

REGION 2000 SERVICES AUTHORITY

LYNCHBURG, VIRGINIA

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2016 AND 2015

BOARD MEMBERS

L. Kimball Payne, III, Chairman
City of Lynchburg

Frank Rogers, Vice-Chairman
County of Campbell

Stephen A. Carter, Treasurer
County of Nelson

Susan Adams
County of Appomattox

DIRECTOR

Clarke W. Gibson, P.E.

EXECUTIVE DIRECTOR

Gary Christie

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Financial Statements:	
Exhibit 1 Statements of Net Position	8-9
Exhibit 2 Statements of Revenues, Expenses and Changes in Net Position	10
Exhibit 3 Statements of Cash Flows	11
Notes to Financial Statements	12-42
Required Supplementary Information:	
Exhibit 4 Schedule of Authority's Proportionate Share of the Net Pension Asset	43
Exhibit 5 Schedule of Employer Contributions	44
Exhibit 6 Notes to Required Supplementary Information	45
Exhibit 7 Schedule of OPEB Funding Progress	46
Statistical Information:	
Table 1 Net Position by Component	47-48
Table 2 Changes in Net Position	49-50
Table 3 Revenues by Source (Operating Revenues)	51
Table 4 Expenses by Type	52
Table 5 Outstanding Debt by Type	53-54
Compliance:	
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>	55-56

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of
Region 2000 Services Authority
Lynchburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Region 2000 Services Authority, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Region 2000 Services 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 Region 2000 Services Authority, as of June 30, 2016 and 2015, 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 2 to the financial statements, in 2016, the Region 2000 Services Authority adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. 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 3-7 and 43-46 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 Region 2000 Services Authority's basic financial statements. The statistical information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statistical information has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of Region 2000 Services 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 Region 2000 Services Authority's internal control over financial reporting and compliance.

Robinson, Farmer Cox Associates

Charlottesville, Virginia

December 12, 2016

Management's Discussion and Analysis

To the Board of Directors
Region 2000 Services Authority
Lynchburg, Virginia

As management of the Region 2000 Services Authority, (the "Authority"), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements section of this report.

Overview of the Financial Statements

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

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

The statement of net position presents information on the Authority's assets, deferred outflows, deferred inflows and liabilities. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, reduced by accumulated depreciation and by any outstanding debt, deferred outflows of resources and deferred inflows of resources related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

The basic enterprise fund financial statements can be found on pages 8 through 11 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 42 of this report.

Other information. In addition to the basic financial statements and accompanying notes, certain required supplementary information concerning the Authority's asset, liability and funding of its obligation to provide pension and other post-employment benefits to its employees is located immediately following the notes to financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,336,239 (net position). Of this amount a negative \$1,371,462 is reported as unrestricted net position and when available may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's total net position decreased by \$14,074.
- The Authority's total obligations decreased by \$2,642,209 during the current fiscal year. Additional analysis of the changes in long-term obligations is provided under the Long-Term Obligation section of the MD&A.
- During fiscal year 2015, the Authority implemented Statement of Governmental Accounting Standards (GASB Statement) Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The Authority's net pension asset at June 30, 2016 was \$395,219 whereby the assets of the Authority's pension plan exceeded the total pension liability.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Services Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,336,239 at the close of the most recent fiscal year.

A portion of the Authority's net position, \$5,707,701, reflects its net investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position		
	2016	2015	2014
Current and other assets	\$ 20,132,692	\$ 23,233,825	\$ 18,058,839
Capital assets	12,307,492	10,826,566	10,688,798
Total assets	<u>\$ 32,440,184</u>	<u>\$ 34,060,391</u>	<u>\$ 28,747,637</u>
Post measurement date employer pension contributions	\$ 70,434	\$ 62,251	\$ -
Total deferred outflows of resources	<u>\$ 70,434</u>	<u>\$ 62,251</u>	<u>\$ -</u>
Long-term liabilities outstanding	\$ 24,882,723	\$ 27,524,932	\$ 22,382,930
Other liabilities	3,169,047	2,190,851	1,672,132
Total liabilities	<u>\$ 28,051,770</u>	<u>\$ 29,715,783</u>	<u>\$ 24,055,062</u>
Items related to measurement of net pension asset/liability	\$ 122,609	\$ 56,546	\$ -
Total deferred inflows of resources	<u>\$ 122,609</u>	<u>\$ 56,546</u>	<u>\$ -</u>
Net position:			
Net investment in capital assets	\$ 5,707,701	\$ 4,032,786	\$ 2,644,436
Unrestricted	(1,371,462)	317,527	2,048,139
Total net position	<u><u>\$ 4,336,239</u></u>	<u><u>\$ 4,350,313</u></u>	<u><u>\$ 4,692,575</u></u>

Financial Analysis: (Continued)

The table below is a summary of the changes in net position.

	Change in Net Position		
	2016	2015	2014
Revenues:			
Operating revenues	\$ 7,163,243	\$ 7,260,829	\$ 7,043,418
Return of excess revenues to participating governments	(1,159,630)	(1,301,797)	(1,157,129)
Participating government contribution - City of Lynchburg	34,341	17,645	1,031,277
Other revenue	170,271	130,329	128,663
Total revenues	\$ 6,208,225	\$ 6,107,006	\$ 7,046,229
Expenses:			
Operating expenses	\$ 3,198,445	\$ 2,738,248	\$ 2,702,785
Landfill closure and post-closure expense	877,011	1,101,840	2,362,121
Depreciation and amortization expense	1,681,567	2,561,931	2,108,922
Interest expense	465,276	357,527	406,136
Total expenses	\$ 6,222,299	\$ 6,759,546	\$ 7,579,964
Increase (decrease) in net position	\$ (14,074)	\$ (652,540)	\$ (533,735)
Net position—July 1	4,350,313	5,002,853	5,226,310
Net position—June 30	\$ 4,336,239	\$ 4,350,313	\$ 4,692,575

The Authority's net position decreased by \$14,074 during the current year. Total revenues increased by \$101,219, net of return of excess revenues to participating governments, while total expenses decreased \$537,247 from fiscal year 2015 levels.

Additional analysis of the changes in revenues are provided under the heading "Review of Operations" below.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2016 amounts to \$12,307,492 (net of accumulated depreciation). Below is a comparison of the capital asset costs as of June 30, 2016, June 30, 2015 and June 30, 2014.

