

**REGION 2000 SERVICES AUTHORITY  
LYNCHBURG, VIRGINIA  
FINANCIAL REPORT  
YEARS ENDED JUNE 30, 2017 AND 2016**



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**EXECUTIVE DIRECTOR**

Gary Christie



## Table of Contents

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	<u>Page</u>
Independent Auditors' Report .....	1-2
Management's Discussion and Analysis .....	3-7
<b>Financial Statements:</b>	
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
<b>Required Supplementary Information:</b>	
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
<b>Statistical Information:</b>	
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
<b>Compliance:</b>	
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

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## Independent Auditors' Report

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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, 2017 and 2016, 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, 2017 and 2016, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *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 November 30, 2017, 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  
November 30, 2017

## Management's Discussion and Analysis

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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, 2017. 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 41 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 \$4,306,273 (net position). Of this amount \$275,481 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 \$29,966.
- The Authority's total obligations decreased by \$292,141 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.

## 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 \$4,306,273 at the close of the most recent fiscal year.

A portion of the Authority's net position, \$4,030,792, 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		
	2017	2016	2015
Current and other assets	\$ 14,115,124	\$ 20,132,692	\$ 23,233,825
Capital assets	15,930,683	12,307,492	10,826,566
Total assets	<u>\$ 30,045,807</u>	<u>\$ 32,440,184</u>	<u>\$ 34,060,391</u>
Total deferred outflows of resources	\$ 102,697	\$ 70,434	\$ 62,251
Long-term liabilities outstanding	\$ 24,590,582	\$ 24,882,723	\$ 27,524,932
Other liabilities	1,158,918	3,169,047	2,190,851
Total liabilities	<u>\$ 25,749,500</u>	<u>\$ 28,051,770</u>	<u>\$ 29,715,783</u>
Total deferred inflows of resources	\$ 92,731	\$ 122,609	\$ 56,546
Net position:			
Net investment in capital assets	\$ 4,030,792	\$ 5,707,701	\$ 4,032,786
Unrestricted	275,481	(1,371,462)	317,527
Total net position	<u>\$ 4,306,273</u>	<u>\$ 4,336,239</u>	<u>\$ 4,350,313</u>

## Financial Analysis: (Continued)

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

	Change in Net Position		
	2017	2016	2015
Revenues:			
Operating revenues	\$ 6,822,137	\$ 7,163,243	\$ 7,260,829
Return of excess revenues to participating governments	(953,793)	(1,159,630)	(1,301,797)
Participating government contribution - City of Lynchburg	726,508	34,341	17,645
Other revenue	59,120	170,271	130,329
Total revenues	<u>\$ 6,653,972</u>	<u>\$ 6,208,225</u>	<u>\$ 6,107,006</u>
Expenses:			
Operating expenses	\$ 2,990,983	\$ 3,198,445	\$ 2,738,248
Landfill closure and post-closure expense	1,529,617	877,011	1,101,840
Depreciation and amortization expense	1,730,949	1,681,567	2,561,931
Nonoperating expenses	10,274	-	-
Interest expense	422,115	465,276	357,527
Total expenses	<u>\$ 6,683,938</u>	<u>\$ 6,222,299</u>	<u>\$ 6,759,546</u>
Increase (decrease) in net position	\$ (29,966)	\$ (14,074)	\$ (652,540)
Net position—July 1	<u>4,336,239</u>	<u>4,350,313</u>	<u>5,002,853</u>
Net position—June 30	<u>\$ 4,306,273</u>	<u>\$ 4,336,239</u>	<u>\$ 4,350,313</u>

The Authority's net position decreased by \$29,966 during the current year. Total revenues increased by \$445,747, net of return of excess revenues to participating governments, while total expenses increased \$461,639 from fiscal year 2016 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, 2017 amounts to \$15,930,683 (net of accumulated depreciation). Below is a comparison of the capital asset costs as of June 30, 2017, June 30, 2016 and June 30, 2015.

