COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017



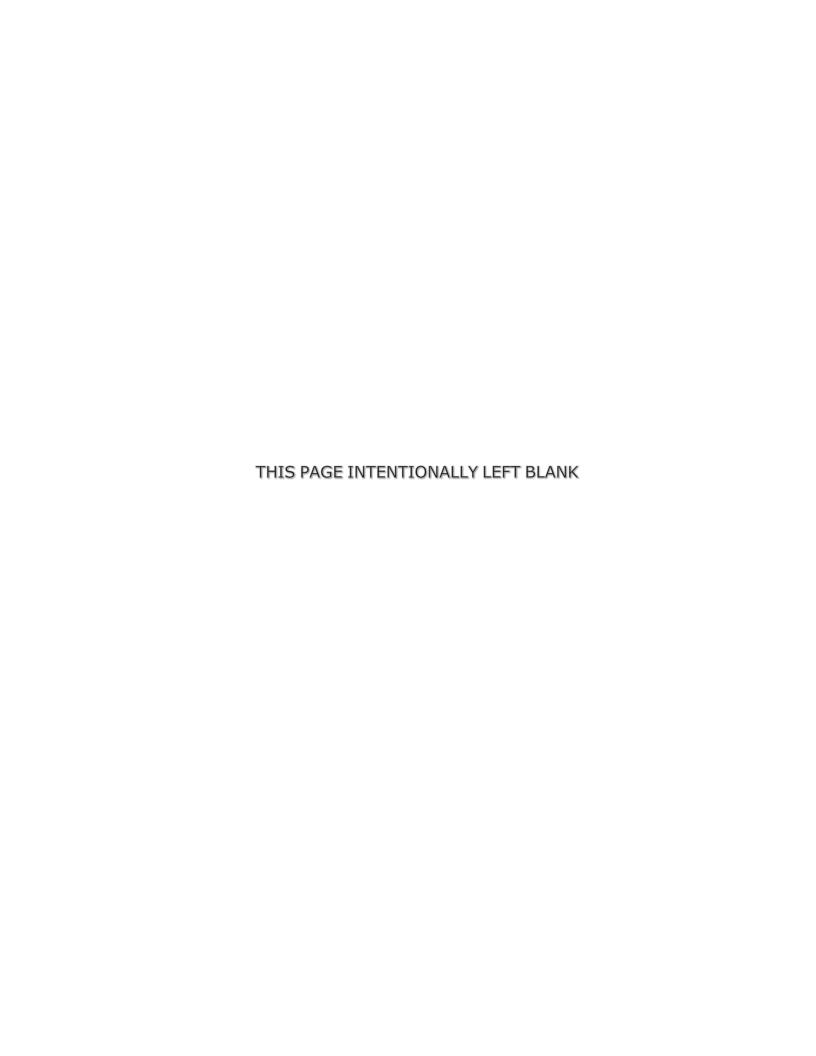
Central Virginia Waste Management Authority



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Introductory Section





2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227 .

804/359-8413 . Fax 804/359-8421 . www.cvwma.com

September 8, 2017

Board of Directors Central Virginia Waste Management Authority Richmond, Virginia

Members of the Board:

The Comprehensive Annual Financial Report ("CAFR") of the Central Virginia Waste Management Authority ("Authority" or "CVWMA") for the year ended June 30, 2017 is submitted herewith. This report was prepared by the Accounting and Financial Manager and the Executive Director. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the undersigned management of the Authority. The financial statements have been audited by the independent accounting firm of Brown, Edwards & Company L.L.P., whose report is included herein. The CAFR has been prepared in accordance with accounting principles generally accepted in the United States of America for governmental accounting and reporting as promulgated by the Governmental Accounting Standards Board.

We believe that the data, as presented, is accurate in all material respects; that it is presented in a manner designed to present fairly the financial position and results of operation of the various funds; and that all disclosures necessary to enable the reader to gain an understanding of the Authority's financial activity have been included.

The CAFR is presented in four sections: Introductory, Financial, Statistical and Compliance. The **Introductory** Section contains this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, a listing of Authority Board members and administrative staff and the Authority's organizational chart. The **Financial** Section contains the independent auditors' report, management's discussion and analysis, and the financial statements and related notes. The **Statistical** Section includes a number of statistical tables and charts that present financial trends and the fiscal capacity of the Authority. The **Compliance** Section contains the *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.*

A brief history of the Authority, its financial operations and selected accomplishments are presented below. In addition, Management's Discussion and Analysis precedes the basic financial statements.