	2016	2015	2014
Buildings and fixtures	\$ 3,152,767	\$ 3,152,767	\$ 3,152,767
Other site improvements	4,056,774	3,871,797	3,871,797
Landfill site	10,675,424	10,675,424	8,487,246
Equipment and vehicles	4,639,718	4,909,596	4,638,207
Less accumulated depreciation	(13,670,172)	(12,302,981)	(9,741,050)
Construction in progress	3,452,981	519,963	279,831
Total capital assets, net	\$ 12,307,492	\$ 10,826,566	\$ 10,688,798

Capital Asset and Debt Administration: (Continued)

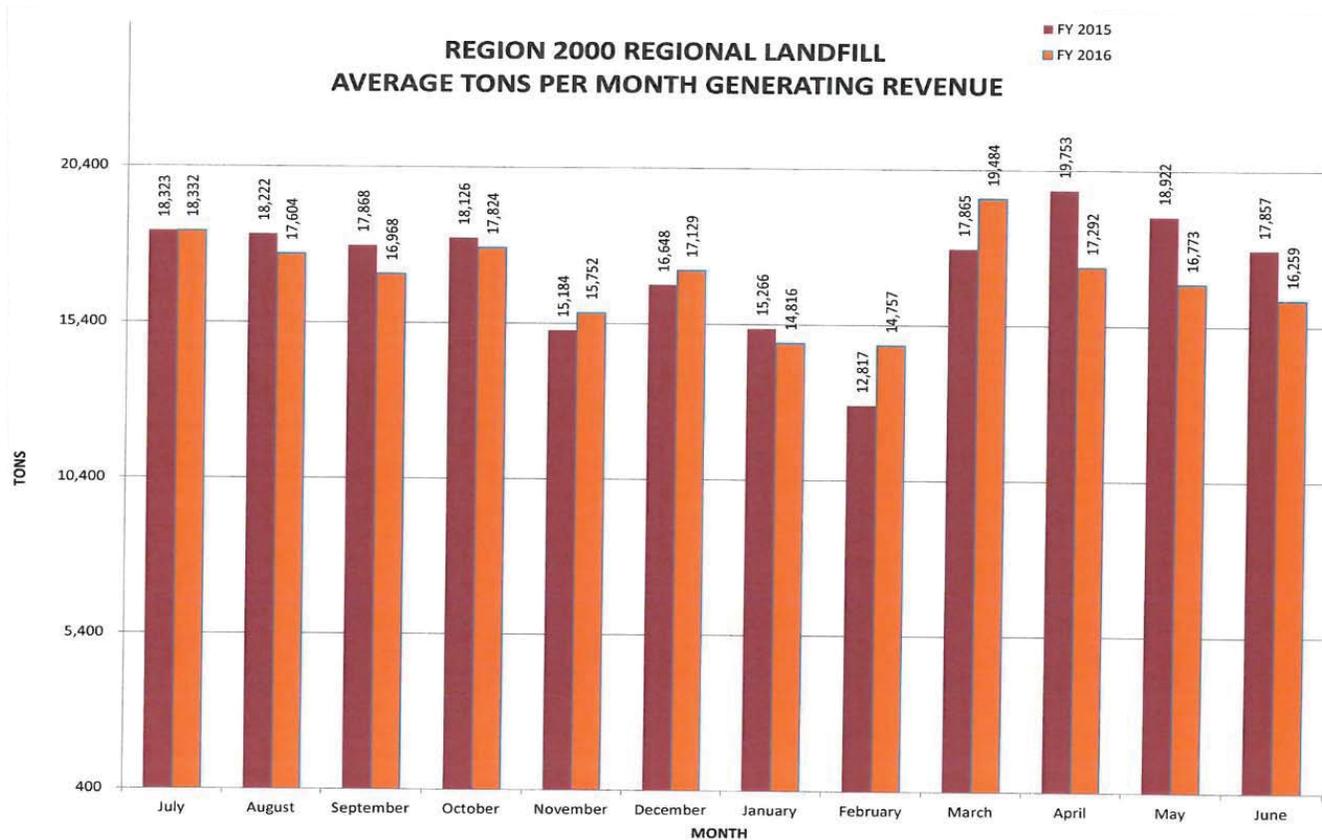
Long-Term Obligations - At the end of the fiscal year, the Authority had \$24,882,723 in total long-term obligations in comparison to \$27,524,932 reported in the prior year, a net decrease of \$2,642,209. Long-term obligations are composed of various types of obligations including; revenue bonds, landfill closure and post-closure care liability, compensated absences and other postemployment benefit obligations. The Authority issued the 2015 revenue bond in the amount of \$9,000,000 fiscal year 2015 to be used for landfill construction at the Livestock Road site. During fiscal year 2016 the Authority repaid principal in the amount of \$1,767,000. Additionally, the Authority's estimated landfill closure and post-closure care liability decreased \$917,486 due to costs paid towards closure of the Concord Turnpike landfill site.

Review of Operations

The Region 2000 Services Authority now operates the second largest publically operated regional landfill in the Commonwealth disposing of over 200,000 tons of trash annually for Appomattox, Campbell, Nelson Counties and Lynchburg. Our staffing levels have remained constant over the eight years of operations at about 20 full time staff in our Livestock Road operations outside of Rustburg, Virginia.

The Concord Turnpike Regional Landfill is closed and the closure cap is complete. The thirty year post closure monitoring period will begin once DEQ approves final closure. The Lynchburg Residential Convenience Center is located on site and continues to operate for City residents. Waste from the convenience center is transported to the Livestock Road Facility.

Tipping fees and waste quantities held level in FY 2016 reflecting national trends.



Recycling

The regional recycling rate for Calendar Year 2015 was 39.1%

Landfill Gas

On March 17, 2016, the Region 2000 Services Authority fully implemented the “vapor-phase” perimeter odor mitigation system which distributes a vapor-phase odor neutralizer (not an odor masking agent) by means of 2,600 feet of 6” HDPE pipe with distribution ports spaced every eight feet along this pipe which is mounted eight feet above grade around the western and southern landfill perimeter of the active cell. This system is operational 24/7/365.

A portable working face odor neutralizing misting unit was also placed in service on March 17, 2016. This unit functions during landfill operating hours.

Combined, these measures have reduced odor complaints from nearby residents by 60% when comparing the same number of days before and after March 17, 2016, the date the vaporized odor neutralization system was placed in service.