	2017	2016	2015
Buildings and fixtures	\$ 3,152,767	\$ 3,152,767	\$ 3,152,767
Other site improvements	5,269,369	4,056,774	3,871,797
Landfill site	10,675,424	10,675,424	10,675,424
Equipment and vehicles	5,081,562	4,639,718	4,909,596
Less accumulated depreciation	<u>(15,357,099)</u>	<u>(13,670,172)</u>	<u>(12,302,981)</u>
Construction in progress	<u>7,108,660</u>	<u>3,452,981</u>	<u>519,963</u>
Total capital assets, net	<u>\$ 15,930,683</u>	<u>\$ 12,307,492</u>	<u>\$ 10,826,566</u>

**Capital Asset and Debt Administration: (Continued)**

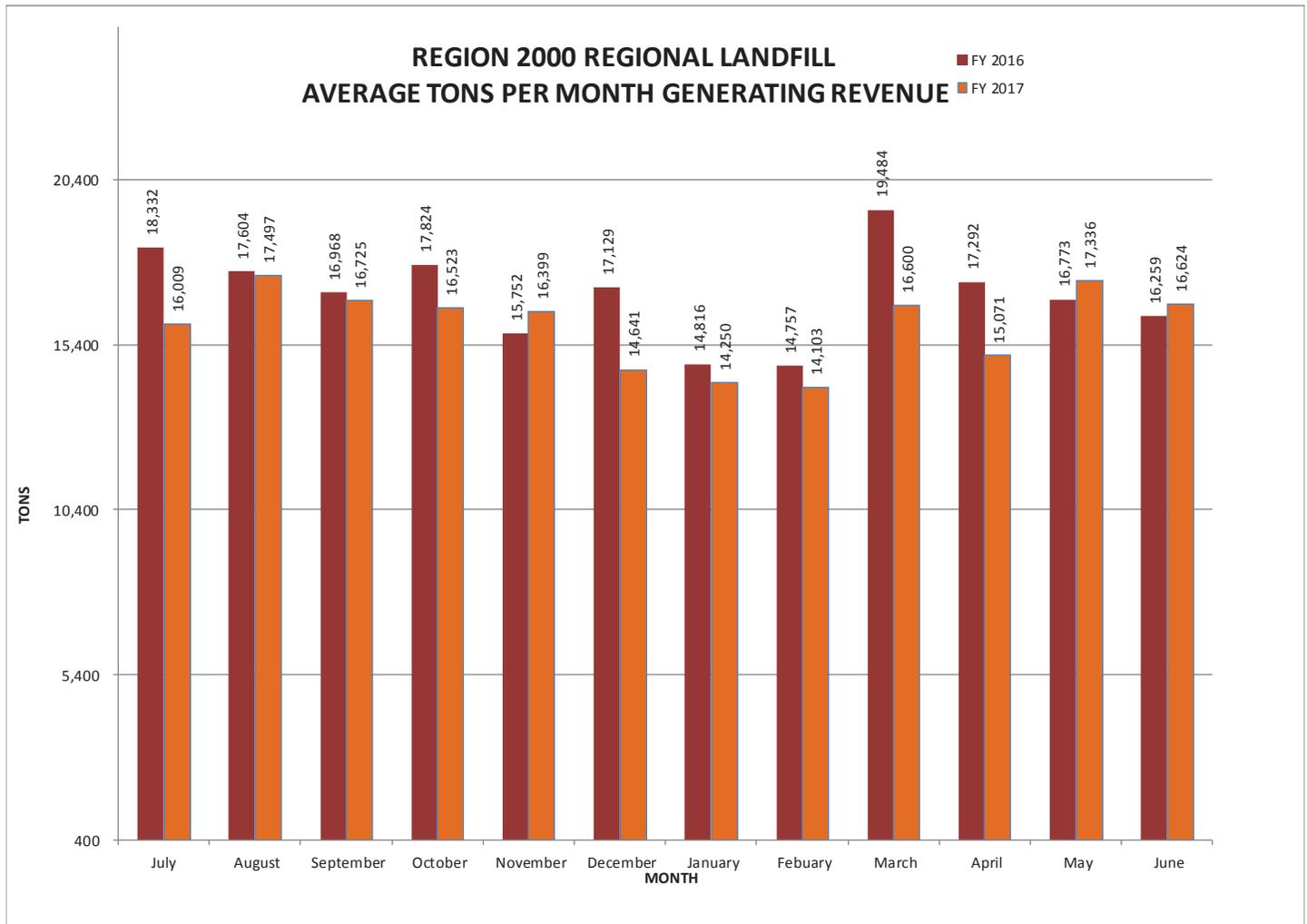
Long-Term Obligations - At the end of the fiscal year, the Authority had \$24,590,582 in total long-term obligations in comparison to \$24,882,723 reported in the prior year, a net decrease of \$292,141. Long-term obligations are composed of various types of obligations including; revenue bonds, landfill 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 in fiscal year 2015 to be used for landfill construction at the Livestock Road site. During fiscal year 2017 the Authority repaid principal in the amount of \$1,505,000. Additionally, the Authority’s estimated landfill closure and post-closure care liability decreased \$1,188,911 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 and Nelson Counties and Lynchburg. Our staffing levels have remained constant over the nine years of operations at about 20 full time staff at our Livestock Road operations outside of Rustburg, Virginia.