ORGANIZATION AND FUNCTION

The Authority was created in December 1990 under the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, Code of Virginia of 1950 as amended) to assist member localities with solid waste planning, satisfying Virginia's recycling requirement and other waste management and recycling initiatives.



The Authority serves thirteen member local governments: the Cities of Colonial Heights, Hopewell, Petersburg and Richmond; the Town of Ashland; and the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George. A Board of Directors consisting of one or more representatives appointed by each of the member jurisdictions governs the operations of the CVWMA. The Authority is a primary government with no component units and each member government has a financial interest and responsibility to the Authority.

ECONOMIC CONDITION AND OUTLOOK

According to key economic indicators such as gross domestic product, the economic outlook for the United States is healthy and positive. The U.S. economy expanded 3% in the second quarter of 2017, exceeding market expectations. Increases in personal consumption and consumer spending contributed to the significant growth. Gross domestic product is expected to continue to grow at an average rate of 2% over the next year. National unemployment continues to decline and is reported at 4.4% the lowest rate in 10 years. The unemployment rate in the Commonwealth (4.2%) and in the central Virginia region (4.0%) continue to remain below the national average.

Over 1.4 million jobs have been created in the first 8 months of 2017, compared to 1.5 million in the same period 2016. Although strong and steady job growth and low unemployment, wage increases are stagnant at 2.5%. Seemingly, the economy has nearly recovered from the recession, however employers are struggling to find a qualified work force to fill positions and many who had been unemployed continue working less hours than before and have not found their way back to the higher paying full-time jobs.

As the economy continues to grow at a stable rate, so does the waste management and recycling industries. During the recession, many businesses suffered and the waste management industry was not immune. The central Virginia region is rich in landfill capacity and during the recession, the demand for waste resulted in very favorable disposal contracts and reduced tipping fees. As the economy improves, the cost for disposal has increased. On the flip side, the markets for recyclable materials have also grown to include more commodities as well as increased revenue from the sale of various commodities, incentivizing more diversion and recycling. Recycling markets are strong, particularly cardboard, mixed paper and metals and during times of strong markets, localities enjoy the benefits of sharing in the revenue from the sale of recyclable material as negotiated through CVWMA contracts.

Technology and innovation have emerged from the recessionary period to include more sophisticated and efficient sorting equipment at material recovery facilities. This has allowed the recycling of additional commodities in addition to enhanced sorting capabilities to ensure quality commodities are available for market. China is now scrutinizing more closely than ever the bales of recyclable material it imports and is rejecting contaminated loads that were once accepted. Hence the quality of material processed through single stream recycling facilities has become extremely important to the industry.

MAJOR INITIATIVES

The Authority Board is well on its way to implementation of its strategic plan developed and approved a year ago. The strategic plan outlines direction and priorities of the CVWMA over four fiscal periods 2017-2020. The strategic plan established a mission of "fostering regional collaboration to provide planning, resources and education in order to reduce, reuse, recycle and manage solid waste for our 13 jurisdictions" with an overall vision of "being the recognized leader in regionally sustainable waste management practices that protect the environment."

Through the direction of the Plan, the CVWMA has increased recycling, a high priority goal, by adding new commodities to the residential and drop-off recycling programs and continuing to explore other waste diversion opportunities. The public has demanded recycling of plastics other than #1 PET and #2 HDPE bottles for a long time and the perfect storm came to fruition in July 2016. The Authority successfully negotiated with our recycling processors the acceptance of not only #3-#7 plastic containers, but also cartons. In the first 12 months, more than 100 tons of additional plastics and cartons have been recycled, a great start!

The Authority continues to explore more opportunities to divert waste from landfills while balancing economics and environmental stewardship. For instance, this year CVWMA piloted a latex paint recycling program and the first event collected 1 ton of latex paint. Further CVWMA is working on strengthening contracts with the private sector to ensure the proper handling, disposal and recycling of material collected through our programs. With increased environmental regulations such as stormwater and others that particularly impact the Chesapeake Bay watershed, it is even more important to ensure that our contracts require strict compliance and adherence to laws, regulations and environmental standards developed by the industry.