Construction of the full scale landfill gas collection began June 2016. The system includes 11 vertical landfill gas wells and a 2500 cfm landfill gas compressor and flare. The system is expected to be fully operational by December 2016. The landfill gas will be combusted initially. However, beneficial uses of the gas will be evaluated.

The operation of these odor mitigation systems will be an increased operational cost to the Authority.

Reimbursable Expenses

The Authority continues to provide numerous services to its member jurisdictions where the individual member jurisdiction reimburses the Authority. For example, household hazardous waste collection events, recycling coordinator services, environmental compliance service, labor and equipment use.

Phase IV Landfill Cell Construction

Phase IV landfill cell construction began in April 2016 and completion is expected by fall 2016. Phase IV and future Phase V will provide regional landfill capacity through 2030.

Future Planning

A strategic planning process has been implemented to evaluate regional landfill disposal options beyond 2030. A working group has been formed and is meeting regularly to evaluate the options and receive public input on these options. It is expected that a recommendation on regional solid waste management beyond 2030 will be presented to the Region 2000 Services Authority in the spring of 2017. Information on this future planning process can be found at <http://www.solidwastemanagement2030.org/>.

Requests for Information

This financial report is designed to provide a general overview of the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 828 Main Street - 12th Floor, Lynchburg, Virginia 24504.

This page intentionally left blank

Financial Statements

This page intentionally left blank

Statements of Net Position
At June 30, 2016 and 2015

	At June 30,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 3,338,125	\$ 3,669,816
Cash and cash equivalents - closure/post-closure reserve accounts	6,423,725	5,861,838
Restricted cash and cash equivalents:		
Unspent bond proceeds	7,412,641	8,502,215
Cash held with trustee for debt service	1,292,568	1,776,005
Accounts receivable (Note 2)	741,638	730,937
Due from participating government	473,950	2,332,883
Prepaid items	54,826	51,644
	<u>19,737,473</u>	<u>22,925,338</u>
Total current assets		
Noncurrent assets:		
Other Assets:		
Net pension asset	\$ 395,219	\$ 308,487
Capital assets (Note 4):		
Buildings and fixtures	\$ 3,152,767	\$ 3,152,767
Landfill site	10,675,424	10,675,424
Equipment and vehicles	4,639,718	4,909,596
Other site improvements	4,056,774	3,871,797
Accumulated depreciation	(13,670,172)	(12,302,981)
	<u>8,854,511</u>	<u>10,306,603</u>
Sub-total net capital assets	\$	\$
Construction work in progress	<u>3,452,981</u>	<u>519,963</u>
	<u>12,307,492</u>	<u>10,826,566</u>
Total net capital assets	\$	\$
	<u>12,702,711</u>	<u>11,135,053</u>
Total noncurrent assets	\$	\$
	<u>32,440,184</u>	<u>34,060,391</u>
Total assets	\$	\$
DEFERRED OUTFLOW OF RESOURCES		
Post measurement date employer pension contributions	\$ 70,434	\$ 62,251

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

Statements of Net Position
At June 30, 2016 and 2015 (Continued)

	At June 30,	
	2016	2015
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,745,030	\$ 732,799
Retainage payable	122,663	-
Due to participating governments	1,159,630	1,301,797
Accrued interest payable	141,724	156,255
Revenue bonds-current portion (Note 6)	1,505,000	1,767,000
Compensated absences (Note 5)	97,479	95,161
	<u>4,771,526</u>	<u>4,053,012</u>
Total current liabilities	\$ 4,771,526	\$ 4,053,012
Noncurrent liabilities:		
Accrued landfill closure and post-closure costs (Note 8)	\$ 6,423,725	\$ 5,861,838
Accrued landfill closure and post-closure costs - unfunded portion	2,766,379	4,245,752
Net OPEB obligation (Note 10)	290,140	250,181
Revenue bonds - net of current portion (Note 6)	13,800,000	15,305,000
	<u>23,280,244</u>	<u>25,662,771</u>
Total noncurrent liabilities	\$ 23,280,244	\$ 25,662,771
Total liabilities	\$ 28,051,770	\$ 29,715,783
DEFERRED INFLOWS OF RESOURCES		
Net differences of actual and expected pension plan earnings	\$ 28,041	\$ 56,546
Changes in proportionate employer share	61,328	-
Differences between expected and actual experience	33,240	-
	<u>122,609</u>	<u>56,546</u>
Total deferred inflows of resources	\$ 122,609	\$ 56,546
NET POSITION		
Net investment in capital assets	\$ 5,707,701	\$ 4,032,786
Unrestricted	(1,371,462)	317,527
	<u>4,336,239</u>	<u>4,350,313</u>
Total net position	\$ 4,336,239	\$ 4,350,313

Statements of Revenues, Expenses and Changes in Net Position
 Years Ended June 30, 2016 and 2015

	Year Ended June 30,	
	2016	2015
Operating revenues:		
Tipping fees	\$ 7,049,449	\$ 7,162,811
Recycling revenues	54,003	55,161
Penalties & interest	9,014	5,559
Other revenue	50,777	37,298
Total revenues	\$ 7,163,243	\$ 7,260,829
Return of excess revenues to participating governments	\$ (1,159,630)	\$ (1,301,797)
Total operating revenues	\$ 6,003,613	\$ 5,959,032
Operating expenses:		
Personnel costs	\$ 1,189,343	\$ 1,208,718
Contractual, legal and professional	402,665	541,585
Other operating costs	1,606,437	987,945
Landfill closure and post-closure expense	877,011	1,101,840
Depreciation	1,681,567	2,561,931
Total operating expenses	\$ 5,757,023	\$ 6,402,019
Operating income (loss)	\$ 246,590	\$ (442,987)
Nonoperating revenues (expenses):		
Interest income	\$ 13,171	\$ 11,336
Participating government contribution - City of Lynchburg	34,341	17,645
Gain (loss) on disposal of assets	152,100	-
Other nonoperating revenues	5,000	118,993
Interest expense	(465,276)	(357,527)
Total nonoperating revenues (expenses)	\$ (260,664)	\$ (209,553)
Change in net position	\$ (14,074)	\$ (652,540)
Net position, beginning of year	4,350,313	5,002,853
Net position, end of year	\$ 4,336,239	\$ 4,350,313