The Concord Turnpike Regional Landfill is closed and the closure cap is complete. This facility has entered the thirty year post closure monitoring period. 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.

We observed a decrease in waste in FY2017, which reflects national trends.



## **Recycling**

The regional recycling rate for Calendar Year 2016 was 35.7%.

## **Landfill Gas**

Construction of the full scale landfill gas collection system was completed and placed in service in November 2016. The system includes 11 vertical landfill gas wells and a 2500 cfm landfill gas compressor and flare. The landfill gas will be combusted initially. However, beneficial uses of the gas will be evaluated.

These measures have reduced odor complaints from nearby residents by 90% when comparing the same number of days before and after the systems were placed in service.

## **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 was completed in the fall of 2016. It is estimated that Phase IV and future Phase V will provide regional landfill capacity through 2030.

## **Future Planning**

A strategic planning process to determine landfill disposal options beyond 2030 was completed. The working group met regularly to evaluate the options and receive public input on these options. The final report was presented to the Board during the spring of 2017. No action has been taken. 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 - 12<sup>th</sup> Floor, Lynchburg, Virginia 24504.

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## Financial Statements

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Statements of Net Position  
At June 30, 2017 and 2016

	At June 30,	
	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 3,100,583	\$ 3,338,125
Cash and cash equivalents - closure/post-closure reserve accounts	7,374,440	6,423,725
Restricted cash and cash equivalents:		
Unspent bond proceeds	584,366	7,412,641
Cash held with trustee for debt service	1,315,743	1,292,568
Accounts receivable (Note 2)	612,595	741,638
Due from participating government	726,508	473,950
Prepaid items	43,119	54,826
Total current assets	\$ 13,757,354	\$ 19,737,473
Noncurrent assets:		
Other Assets:		
Net pension asset	\$ 357,770	\$ 395,219
Capital assets (Note 4):		
Buildings and fixtures	\$ 3,152,767	\$ 3,152,767
Landfill site	10,675,424	10,675,424
Equipment and vehicles	5,081,562	4,639,718
Other site improvements	5,269,369	4,056,774
Accumulated depreciation	(15,357,099)	(13,670,172)
Sub-total net capital assets	\$ 8,822,023	\$ 8,854,511
Construction work in progress	\$ 7,108,660	\$ 3,452,981
Total net capital assets	\$ 15,930,683	\$ 12,307,492
Total noncurrent assets	\$ 16,288,453	\$ 12,702,711
Total assets	\$ 30,045,807	\$ 32,440,184
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Net differences of actual and expected pension plan earnings	\$ 46,106	\$ -
Post measurement date employer pension contributions	56,591	70,434
Total deferred outflows of resources	\$ 102,697	\$ 70,434

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

## Statements of Net Position

At June 30, 2017 and 2016 (Continued)

	At June 30,	
	2017	2016
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 76,928	\$ 1,745,030
Retainage payable	-	122,663
Due to participating governments	953,793	1,159,630
Accrued interest payable	128,197	141,724
Revenue bonds-current portion (Note 6)	1,550,000	1,505,000
Compensated absences (Note 5)	82,539	97,479
Total current liabilities	\$ 2,791,457	\$ 4,771,526
Noncurrent liabilities:		
Accrued landfill closure and post-closure costs (Note 8)	\$ 7,374,440	\$ 6,423,725
Accrued landfill closure and post-closure costs - unfunded portion	3,004,575	2,766,379
Net OPEB obligation (Note 10)	329,028	290,140
Revenue bonds - net of current portion (Note 6)	12,250,000	13,800,000
Total noncurrent liabilities	\$ 22,958,043	\$ 23,280,244
Total liabilities	\$ 25,749,500	\$ 28,051,770
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Net differences of actual and expected pension plan earnings	\$ -	\$ 28,041
Changes in proportionate employer share	45,996	61,328
Differences between expected and actual experience	46,735	33,240
Total deferred inflows of resources	\$ 92,731	\$ 122,609
<b>NET POSITION</b>		
Net investment in capital assets	\$ 4,030,792	\$ 5,707,701
Unrestricted	275,481	(1,371,462)
Total net position	\$ 4,306,273	\$ 4,336,239

Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended June 30, 2017 and 2016

	Year Ended June 30,	
	2017	2016
Operating revenues:		
Tipping fees	\$ 6,699,464	\$ 7,049,449
Recycling revenues	55,682	54,003
Penalties and interest	18,483	9,014
Other revenue	48,508	50,777
Total revenues	\$ 6,822,137	\$ 7,163,243
Return of excess revenues to participating governments	\$ (953,793)	\$ (1,159,630)
Total operating revenues	\$ 5,868,344	\$ 6,003,613
Operating expenses:		
Personnel costs	\$ 1,247,160	\$ 1,189,343
Contractual, legal and professional	411,900	402,665
Other operating costs	1,331,923	1,606,437
Landfill closure and post-closure expense	1,529,617	877,011
Depreciation	1,730,949	1,681,567
Total operating expenses	\$ 6,251,549	\$ 5,757,023
Operating income (loss)	\$ (383,205)	\$ 246,590
Nonoperating revenues (expenses):		
Interest income	\$ 50,159	\$ 13,171
Participating government contribution - City of Lynchburg	726,508	34,341
Gain (loss) on disposal of assets	8,961	152,100
Other nonoperating revenues (expenses)	(10,274)	5,000
Interest expense	(422,115)	(465,276)
Total nonoperating revenues (expenses)	\$ 353,239	\$ (260,664)
Change in net position	\$ (29,966)	\$ (14,074)
Net position, beginning of year	4,336,239	4,350,313
Net position, end of year	\$ 4,306,273	\$ 4,336,239

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

Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

	<u>Year Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Cash from operating activities:		
Receipts from customers and users	\$ 5,781,276	\$ 5,855,745
Payments to suppliers	(2,164,432)	(4,346,876)
Payments to and on behalf of employees	(1,247,904)	(1,175,918)
Net cash provided by (used for) operating activities	<u>\$ 2,368,940</u>	<u>\$ 332,951</u>
Cash from noncapital financing activities:		
Participating government contribution for closure and post-closure costs	\$ 473,950	\$ 1,893,273
Net cash provided by (used for) noncapital financing activities	<u>\$ 473,950</u>	<u>\$ 1,893,273</u>
Cash from capital and related financing activities:		
Purchases of capital assets	\$ (7,085,530)	\$ (1,487,503)
Proceeds from the disposal of assets	41,196	152,100
Principal payments on bonds	(1,505,000)	(1,767,000)
Interest payments	(435,642)	(479,807)
Net cash provided by (used for) capital and related financing activities	<u>\$ (8,984,976)</u>	<u>\$ (3,582,210)</u>
Cash from investing activities:		
Interest income	\$ 50,159	\$ 13,171
Net cash provided by (used for) investing activities	<u>\$ 50,159</u>	<u>\$ 13,171</u>
Increase (decrease) in cash and cash equivalents	\$ (6,091,927)	\$ (1,342,815)
Cash and cash equivalents at beginning of year (including \$8,705,209 and \$10,278,220, respectively reported in restricted accounts)	<u>18,467,059</u>	<u>19,809,874</u>
Cash and cash equivalents at end of year (including \$1,900,109 and \$8,705,209, respectively reported in restricted accounts)	<u>\$ 12,375,132</u>	<u>\$ 18,467,059</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (383,205)	\$ 246,590
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,730,949	1,681,567
Miscellaneous expense	(10,274)	5,000
Changes in operating assets and liabilities and deferred inflows/outflows:		
(Increase) decrease in accounts receivables	129,043	(10,701)
(Increase) decrease in prepaid items	11,707	(3,182)
Increase (decrease) in compensated absences	(14,940)	2,318
Increase (decrease) in net OPEB obligation	38,888	39,959
(Increase) decrease in net pension asset	37,449	(86,732)
(Increase) decrease in deferred outflows - net pension asset related	(32,263)	(8,183)
Increase (decrease) in deferred inflows - net pension asset related	(29,878)	66,063
Increase (decrease) in accounts payable - operating	(91,610)	(540,095)
Increase (decrease) in due to participating governments	(205,837)	(142,167)
Increase (decrease) in accrued landfill costs	1,188,911	(917,486)
Net cash provided by (used for) operating activities	<u>\$ 2,368,940</u>	<u>\$ 332,951</u>
Noncash investing, capital and financing activities:		
(Increase) decrease in accounts/retainage payable for capital activities	<u>\$ 1,699,155</u>	<u>\$ (1,674,989)</u>