The Authority works closely with the private sector to provide cost effective regional programs that meet the needs of individual localities and their citizens. We recognize that "one size doesn't always fit all" thus provide a menu of services for localities to pick and choose from depending on their individual needs. Many CVWMA programs are no-cost programs or provide revenue from the sale of the various recyclables. The Authority returned over \$1.65 million back to localities in rebates on the sale of recyclable material in 2017, a 26% increase over the previous year. Through negotiation opportunities, the Authority continues to provide added value to our member localities through cost savings and program enhancements.

FINANCIAL CONTROLS

Internal Controls: The accounting system of the Authority is dependent upon a strong system of internal accounting controls to ensure that financial information generated is both accurate and reliable. The Authority's internal controls are designed to ensure that the assets of the Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments made by management.

All internal control evaluations occur within the above framework. We believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls: The Authority maintains budgetary controls to ensure compliance with the annual appropriated budget approved by the Authority's Board of Directors. Budgets are prepared by program and the Authority maintains monthly budgetary control by presenting budget to actual financial reports to management and the Board of Directors.

INDEPENDENT AUDIT

State statute requires an annual audit by independent certified public accountants. The public accounting firm of Brown, Edwards & Company, L.L.P. was selected by the Authority's Audit Committee to perform the audit for the fiscal year ended June 30, 2017. The independent auditors' report on the financial statements is included in the financial section of this report.

AWARDS AND ACHIEVEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Central Virginia Waste Management Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the twentieth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

Through proper financial planning and management, the Authority continues to maintain its sound financial position. The timely preparation of this Comprehensive Annual Financial Report could not have been accomplished without the dedicated services of the entire staff of the Authority. We would like to express our sincere gratitude to the Board of Directors and the staff whose continuing support is vital to the financial stability of the Authority.

Respectfully submitted.

Kimberlyldhynes

Kimberly A. Hynes Executive Director

Teresa L. Eckhout CPA Accounting and Financial Manager

Jerosa Falhout



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Central Virginia Waste Management Authority

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

2016-2017 Board of Directors

J. Allen Lane, County of Henrico

Chair

Marcia R. Phillips, County of Chesterfield Vice Chair

Vacant **Secretary**

Mark Kukoski, City of Richmond **Treasurer**

Edward Watson, City of Hopewell **Director**

Lee Sloppy, Town of Ashland Zach Trodgon, County of Charles City Robert L. Dunn, County of Chesterfield Scott Zaremba, County of Chesterfield Doug Smith City of Colonial Heights Leigh Dunn, County of Goochland Scott A. Wyatt, County of Hanover Stephen E. Chidsey, County of Hanover Marcia E. Kelley, County of Henrico Robert Whiteman, County of Henrico Patricia A. Paige, County of New Kent Daniel Harrison, City of Petersburg Elliot Danburg, County of Powhatan G. Poulson, County of Prince George David McNeel, City of Richmond

Administrative Staff

Kimberly A. Hynes, Executive Director

Terry Eckhout CPA, Accounting and Financial Manager
Richard M. Nolan, Director of Operations

Nancy W. Drumheller, Public Information Coordinator
Reginald D. Thompson, Operations Technician

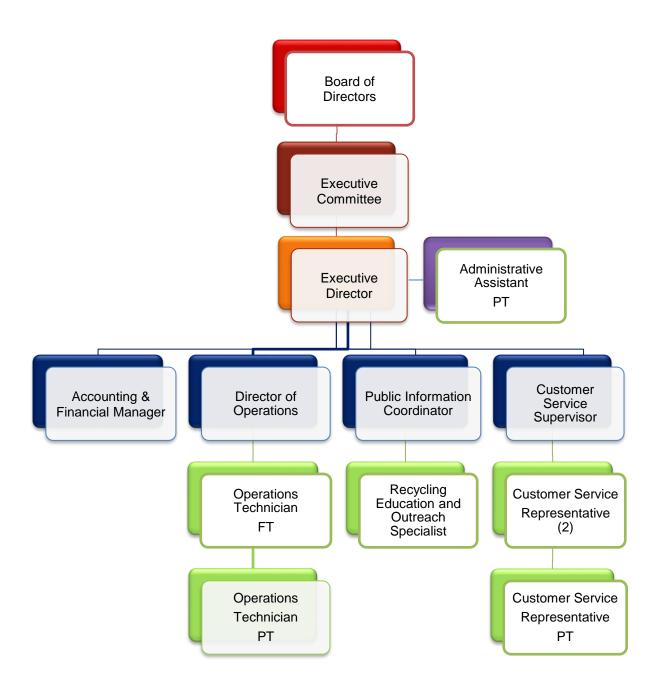
Denise Ritchie, Recycling Education and Outreach Specialist
Stephanie N. Breaker, Customer Service Supervisor
Angela Burley, Customer Service Representative