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

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	Year Ended June 30,	
	2016	2015
Cash from operating activities:		
Receipts from customers and users	\$ 5,855,745	\$ 6,137,309
Payments to suppliers	(4,346,876)	(4,229,543)
Payments to and on behalf of employees	(1,175,918)	(1,254,279)
Net cash provided by (used for) operating activities	\$ 332,951	\$ 653,487
Cash from noncapital financing activities:		
Participating government contribution for closure & post-closure costs	\$ 1,893,273	\$ -
Net cash provided by (used for) noncapital financing activities	\$ 1,893,273	\$ -
Cash from capital and related financing activities:		
Purchases of capital assets	\$ (1,487,503)	\$ (2,714,895)
Proceeds from the disposal of assets	152,100	-
Principal payments on bonds	(1,767,000)	(1,695,000)
Proceeds from indebtedness	-	9,000,000
Interest payments	(479,807)	(370,160)
Net cash provided by (used for) capital and related financing activities	\$ (3,582,210)	\$ 4,219,945
Cash from investing activities:		
Interest income	\$ 13,171	\$ 11,336
Net cash provided by (used for) investing activities	\$ 13,171	\$ 11,336
Increase (decrease) in cash and cash equivalents	\$ (1,342,815)	\$ 4,884,768
Cash and cash equivalents at beginning of year (including \$10,278,220 and \$1,722,638, respectively reported in restricted accounts)	19,809,874	14,925,106
Cash and cash equivalents at end of year (including \$8,705,209 and \$10,278,220, respectively reported in restricted accounts)	\$ 18,467,059	\$ 19,809,874
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 246,590	\$ (442,987)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,681,567	2,561,931
Miscellaneous revenue	5,000	118,993
Changes in operating assets and liabilities and deferred inflows/outflows:		
(Increase) decrease in accounts receivables	(10,701)	33,509
(Increase) decrease in prepaid items	(3,182)	2,404
Increase (decrease) in compensated absences	2,318	(292)
Increase (decrease) in net OPEB obligation	39,959	47,512
(Increase) decrease in net pension asset	(86,732)	(92,781)
(Increase) decrease in deferred outflows - net pension asset related	(8,183)	32,321
Increase (decrease) in deferred inflows - net pension asset related	66,063	56,546
Increase (decrease) in accounts payable - operating	(540,095)	401,781
Increase (decrease) in due to participating governments	(142,167)	144,768
Increase (decrease) in accrued landfill costs	(917,486)	(2,210,218)
Net cash provided by (used for) operating activities	\$ 332,951	\$ 653,487
Noncash investing, capital and financing activities:		
(Increase) decrease in accounts/retainage payable for capital activities	\$ (1,674,989)	\$ 15,197

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

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015

NOTE 1—FORMATION OF THE REGION 2000 SERVICES AUTHORITY:

The Region 2000 Services Authority is a jointly governed organization formed by the Cities of Lynchburg and Bedford and the Counties of Campbell, Nelson and Appomattox pursuant to the Virginia Water and Waste Authorities Act (Code of Virginia, 1950 as amended). The Authority was formed to own and operate landfill(s) as a regional entity to accept municipal solid waste generated within each of the participating jurisdictions and outside of the jurisdictions (by approval of the Authority). The regional entity accepts waste and refuse disposal, as such terms are defined in the Virginia Solid Waste Management Regulations, currently 9 VAC 20-80, et seq., including facilities for recycling, waste reduction and disposal alternatives with the ultimate goal of acquiring, financing, constructing, and/or operating and maintaining regional solid waste disposal areas, systems and facilities, all pursuant to the provisions of the Act. The Authority commenced operations on June 20, 2008. Effective July 1, 2013, the Town of Bedford withdrew from the Authority due to its reversion from a city to a town.

Financial Reporting Entity

The Authority's governing body is comprised of four members appointed by each of the participating governments, City of Lynchburg and the Counties of Campbell, Nelson and Appomattox. Therefore, none of the participating governments appoint a voting majority of board members.

The Authority is perpetual. No participating government has rights to its resources or surpluses, nor is any participant specifically liable for the Authority's debts or deficits. However, the Authority's governing body may distribute excess revenue by voting majority in accordance with the *Member Use Agreement* dated June 20, 2008. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds.

Based on the above representations, the Region 2000 Services Authority has been determined to be a jointly governed organization of the City of Lynchburg and the Counties of Campbell, Nelson and Appomattox. The Authority is not a component unit of any of the participating governments.

For purposes of reporting entity disclosure, it should be noted that a separate entity, the Virginia's Region 2000 Local Government Council, provides administrative support services; however, each entity is operationally and legally independent.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basic Financial Statements

As a requirement of GASB Statement 34, the Management's Discussion and Analysis (MD&A) section provides an analysis of the Authority's overall financial position and results of operations.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. Basic Financial Statements (Continued)

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 consist of:

- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Required Supplementary Information
 - Schedule of Authority's Proportionate Share of the Net Pension Asset/Liability
 - Schedule of Employer Contributions
 - Notes to Required Supplementary Information
 - Schedule of OPEB Funding Progress

B. Basis of Accounting

The Region 2000 Services 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 sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, all certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

D. Restricted Assets

The Authority reports restricted cash related to debt service and bond issuances. The accounts are reported separately on the statement of net position.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Capital Assets

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

The Authority purchased the initial landfill cells and the landfill site from the City of Lynchburg and purchased an additional landfill site from the County of Campbell in fiscal year 2012. The landfill sites were valued by a consulting engineer. The engineer also estimated the accrued landfill closure and related expenses. The remaining land area of the landfill sites are reported at their value as a landfill site. The landfill sites will be depreciated over the remaining useful lives.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

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

<u>Assets</u>	<u>Years</u>
Buildings and Fixtures	15
Other Site Improvements	15
Equipment and Vehicles	5 to 15

Depreciation of landfill cell development and site costs is recorded based on remaining units of capacity. Total depreciation for the periods ended June 30, 2016 and 2015 was \$1,681,567 and \$2,561,931, respectively.

F. Accounts Receivable

Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. Therefore, no allowance for uncollectible amounts is recognized.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Use of Estimates

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

H. Closure and Post-Closure Obligations

The Authority records all estimated closure costs for existing cells as a liability. Upon final closure of the landfill site, the Authority is then responsible, under current Federal regulations, for maintaining the closed site for the following thirty years.