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, 2017 and 2016

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### NOTE 1—FORMATION OF THE REGION 2000 SERVICES AUTHORITY:

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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:

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#### 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, 2017 and 2016 (Continued)

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

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#### 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, 2017 and 2016 (Continued)

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

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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, 2017 and 2016 was \$1,730,949 and \$1,681,567, 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, 2017 and 2016 (Continued)

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

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#### 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 two items that qualify for reporting in this category. The first 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. The second item is the net differences of actual and expected pension plan earnings. For more detailed information on this item, reference the pension note.

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

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

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#### 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 several items that qualify for reporting in this category. Certain items related to the measurement of the net pension liability/asset 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.

### NOTE 3—DEPOSITS AND INVESTMENTS:

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#### 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, 2017 and 2016 (Continued)

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### NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

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#### 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>Fair Quality Ratings</u>
<u>Rated Debt Investments</u>	<u>AAAm</u>
Local Government Investment Pool	\$ 7,450,431
U.S. Treasury Obligation Money Market Fund	<u>1,315,744</u>
Total	<u>\$ 8,766,175</u>

#### Interest Rate Risk

	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 7,450,431	\$ 7,450,431
U.S. Treasury Obligation Money Market Fund	<u>1,315,744</u>	<u>1,315,744</u>
	<u>\$ 8,766,175</u>	<u>\$ 8,766,175</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, 2017 and 2016 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measures

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Authority is providing the following information related to its investments:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Total June 30, 2017</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury & Agency Money Market Fund	\$ 1,315,744	\$ 1,315,744	\$ -	\$ -
Total by fair value level	\$ <u>1,315,744</u>	\$ <u>1,315,744</u>	\$ <u>-</u>	\$ <u>-</u>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

NOTE 4—CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ 3,452,981	\$ 4,932,134	\$ 1,276,455	\$ 7,108,660
Total capital assets not being depreciated	\$ 3,452,981	\$ 4,932,134	\$ 1,276,455	\$ 7,108,660
<b>Other Capital Assets:</b>				
Buildings and fixtures	\$ 3,152,767	\$ -	\$ -	\$ 3,152,767
Accumulated depreciation	(1,055,140)	(262,203)	-	(1,317,343)
Other site improvements	4,056,774	1,212,595	-	5,269,369
Accumulated depreciation	(2,130,940)	(247,333)	-	(2,378,273)
Landfill site	10,675,424	-	-	10,675,424
Accumulated depreciation	(6,678,532)	(770,968)	-	(7,449,500)
Equipment and vehicles	4,639,718	518,100	76,256	5,081,562
Accumulated depreciation	(3,805,560)	(450,445)	(44,022)	(4,211,983)
Other capital assets, net	\$ 8,854,511	\$ (254)	\$ 32,234	\$ 8,822,023
Capital assets, net	<u>\$ 12,307,492</u>	<u>\$ 4,931,880</u>	<u>\$ 1,308,689</u>	<u>\$ 15,930,683</u>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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
<b>Capital assets not being depreciated:</b>				
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
<b>Other Capital Assets:</b>				
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

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, 2017 and 2016, the liability for accrued vacation and sick leave was \$82,539 and \$97,479, respectively.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

**NOTE 6—LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligation transactions for the year ended June 30, 2017:

	Balance July 1, 2016	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2017	Due Within One Year
Landfill closure/post-closure costs	\$ 9,190,104	\$ 1,529,617	\$ 340,706	\$ 10,379,015	\$ -
Revenue bonds	15,305,000	-	1,505,000	13,800,000	1,550,000
Net OPEB obligation	290,140	49,934	11,046	329,028	-
Compensated absences	97,479	-	14,940	82,539	82,539
Totals	<u>\$ 24,882,723</u>	<u>\$ 1,579,551</u>	<u>\$ 1,871,692</u>	<u>\$ 24,590,582</u>	<u>\$ 1,632,539</u>

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	1,550,000
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>\$ 1,647,479</u>