Myiesha Garner, Customer Service Representative

Mariette Robinson, Customer Service Representative, part-time
Erica Long, Administrative Assistant, part-time
Charles R. Howe, Operations Technician, part-time

CVWMA General Counsel James Snyder McCandlish Holton Morris PC





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Financial Section

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Board of Directors Central Virginia Waste Management Authority Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Central Virginia Waste Management Authority (the "Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Authority, as of June 30, 2017, and the respective 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 required supplementary information as listed in the table of contents 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section, as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Report on Summarized Comparative Information

We have previously audited the Authority's 2016 financial statements, and our report dated September 13, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

Brown, Edwards & Company, S. L. P.

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia September 8, 2017

Management's Discussion And Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion provides an overview of the financial activities of the Central Virginia Waste Management Authority ("Authority" or "CVWMA") for the fiscal year ended June 30, 2017. This information should be read in conjunction with the letter of transmittal and the financial statements.

Financial Highlights

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by \$753,367 at the close of the 2017 fiscal year. Total net position increased by \$64,448. Operating revenues increased by 7.8% or \$1,141,166 to \$15,809,592. Operating expenses increased 7.8% or \$1,136,858. Non-operating revenues increased by 3.6% to \$47,282. Effective procurement and negotiation of contracts with the private sector, has resulted in more member jurisdictions taking advantage of Authority programs' significant savings and resulting revenues from recycling markets. The Authority realized an increase in revenue from the sale of recyclables of over \$380,000 in 2017 compared to 2016, doubling the net revenue retained by CVWMA in 2017.

Overview of the Financial Statements

The Statement of Net Position presents information on all the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful measure of the Authority's financial health or position. The current fiscal year revenues and expenses of the Authority are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. The Statements of Cash Flows provide information on the Authority's cash receipts, payments, and net changes in cash. They also provide insight on the source, use and change in cash for the reporting period. Notes to the financial statements provide additional information that is essential to understanding data in the financial statements.

The Authority reports its operations as enterprise funds and uses proprietary fund accounting. Accordingly, the operations of the Authority are recorded on the accrual basis of accounting. Under this method, revenues from member jurisdictions for services provided and revenues from other entities are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

Financial Analysis of CVWMA's Financial Position and Results of Operations

The tables presented herein provide a summary of the CVWMA's financial position and operations for FY 2017 and FY 2016.

Condensed Statements of Net Position at June 30,

					Cha	nge
		2017		2016	Amount	%
Assets:						
Current	\$	4,702,040	\$	4,485,127	\$ 216,913	4.84%
Capital assets, net		69,658		49,470	20,188	40.81%
Total assets		4,771,698		4,534,597	237,101	5.23%
Deferred Outflows of Resources		64,749		44,571	20,178	45.27%
Liabilities						
Current		3,973,153		3,786,699	186,454	4.92%
Long Term		79,556		50,169	29,387	58.58%
Total liabilities		4,052,709		3,836,868	215,841	5.63%
Deferred Inflows of Resources		30,371		53,381	(23,010)	-43.11%
Net position:						
Net investment in capital assets		69,658		49,470	20,188	40.81%
Unrestricted		683,709		639,449	44,260	6.92%
Total net position	\$	753,367	\$	688,919	\$ 64,448	9.36%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position increased by \$64,448 in Fiscal Year 2017. The majority of the change in net position resulted from the increase in net revenue retained by the Authority from the sale of recyclable material in the Drop-Off Recycling Program. The CVWMA realized net revenue of \$73,486 from the sale of cardboard, paper, cans and bottles, \$39,700 more than anticipated. In addition, the Authority picked up an additional \$16,000 based on the pension actuarial valuation and the return on assets. Approximately 92% of total revenues are passed through to member localities based on their participation in various programs. Net Position represents 4.9% of total budget, thus the Authority continues to remain in a strong financial position.