I. Net Position:

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, reduced by accumulated depreciation and by any outstanding debt, deferred outflows of resources and increased by deferred inflows of resources related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

J. Net Position Flow Assumption

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset/liability measurement date, which will be recognized as a reduction of the net pension asset/liability next fiscal year. For more detailed information on this item, reference the pension note.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

K. Deferred Outflows/Inflows of 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. The Authority has one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on this item, reference the pension note.

L. Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Investments

Money market investments 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.

N. Adoption of Accounting Principles

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

The Authority implemented the provisions of 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 located in Note 3.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Adoption of Accounting Principles (Continued)

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

The 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 Authority's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

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

The Authority early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. 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 the 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.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings 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.

The Authority has no formal deposit and investment policy.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

The Authority does not have a formal investment policy.

<u>Authority's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 4,592,177
U.S. Treasury Obligation Money Market	<u>1,292,568</u>
Total	<u>\$ 5,884,745</u>

Interest Rate Risk

<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 4,592,177	\$ 4,592,177
U.S. Treasury Obligation Money Market	<u>1,292,568</u>	<u>1,292,568</u>
	<u>\$ 5,884,745</u>	<u>\$ 5,884,745</u>

External Investment Pools

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB 79. There are no withdrawal limitations or restrictions imposed on participants.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 4—CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2016 follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 519,963	\$ 3,117,995	\$ 184,977	\$ 3,452,981
Total capital assets not being depreciated	\$ 519,963	\$ 3,117,995	\$ 184,977	\$ 3,452,981
Other Capital Assets:				
Buildings and fixtures	\$ 3,152,767	-	-	\$ 3,152,767
Accumulated depreciation	(792,937)	(262,203)	-	(1,055,140)
Other site improvements	3,871,797	184,977	-	4,056,774
Accumulated depreciation	(1,901,795)	(229,145)	-	(2,130,940)
Landfill site	10,675,424	-	-	10,675,424
Accumulated depreciation	(5,907,499)	(771,033)	-	(6,678,532)
Equipment and vehicles	4,909,596	44,498	314,376	4,639,718
Accumulated depreciation	(3,700,750)	(419,186)	(314,376)	(3,805,560)
Other capital assets, net	\$ 10,306,603	\$ (1,452,092)	-	\$ 8,854,511
Capital assets, net	\$ 10,826,566	\$ 1,665,903	\$ 184,977	\$ 12,307,492

Construction Commitments

The Authority had the following outstanding construction contract commitments as of June 30, 2016:

<u>Project</u>	<u>Amount Outstanding</u>
Livestock Road Landfill Phase IV Construction	\$ 3,482,435
Livestock Road LFG Project	790,241

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

A summary of changes in capital assets for the year ended June 30, 2015 follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Construction in progress	\$ 279,831	\$ 408,628	\$ 168,496	\$ 519,963
Total capital assets not being depreciated	\$ 279,831	\$ 408,628	\$ 168,496	\$ 519,963
Other Capital Assets:				
Buildings and fixtures	\$ 3,152,767	\$ -	\$ -	\$ 3,152,767
Accumulated depreciation	(530,735)	(262,202)	-	(792,937)
Other site improvements	3,871,797	-	-	3,871,797
Accumulated depreciation	(1,679,858)	(221,937)	-	(1,901,795)
Landfill site	8,487,246	2,188,178	-	10,675,424
Accumulated depreciation	(4,506,667)	(1,400,832)	-	(5,907,499)
Equipment and vehicles	4,638,207	271,389	-	4,909,596
Accumulated depreciation	(3,023,790)	(676,960)	-	(3,700,750)
Other capital assets, net	\$ 10,408,967	\$ (102,364)	\$ -	\$ 10,306,603
Capital assets, net	\$ 10,688,798	\$ 306,264	\$ 168,496	\$ 10,826,566

NOTE 5—COMPENSATED ABSENCES:

Authority regular employees earn vacation leave each month at a scheduled rate from eight hours to twelve hours per month in accordance with years of service and sick leave at the rate of eight hours per month. Vacation leave can be accrued up to a maximum of 240 hours and sick leave can be accrued up to a maximum of 1,200 hours. Employees covered as VRS Hybrid employees can accrue a maximum of 80 hours sick leave. Sick leave is paid to the employee at a rate of \$20 per day. Accumulated unpaid vacation and sick leave amounts are accrued when incurred. At June 30, 2016 and 2015, the liability for accrued vacation and sick leave was \$97,479 and \$95,161, respectively.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the year ended June 30, 2016:

	Balance July 1, 2015	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2016	Due Within One Year
Landfill closure/post-closure costs	\$ 10,107,590	\$ 947,452	\$ 1,864,938	\$ 9,190,104	\$ -
Revenue bonds	17,072,000	-	1,767,000	15,305,000	1,505,000
Net OPEB obligation	250,181	44,392	4,433	290,140	-
Compensated absences	95,161	2,318	-	97,479	97,479
Totals	<u>\$ 27,524,932</u>	<u>\$ 994,162</u>	<u>\$ 3,636,371</u>	<u>\$ 24,882,723</u>	<u>\$ 1,602,479</u>

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

	Balance July 1, 2014	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2015	Due Within One Year
Landfill closure/post-closure costs	\$ 12,317,808	\$ 1,101,839	\$ 3,312,057	\$ 10,107,590	\$ -
Revenue bonds	9,767,000	9,000,000	1,695,000	17,072,000	1,767,000
Net OPEB obligation	202,669	58,669	11,157	250,181	-
Compensated absences	95,453	-	292	95,161	95,161
Totals	<u>\$ 22,382,930</u>	<u>\$ 10,160,508</u>	<u>\$ 5,018,506</u>	<u>\$ 27,524,932</u>	<u>\$ 1,862,161</u>