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2018	\$ 1,550,000	\$ 390,472
2019	1,597,000	343,799
2020	1,645,000	295,566
2021	1,695,000	245,725
2022	1,746,000	194,212
2023-2025	<u>5,567,000</u>	<u>255,787</u>
Total	<u>\$ 13,800,000</u>	<u>\$ 1,725,561</u>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (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>
Revenue Bonds:		
\$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.	\$ 5,715,000	\$ 615,000
\$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>8,085,000</u>	<u>935,000</u>
Total revenue bonds	\$ 13,800,000	\$ 1,550,000
Compensated absences	<u>\$ 82,539</u>	<u>\$ 82,539</u>
Net OPEB Obligation	<u>\$ 329,028</u>	<u>\$ -</u>
Landfill closure and post-closure costs	<u>\$ 10,379,015</u>	<u>\$ -</u>
Total long-term debt obligations	<u><u>\$ 24,590,582</u></u>	<u><u>\$ 1,632,539</u></u>

NOTE 7—PENSION PLAN:

All full-time, salaried permanent employees of the Authority are automatically covered by a 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 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, 2017 and 2016 (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*

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> 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><b>About Plan 2</b> 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><b>About the Hybrid Retirement Plan</b> 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"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> <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, 2017 and 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Retirement Contributions</b> 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 are paying the full 5% as of 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><b>Retirement Contributions</b> 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 are paying the full 5% as of July 1, 2016.</p>	<p><b>Retirement Contributions</b> 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><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component:</b></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, 2017 and 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service (Cont.)</b> credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service (Cont.)</b></p>	<p><b>Creditable Service (Cont.)</b> <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b></u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b> 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><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <u><b>Defined Benefit Component:</b></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, 2017 and 2016 (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><b><u>Defined Contributions Component:</u></b></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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit</b> 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><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <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><b>Average Final Compensation</b> A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Service Retirement Multiplier</b> <u>Defined Benefit Component:</u> <b>VRS:</b> 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, 2017 and 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> 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><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>
<p><b>Normal Retirement Age</b> VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Earliest Unreduced Retirement Eligibility</b> <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, 2017 and 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility (Cont.)</b> 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><b>Earliest Unreduced Retirement Eligibility (Cont.)</b> Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility (Cont.)</b> 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><b>Earliest Reduced Retirement Eligibility</b> 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><b>Earliest Reduced Retirement Eligibility</b> 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><b>Earliest Reduced Retirement Eligibility</b> <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><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <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, 2017 and 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b> <b><u>Eligibility:</u></b> 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><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b> <b><u>Eligibility:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b> <b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>
<p><b><u>Exceptions to COLA Effective Dates:</u></b> 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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> </ul>	<p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.</p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b> <b><u>Exceptions to COLA Effective Dates: (Cont.)</u></b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b> <b><u>Exceptions to COLA Effective Dates: (Cont.)</u></b></p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b> <b><u>Exceptions to COLA Effective Dates: (Cont.)</u></b></p>
<p><b>Disability Coverage</b> 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><b>Disability Coverage</b> 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><b>Disability Coverage</b> 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, 2017 and 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Purchase of Prior Service</b> 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><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

*Pension Plan Data*

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

*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, 2017 and 2016 (Continued)

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### NOTE 7—PENSION PLAN: (CONTINUED)

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#### *Contributions: (Continued)*

The Authority's contractually required contribution rate for the year ended June 30, 2017 was 6.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$56,591 and \$70,434 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the Authority reported an asset of \$357,770 for its proportionate share of the net pension asset. The Authority's net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2017 as a basis for allocation. At June 30, 2017 and 2016 the Authority's proportionate share was 57.30% and 57.30%, 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, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
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, 2017 and 2016 (Continued)

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### NOTE 7—PENSION PLAN: (CONTINUED)

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

##### Largest 10 - Non-LEOS:

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

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

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

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (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:

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

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

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (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)	\$ (186,341)	\$ (357,770)	\$ (497,902)

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

For the year ended June 30, 2017, the Authority recognized pension expense of \$47,231. Since there was a change in proportionate share between measurement dates in a prior year, 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, 2017, 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	\$ -	\$ 46,735
Change in proportionate employer share	-	45,996
Net difference between projected and actual earnings on pension plan investments	46,106	-
Employer contributions subsequent to the measurement date	56,591	-
Total	\$ 102,697	\$ 92,731

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

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### NOTE 7—PENSION PLAN: (CONTINUED)

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\$56,591 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2018	\$ (23,474)
2019	(7,190)
2020	(6,598)
2021	(6,470)
2022	(2,893)

### NOTE 8—CLOSURE AND POST-CLOSURE CARE COSTS:

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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 post-closure care costs is \$3,083,785 at June 30, 2017. The post-closure care costs for the Concord site is based on the use of 100% of the landfill capacity at June 30, 2017. 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 2017. The amount recorded as accrued landfill closure and post-closure care costs is \$4,134,021 and \$3,161,209, respectively, at June 30, 2017. The total closure and post-closure care costs reported in the amount of \$7,295,230 for the Livestock Road site is based on the use of 92% of the open and permitted landfill capacity at June 30, 2017. 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, 2017 was \$4,134,021 and \$6,244,994, 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, 2017 and 2016 (Continued)

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

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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 \$7,374,440 at June 30, 2017 to meet future closure and post-closure care costs.

