 | |
| 182.00 | Net pension liability | | | 114,803.00 |
| 183.00 | Net pension liability VRS | | | 923,522.00 |
| 186.00 | Deferred inflows of resources pensio | | | 48,414.00 |
| 187.00 | Deferred inflows of resources pensions - | | | 311,910.00 |
| Total | | | 1,398,649.00 | 1,398,649.00 |
| Adjusting Journal Entries JE # 2 | | | | |
| Immaterial entry to balance beginning equity. | | | | |
| | | TB.02 | | |
| 220.00 | Unrestricted | | 2.00 | |
| 225.00 | Tipping fees | | | 2.00 |
| Total | | | 2.00 | 2.00 |
| Adjusting Journal Entries JE # 3 | | | | |
| To reclassify to short-term closure costs to long-term | | | | |
| | | D-17 | | |
| 170.00 | Accrued landfill closure | | 2,758,114.00 | |
| 185.00 | Accrued landfill closure (non current) | | | 2,758,114.00 |
| Total | | | 2,758,114.00 | 2,758,114.00 |
| Adjusting Journal Entries JE # 4 | | | | |
| To distribute cash between short-term and long-term investments | | | | |
| | | C-01,21 | | |
| 105.00 | Investments | | 334,202.00 | |
| 130.00 | Investments (non current) | | 8,359,964.00 | |
| 100.00 | Cash and Cash Equivalents | | | 8,694,166.00 |
| Total | | | 8,694,166.00 | 8,694,166.00 |
| Adjusting Journal Entries JE # 5 | | | | |
| To record City Pension Activity | | | | |
| | | E-18 | | |
| 146.00 | Deferred outflows of resources pension | | 6,736.00 | |
| 148.00 | Deferred outflow City change in | | 602.00 | |
| 182.00 | Net pension liability | | 40,671.00 | |
| 146.00 | Deferred outflows of resources pension | | | 8,083.00 |
| 186.00 | Deferred inflows of resources pensio | | | 21,344.00 |
| 187.00 | Deferred inflows of resources pensions - | | | |
| 250.00 | Operating expenses | | | 6,736.00 |
| 250.00 | Operating expenses | | | 11,846.00 |
| Total | | | 48,009.00 | 48,009.00 |
| Adjusting Journal Entries JE # 6 | | | | |
| To post AP & RP related to CIP project | | | | |
| | | CAP-09 | | |
| 145.00 | Capital assets, net | | 23,774.00 | |
| 145.00 | Capital assets, net | | 54,910.00 | |
| 150.00 | Vouchers payable | | | 54,910.00 |
| 152.00 | Retainage payable | | | 23,774.00 |

10/21/2016
3:49 PM

Client: **057703.AUDIT - Roanoke Valley Resource Authority**
Engagement: **2016 - Roanoke Valley Resource Authority**
Period Ending: **6/30/2016**
Trial Balance: **TB.01 - TB**
Workpaper: **TB.09 - Adjusting Journal Entries Report**

| Account | Description | W/P Ref | Debit | Credit |
|---|--|--------------|-------------------|-------------------|
| Total | | | 78,684.00 | 78,684.00 |
| Adjusting Journal Entries JE # 7 | | | | |
| To post enties related to County pension plan | | | | |
| | | E-18b | | |
| 147.00 | Deferred outflows of resources pension | | 142,468.00 | |
| 187.00 | Deferred inflows of resources pensions - | | 174,263.00 | |
| 240.00 | Salaries and benefits | | 74,314.00 | |
| 147.00 | Deferred outflows of resources pension | | | 132,238.00 |
| 183.00 | Net pension liability VRS | | | 46,742.00 |
| 187.00 | Deferred inflows of resources pensions - | | | 857.00 |
| 187.00 | Deferred inflows of resources pensions - | | | 68,740.00 |
| 240.00 | Salaries and benefits | | | 142,468.00 |
| Total | | | 391,045.00 | 391,045.00 |