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2017	\$ 1,505,000	435,642
2018	1,550,000	390,472
2019	1,597,000	343,799
2020	1,645,000	295,566
2021	1,422,000	256,262
2022-2025	<u>7,586,000</u>	<u>422,385</u>
Total	<u>\$ 15,305,000</u>	<u>\$ 2,144,126</u>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 6—SUMMARY OF LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$10,000,000 Revenue Bonds Series 2011 dated April 28, 2011 with principal payable annually in installments ranging from \$233,000 to \$1,767,000 and interest payable semi-annually at 4.15% ranging from \$17,077 to \$314,708, maturing August 2024.	\$ 6,305,000	\$ 590,000
\$9,000,000 Revenue Bonds Series 2015 dated May 28, 2015 with principal payable annually starting November 1, 2016 in installments ranging from \$915,000 to \$1,089,000 and interest payable semi-annually at 2.18% ranging from \$11,870 to \$98,100, maturing November 1, 2024.	<u>9,000,000</u>	<u>915,000</u>
Total revenue bonds	\$ 15,305,000	\$ 1,505,000
Compensated absences	<u>97,479</u>	<u>97,479</u>
Net OPEB Obligation	<u>290,140</u>	<u>-</u>
Landfill closure and post-closure costs	<u>9,190,104</u>	<u>-</u>
Total long-term debt obligations	<u><u>\$ 24,882,723</u></u>	<u><u>\$ 1,602,479</u></u>

NOTE 7—PENSION PLAN:

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment, through the Virginia's Region 2000 Local Government Council. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities participate in the VRS plan through Virginia's Region 2000 Local Government Council and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed for which they and their employer pay contributions to VRS. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN:

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:

Plan Description

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. • 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.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>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>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>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>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. <p>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>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>
<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</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</p>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service (Cont.) credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service (Cont.)</p>	<p>Creditable Service (Cont.) <u>Defined Benefit Component:</u> 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>
<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>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.)</p> <p><u>Defined Contributions Component:</u></p> <p>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> <p>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>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>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.</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> <p><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.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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%.</p>	<p>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.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>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.</p>	<p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<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>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>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>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility (Cont.) 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 (Cont.) Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility (Cont.) 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>Political subdivisions hazardous duty employees: 50 with at least five 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>Political subdivisions hazardous duty employees: Same as Plan 1.</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> <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>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>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>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <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 (Cont.) <u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Eligibility:</u> Same as Plan 1 and Plan 2.</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). 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • 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.) <u>Exceptions to COLA Effective Dates: (Cont.)</u></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates: (Cont.)</u></p>
<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>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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 higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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 the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Contributions

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

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Contributions: (Continued)

The Authority's contractually required contribution rate for the year ended June 30, 2016 was 7.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$70,434 and \$62,251 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the Authority reported an asset of \$395,219 for its proportionate share of the net pension asset. The Authority's net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2016 as a basis for allocation. At June 30, 2016 and 2015 the Authority's proportionate share was 57.30% and 48.00%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION 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%.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Virginia’s Region 2000 Local Government Council 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.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Region 2000 Services Authority Net Pension Liability (Asset)	\$ (250,061)	\$ (395,219)	\$ (513,737)

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

For the year ended June 30, 2016, the Authority recognized pension expense of \$41,582. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 33,240
Change in proportionate employer share	-	61,328
Net difference between projected and actual earnings on pension plan investments	-	28,041
Employer contributions subsequent to the measurement date	70,434	-
Total	\$ 70,434	\$ 122,609

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

\$70,434 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction/addition of the Net Pension Liability/Asset in the fiscal 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 in future reporting periods as follows:

<u>Year ended June 30</u>	
2017	\$ 33,222
2018	33,222
2019	33,222
2020	16,348
2021	6,595

NOTE 8—CLOSURE AND POST-CLOSURE CARE COSTS:

State and federal laws and regulations require the Authority to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure costs will be paid as closure occurs and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The Authority purchased the "Concord" landfill site from the City of Lynchburg in fiscal year 2009. As part of the purchase agreement the Authority assumed the landfill closure and post-closure liability and received cash reserves equal to the liability less current costs paid. The amount recorded as accrued landfill closure and post-closure care costs is \$243,080 and \$2,684,755, respectively, at June 30, 2016. The total closure and post-closure care costs reported in the amount of \$2,927,835 for the Concord site is based on the use of 100% of the landfill capacity at June 30, 2016. The Authority will recognize any remaining costs of closure and post-closure care and post-closure monitoring as the closure is completed.

During fiscal year 2012, the Authority purchased the "Livestock Road" site from the County of Campbell whereby assuming all related closure and post-closure liabilities. These amounts are based on what it would cost to perform all closure and post-closure care in 2016. The amount recorded as accrued landfill closure and post-closure care costs is \$3,548,668 and \$2,713,601, respectively, at June 30, 2016. The total closure and post-closure care costs reported in the amount of \$6,262,269 for the Livestock Road site is based on the use of 85% of the open and permitted landfill capacity at June 30, 2016. The Authority will recognize any remaining costs of closure and post-closure care and post-closure monitoring as the closure is completed.

Total closure and post-closure liability for the Authority at June 30, 2016 was \$3,791,748 and \$5,398,356, respectively. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 8—CLOSURE AND POST-CLOSURE CARE COSTS: (CONTINUED)

The Authority is required by state and federal laws and regulations to meet certain financial assurance requirements. On behalf of the Authority the participating localities will demonstrate financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with section 9VAC-20-70 of the Virginia Administrative Code. The Authority has designated cash in the amount of \$6,423,725 at June 30, 2016 to meet future closure and post-closure care costs.

NOTE 9—RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the Commonwealth to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its liability, property and its share of workers compensation coverage.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE:

A. Plan Description:

Region 2000 Services Authority offers eligible retirees postemployment medical coverage if they meet required eligibility criteria. Retirees hired prior to July 1, 2006 are eligible at age 50 provided they have a minimum of ten years consecutive experience at the Authority. Retirees hired between July 1, 2006 and April 17, 2009 are eligible at age 50 with a minimum of 20 consecutive years of service. Any retirees hired after April 17, 2009 are not eligible for benefits.

B. Funding Policy:

The Authority determines how the liability will be funded each year, whether it will partially or fully fund the liability. The Authority pays a portion of the retirees' monthly premium, including dependents, ranging from \$488.53 to \$885.23. Upon reaching Medicare eligibility, retirees are responsible for 100% of the medical premiums.

C. Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Authority has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (CONTINUED)

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

The following table depicts the components of the Authority's annual OPEB cost for the year, the estimated annual contributions to the plan and changes in the Authority's net OPEB obligation:

Annual required contribution	\$ 53,049
Interest on OPEB obligation	8,651
Adjustment to annual required contribution	<u>(17,308)</u>
Annual OPEB cost (expense)	\$ 44,392
Contribution made	<u>(4,433)</u>
Increase in net OPEB obligation	\$ 39,959
Net OPEB obligation - beginning of year	<u>250,181</u>
Net OPEB obligation - end of year	<u><u>\$ 290,140</u></u>

For 2016, the Authority's expected cash payment of \$4,433 was \$39,959 less than the OPEB cost. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 62,756	11%	\$ 202,669
June 30, 2015	58,669	19%	250,181
June 30, 2016	44,392	10%	290,140

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$ 431,980
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 431,980
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 846,753
UAAL as a percentage of covered payroll	51.02%

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (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 into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Projected Unit Credit (PUC) Actuarial Cost Method was used in determining the liability. A PUC accrued benefit is determined for each active member in the Plan on the basis of the member's benefit projected to the assumed date of retirement and member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

The actuarial liability and normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's benefit to each assumed date of determination, disablement, or death. The actuarial liability and normal cost for the benefits are based upon the present value of the benefit expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the benefits expected to be paid.

Assumptions

Discount rate (unfunded)	3.50%
Amortization period (closed)	30 years
Healthcare trend rate	8.10% to 4.50%
Payroll growth rate	3.00%

NOTE 11—UPCOMING PRONOUNCEMENTS:

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. Earlier application is encouraged.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements
As of June 30, 2016 and 2015 (Continued)

NOTE 11—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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. Earlier application is encouraged.

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. Earlier application is encouraged.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

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

This page intentionally left blank

Required Supplementary Information

This page intentionally left blank

Schedule of Authority's Proportionate Share of the Net Pension Asset
For the Year Ended June 30, 2016

Measurement Date (1)	Proportion of the Net Pension Asset (NPA) (2)	Proportionate Share of the NPA (3)	Covered Payroll (4)	Proportionate Share of the NPA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2014	48.00%	\$ 308,487	\$ 866,039	35.62%	146.20%
2015	57.30%	\$ 395,219	\$ 961,770	41.09%	141.90%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 For the Year Ended June 30, 2016

Fiscal Year	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2015	\$ 62,251	\$ 62,251	\$ -	\$ 835,852	7.52%
2016	70,434	70,434	-	944,388	7.46%

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

Notes to Required Supplementary Information
For the Year Ended 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 is not material.

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

Largest 10 - Non-LEOS:

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

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

Schedule of OPEB Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2010	\$ -	\$ 217,865	217,865	0.00%	\$ 1,197,469	18.19%
1/1/2013	-	352,779	352,779	0.00%	1,106,498	31.88%
1/1/2016	-	431,980	431,980	0.00%	846,753	51.02%

Other Supplementary Information

REGION 2000 SERVICES AUTHORITY

Net Position by Component
Last Nine Fiscal Years

	<u>2016</u>	<u>2015 (3)</u>	<u>2014</u>	<u>2013 (2)</u>
Net investment in capital assets	\$ 5,707,701	\$ 4,032,786	\$ 2,644,436	\$ 2,411,016
Unrestricted	(1,371,462)	317,527	2,048,139	2,815,294
Total net position	<u>\$ 4,336,239</u>	<u>\$ 4,350,313</u>	<u>\$ 4,692,575</u>	<u>\$ 5,226,310</u>

(1) A prior period adjustment to beginning net assets was recorded in fiscal year 2009 and 2012 to correct an error in the engineering estimate for remaining capacity of the Concord landfill site.

(2) In fiscal year 2013, the Authority implemented GASB Statements 63 and 65.

(3) In fiscal year 2015, the Authority implemented GASB Statement 68.

The Authority commenced operations on June 20, 2008.

Table 1

<u>2012 (1)</u>	<u>2011</u>	<u>2010</u>	<u>2009 (1)</u>	<u>2008</u>
\$ 692,880	\$ 305,090	\$ (203,719)	\$ 641,068	\$ 61,152
2,765,630	2,402,097	2,684,154	537,723	223,870
<u>\$ 3,458,510</u>	<u>\$ 2,707,187</u>	<u>\$ 2,480,435</u>	<u>\$ 1,178,791</u>	<u>\$ 285,022</u>

REGION 2000 SERVICES AUTHORITY

Changes in Net Position Last Nine Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues:			
Tipping fees	\$ 7,049,449	\$ 7,162,811	\$ 6,905,345
Recycling revenues	54,003	55,161	58,931
Penalties & interest	9,014	5,559	7,917
Other revenue	<u>50,777</u>	<u>37,298</u>	<u>71,225</u>
Total revenues	<u>\$ 7,163,243</u>	<u>\$ 7,260,829</u>	<u>\$ 7,043,418</u>
Return of excess revenues to participating localities	<u>\$ (1,159,630)</u>	<u>\$ (1,301,797)</u>	<u>\$ (1,157,129)</u>
Total operating revenue	<u>\$ 6,003,613</u>	<u>\$ 5,959,032</u>	<u>\$ 5,886,289</u>
Operating expenses:			
Personnel costs	\$ 1,189,343	\$ 1,208,718	\$ 1,217,501
Contractual, legal and professional	402,665	541,585	401,322
Other operating costs	1,606,437	987,945	1,083,962
Landfill closure and post-closure expense	877,011	1,101,840	2,362,121
Depreciation and amortization	<u>1,681,567</u>	<u>2,561,931</u>	<u>2,108,922</u>
Total operating expenses	<u>\$ 5,757,023</u>	<u>\$ 6,402,019</u>	<u>\$ 7,173,828</u>
Operating income (loss)	<u>\$ 246,590</u>	<u>\$ (442,987)</u>	<u>\$ (1,287,539)</u>
Nonoperating revenues (expenses):			
Interest earned	\$ 13,171	\$ 11,336	\$ 18,663
Participating governments contributions	34,341	17,645	1,031,277
Gain (loss) on sale of assets	152,100	-	60,000
Insurance recovery	-	-	-
Return of equity to participating governments	-	-	-
Other nonoperating revenues	5,000	118,993	50,000
Interest expense	<u>(465,276)</u>	<u>(357,527)</u>	<u>(406,136)</u>
Total nonoperating revenues (expenses)	<u>\$ (260,664)</u>	<u>\$ (209,553)</u>	<u>\$ 753,804</u>
Income (loss) before capital contributions	<u>\$ (14,074)</u>	<u>\$ (652,540)</u>	<u>\$ (533,735)</u>
Participating governments capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u><u>\$ (14,074)</u></u>	<u><u>\$ (652,540)</u></u>	<u><u>\$ (533,735)</u></u>

The Authority commenced operations on June 20, 2008.