### NOTE 9—RISK MANAGEMENT:

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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:

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#### 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 \$528.39 to \$947.22. 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, 2017 and 2016 (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	\$	56,956
Interest on OPEB obligation		10,155
Adjustment to annual required contribution		(17,177)
Annual OPEB cost (expense)	\$	<u>49,934</u>
Contribution made		(11,046)
Increase in net OPEB obligation	\$	<u>38,888</u>
Net OPEB obligation - beginning of year		290,140
Net OPEB obligation - end of year	\$	<u><u>329,028</u></u>

For 2017, the Authority's expected cash payment of \$11,046 was \$38,888 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 2017 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, 2015	\$ 58,669	19%	\$ 250,181
June 30, 2016	44,392	10%	290,140
June 30, 2017	49,934	22%	329,028

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017, 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, 2017 and 2016 (Continued)

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

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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:

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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.

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

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### NOTE 11—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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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.

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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## Required Supplementary Information

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Schedule of Authority's Proportionate Share of the Net Pension Asset  
For the Years Ended June 30, 2015 through June 30, 2017

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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%
2016	57.30%	\$ 357,770	\$ 944,388	37.88%	131.99%

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 Years Ended June 30, 2015 through June 30, 2017

Fiscal Year	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2015	\$ 62,251	\$ 62,251	\$ -	\$ 835,852	7.52%
2016	70,434	70,434	-	944,388	7.46%
2017	56,591	56,591	-	854,813	6.62%

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, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015 (3)</u>	<u>2014</u>
Net investment in capital assets	\$ 4,030,792	\$ 5,707,701	\$ 4,032,786	\$ 2,644,436
Unrestricted	<u>275,481</u>	<u>(1,371,462)</u>	<u>317,527</u>	<u>2,048,139</u>
Total net position	<u>\$ 4,306,273</u>	<u>\$ 4,336,239</u>	<u>\$ 4,350,313</u>	<u>\$ 4,692,575</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>2013 (2)</u>	<u>2012 (1)</u>	<u>2011</u>	<u>2010</u>	<u>2009 (1)</u>	<u>2008</u>
\$ 2,411,016	\$ 692,880	\$ 305,090	\$ (203,719)	\$ 641,068	\$ 61,152
2,815,294	2,765,630	2,402,097	2,684,154	537,723	223,870
<u>\$ 5,226,310</u>	<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 Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Tipping fees	\$ 6,699,464	\$ 7,049,449	\$ 7,162,811
Recycling revenues	55,682	54,003	55,161
Penalties & interest	18,483	9,014	5,559
Other revenue	48,508	50,777	37,298
Total revenues	<u>\$ 6,822,137</u>	<u>\$ 7,163,243</u>	<u>\$ 7,260,829</u>
Return of excess revenues to participating localities	<u>\$ (953,793)</u>	<u>\$ (1,159,630)</u>	<u>\$ (1,301,797)</u>
Total operating revenue	<u>\$ 5,868,344</u>	<u>\$ 6,003,613</u>	<u>\$ 5,959,032</u>
Operating expenses:			
Personnel costs	\$ 1,247,160	\$ 1,189,343	\$ 1,208,718
Contractual, legal and professional	411,900	402,665	541,585
Other operating costs	1,331,923	1,606,437	987,945
Landfill closure and post-closure expense	1,529,617	877,011	1,101,840
Depreciation and amortization	1,730,949	1,681,567	2,561,931
Total operating expenses	<u>\$ 6,251,549</u>	<u>\$ 5,757,023</u>	<u>\$ 6,402,019</u>
Operating income (loss)	<u>\$ (383,205)</u>	<u>\$ 246,590</u>	<u>\$ (442,987)</u>
Nonoperating revenues (expenses):			
Interest earned	\$ 50,159	\$ 13,171	\$ 11,336
Participating governments contributions	726,508	34,341	17,645
Gain (loss) on sale of assets	8,961	152,100	-
Insurance recovery	-	-	-
Return of equity to participating governments	-	-	-
Other nonoperating revenues (expenses)	(10,274)	5,000	118,993
Interest expense	(422,115)	(465,276)	(357,527)
Total nonoperating revenues (expenses)	<u>\$ 353,239</u>	<u>\$ (260,664)</u>	<u>\$ (209,553)</u>
Income (loss) before capital contributions	<u>\$ (29,966)</u>	<u>\$ (14,074)</u>	<u>\$ (652,540)</u>
Participating governments capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u><u>\$ (29,966)</u></u>	<u><u>\$ (14,074)</u></u>	<u><u>\$ (652,540)</u></u>

The Authority commenced operations on June 20, 2008.

Table 2

	2014	2013	2012	2011	2010	2009	2008
\$	6,905,345	\$ 8,226,940	\$ 7,125,023	\$ 6,485,910	\$ 7,084,438	\$ 6,976,265	\$ -
	58,931	59,769	58,824	69,327	65,882	58,373	-
	7,917	26,294	8,034	10,762	21,309	15,362	-
	71,225	80,969	8,411	10,627	41,324	17,957	-
\$	<u>7,043,418</u>	<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>(1,157,129)</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>5,886,289</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>
\$	1,217,501	\$ 1,169,169	\$ 1,080,480	\$ 1,080,356	\$ 1,065,860	\$ 964,811	\$ -
	401,322	332,210	280,804	250,001	259,994	240,960	1,923
	1,083,962	1,212,013	1,078,164	1,018,136	864,736	1,048,847	-
	2,362,121	1,065,485	637,852	607,595	1,826,644	465,732	-
	2,108,922	1,472,821	1,907,046	1,949,825	1,384,231	1,625,893	241
\$	<u>7,173,828</u>	<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>(1,287,539)</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>
\$	18,663	\$ 27,729	\$ 37,987	\$ 41,271	\$ 12,475	\$ 94,090	\$ 7,764
	1,031,277	-	-	-	-	28,458	-
	60,000	64,793	-	63,401	111,469	12,756	-
	-	207,221	6,107	-	-	-	-
	-	-	-	-	(353,613)	(248,533)	-
	50,000	-	-	-	-	-	-
	(406,136)	(486,907)	(563,299)	(312,680)	(313,209)	(362,357)	-
\$	<u>753,804</u>	<u>\$ (187,164)</u>	<u>\$ (519,205)</u>	<u>\$ (208,008)</u>	<u>\$ (542,878)</u>	<u>\$ (475,586)</u>	<u>\$ 7,764</u>
\$	(533,735)	\$ 1,767,800	\$ 751,323	\$ 473,560	(330,026)	798,162	\$ 5,600
	-	-	-	-	-	95,607	279,422
\$	<u>(533,735)</u>	<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

Fiscal Year	Tipping Fees	Recycling	Penalties & Interest	Other	Total
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
2017	6,699,464	55,682	18,483	48,508	6,822,137

The Authority commenced operations on June 20, 2008.

Expenses by Type  
Last Ten 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
2017	1,247,160	411,900	1,331,923	1,529,617	1,730,949	6,251,549

The Authority commenced operations on June 20, 2008.

REGION 2000 SERVICES AUTHORITY

Outstanding Debt by Type  
Last Ten Fiscal Years

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenue bonds	\$ 13,800,000	\$ 15,305,000	\$ 17,072,000
Net OPEB obligation	329,028	290,140	250,181
Compensated absences	82,539	97,479	95,161
Landfill closure and postclosure care costs	<u>10,379,015</u>	<u>9,190,104</u>	<u>10,107,590</u>
Total outstanding obligation	<u>\$ 24,590,582</u>	<u>\$ 24,882,723</u>	<u>\$ 27,524,932</u>

The Authority commenced operations on June 20, 2008.

Table 5

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<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 9,767,000	\$ 10,000,000	\$ 14,120,000	\$ 16,130,000	\$ 8,075,000	\$ 10,000,000	\$ 10,000,000
202,669	146,792	109,445	72,824	36,047	-	-
95,453	89,585	78,079	71,854	66,124	62,901	-
<u>12,317,808</u>	<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>\$ 22,382,930</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>

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## **Compliance**

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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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, 2017, 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 November 30, 2017.

### 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  
November 30, 2017