Table 2

	2013	2012	2011	2010	2009	2008
\$	8,226,940	\$ 7,125,023	\$ 6,485,910	\$ 7,084,438	\$ 6,976,265	\$ -
	59,769	58,824	69,327	65,882	58,373	-
	26,294	8,034	10,762	21,309	15,362	-
	80,969	8,411	10,627	41,324	17,957	-
\$	<u>8,393,972</u>	<u>7,200,292</u>	<u>6,576,626</u>	<u>7,212,953</u>	<u>7,067,957</u>	<u>-</u>
\$	<u>(1,187,310)</u>	<u>(945,418)</u>	<u>(989,145)</u>	<u>(1,598,636)</u>	<u>(1,447,966)</u>	<u>-</u>
\$	<u>7,206,662</u>	<u>6,254,874</u>	<u>5,587,481</u>	<u>5,614,317</u>	<u>5,619,991</u>	<u>-</u>
\$	1,169,169	\$ 1,080,480	\$ 1,080,356	\$ 1,065,860	\$ 964,811	\$ -
	332,210	280,804	250,001	259,994	240,960	1,923
	1,212,013	1,078,164	1,018,136	864,736	1,048,847	-
	1,065,485	637,852	607,595	1,826,644	465,732	-
	1,472,821	1,907,046	1,949,825	1,384,231	1,625,893	241
\$	<u>5,251,698</u>	<u>4,984,346</u>	<u>4,905,913</u>	<u>5,401,465</u>	<u>4,346,243</u>	<u>2,164</u>
\$	<u>1,954,964</u>	<u>1,270,528</u>	<u>681,568</u>	<u>212,852</u>	<u>1,273,748</u>	<u>(2,164)</u>
\$	27,729	\$ 37,987	\$ 41,271	\$ 12,475	\$ 94,090	\$ 7,764
	-	-	-	-	28,458	-
	64,793	-	63,401	111,469	12,756	-
	207,221	6,107	-	-	-	-
	-	-	-	(353,613)	(248,533)	-
	-	-	-	-	-	-
	(486,907)	(563,299)	(312,680)	(313,209)	(362,357)	-
\$	<u>(187,164)</u>	<u>(519,205)</u>	<u>(208,008)</u>	<u>(542,878)</u>	<u>(475,586)</u>	<u>7,764</u>
\$	1,767,800	\$ 751,323	\$ 473,560	\$ (330,026)	\$ 798,162	\$ 5,600
	-	-	-	-	95,607	279,422
\$	<u>1,767,800</u>	<u>751,323</u>	<u>473,560</u>	<u>(330,026)</u>	<u>893,769</u>	<u>285,022</u>

Revenues by Source (Operating Revenues)
Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>Tipping Fees</u>	<u>Recycling</u>	<u>Penalties & Interest</u>	<u>Other</u>	<u>Total</u>
2009	\$ 6,976,265	\$ 58,373	\$ 15,362	\$ 17,957	7,067,957
2010	7,084,438	65,882	21,309	41,324	7,212,953
2011	6,485,910	69,327	10,762	10,627	6,576,626
2012	7,125,023	58,824	8,034	8,411	7,200,292
2013	8,226,940	59,769	26,294	80,969	8,393,972
2014	6,905,345	58,931	7,917	71,225	7,043,418
2015	7,162,811	55,161	5,559	37,298	7,260,829
2016	7,049,449	54,003	9,014	50,777	7,163,243

The Authority commenced operations on June 20, 2008.

Expenses by Type
Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>Personnel Costs</u>	<u>Contractual Legal and Professional</u>	<u>Other Operating Costs</u>	<u>Closure and Post-Closure</u>	<u>Depreciation</u>	<u>Total</u>
2008	\$ -	\$ 1,923	\$ -	\$ -	\$ 241	2,164
2009	964,811	240,960	1,048,847	465,732	1,625,893	4,346,243
2010	1,065,860	259,994	864,736	1,826,644	1,384,231	5,401,465
2011	1,080,356	250,001	1,018,136	607,595	1,949,825	4,905,913
2012	1,080,480	280,804	1,078,164	637,852	1,907,046	4,984,346
2013	1,169,169	332,210	1,212,013	1,065,485	1,472,821	5,251,698
2014	1,217,501	401,322	1,083,962	2,362,121	2,108,922	7,173,828
2015	1,208,718	541,585	987,945	1,101,840	2,561,931	6,402,019
2016	1,189,343	402,665	1,606,437	877,011	1,681,567	5,757,023

The Authority commenced operations on June 20, 2008.

REGION 2000 SERVICES AUTHORITY

Outstanding Debt by Type Last Nine Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenue bonds	\$ 15,305,000	\$ 17,072,000	\$ 9,767,000
Net OPEB obligation	290,140	250,181	202,669
Compensated absences	97,479	95,161	95,453
Landfill closure and postclosure care costs	<u>9,190,104</u>	<u>10,107,590</u>	<u>12,317,808</u>
Total outstanding obligation	<u>\$ 24,882,723</u>	<u>\$ 27,524,932</u>	<u>\$ 22,382,930</u>

The Authority commenced operations on June 20, 2008.

Table 5

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 10,000,000	\$ 14,120,000	\$ 16,130,000	\$ 8,075,000	\$ 10,000,000	\$ 10,000,000
146,792	109,445	72,824	36,047	-	-
89,585	78,079	71,854	66,124	62,901	-
<u>10,052,622</u>	<u>8,987,137</u>	<u>5,760,797</u>	<u>5,289,479</u>	<u>3,462,835</u>	<u>-</u>
<u>\$ 20,288,999</u>	<u>\$ 23,294,661</u>	<u>\$ 22,035,475</u>	<u>\$ 13,466,650</u>	<u>\$ 13,525,736</u>	<u>\$ 10,000,000</u>

This page intentionally left blank

Compliance

This page intentionally left blank

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 Board of Directors
Region 2000 Services Authority
Lynchburg, 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 Region 2000 Services Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Region 2000 Services Authority's basic financial statements and have issued our report thereon dated December 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Region 2000 Services 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 Region 2000 Services Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Region 2000 Services Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region 2000 Services Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 12, 2016