Condensed Statements of Revenues, Expenses and Changes in Net Position For the years ended June 30,

	·			,		Change	
		<u>2017</u>		<u>2016</u>	;	<u>Amount</u>	<u>%</u>
Operating revenues:							
Local government assessments	\$	552,522	\$	548,282	\$	4,240	0.8%
Recycling		8,140,823		7,976,957		163,866	2.1%
Refuse and solid waste		4,583,544	4	4,245,042		338,502	8.0%
Composting and yard waste		545,261		306,797		238,464	77.7%
Other project revenue and fees		260,544		247,500		13,044	5.3%
Material sales rebate		1,726,898		1,343,848		383,050	28.5%
Total operating revenues	1	5,809,592	14	4,668,426		1,141,166	7.8%
Operating expenses:							
Administrative/operating		300,345		258,964		41,381	16.0%
Salaries and benefits		720,328		688,984		31,344	4.5%
Professional service fees		61,356		80,241		(18,885)	-23.5%
Depreciation		15,961		12,186		3,775	31.0%
Program contractual services	1:	3,041,006	1:	2,307,502		733,504	6.0%
Material sales rebate		1,653,430		1,307,691		345,739	26.4%
Total operating expenses	1	5,792,426	14	4,655,568		1,136,858	7.8%
Operating income (loss)		17,166		12,858		4,308	33.5%
Non-operating revenues:							
Grants and sponsorships		10,000		24,500		(14,500)	-59.2%
Miscellaneous Income		7,829		-		7,829	0.0%
Interest income		29,453		21,120		8,333	39.5%
Non-operating revenues		47,282		45,620		1,662	3.6%
Change in net position		64,448		58,478		5,970	10.2%
Beginning net position		688,919		630,441		58,478	9.3%
Ending net position	\$	753,367	\$	688,919	\$	64,448	9.4%

MANAGEMENT'S DISCUSSION AND ANALYSIS

As mentioned above, the change in net position is largely due to the increase from the sale of recyclable material. Demand for various commodities such as paper and metal, particularly overseas markets, has resulted in significant increases in market prices. CVWMA also negotiated a greater revenue share for material received through Drop Off Recycling Program effective in July 2016 and added additional commodities accepted for recycling in the Residential and Drop-off Recycling Programs. In addition, the Authority has seen an uptick in investment income and recycling cart purchases, received funds for the sale of two vehicles, and realized savings from a vacancy in a staff position in 2017.

Economic Factors and the FY 2017 Budget

As the economy begins to stabilize and emerge out of recession, CVWMA and member localities are stronger and more resilient. Member localities continue to enjoy and benefit from the regional approach to solid waste and recycling. The Authority continues to develop programs and negotiate contracts that balance economic factors and environmental stewardship. Regional contracting has proven valuable to localities and CVWMA continues to do what it does best in negotiating cost effective contracts that best fit the needs of the diverse communities we serve. The Authority has weathered the storm and has a track record of proven financial stability.

Recycling markets for commodities such as cardboard, mixed paper and metals are stronger than they have been in several years. Oil prices have been steady and while we enjoy reduced prices at the pump, revenue from our oil recycling program has declined in recent years. CVWMA has a long term contract which provides for a floor price for oil, and because of this contract we are able to provide jurisdictions some rebate for oil where most are not receiving any revenue. The Authority negotiated a renewal of the drop-off processing contract which is yielding a higher revenue share per ton on mixed paper and now a rebate is also received on the commingled cans, bottles and containers increasing revenue for CVWMA and localities. Improving markets coupled with the renewal negotiation and adding other plastics and cartons to the program, has afforded the Authority and thus participating jurisdictions more rebate offsetting operational costs. The Authority provided over \$1.6 million back to localities from the sale of recyclable material in 2017, an increase of 26% over the previous year.

About 92% of the Authority's \$15 million budget is pass through to localities depending on their participation in CVWMA programs. Cost to localities for various programs has decreased since 2010, however our budget has increased as a result of more jurisdictions participating in various Authority programs. The rebate generated from the sale of recyclable material and provided back to localities has more than doubled in a three year period. The CVWMA has provided over \$7 million back to participating localities over the last 10 years. The Authority retains 25% of the revenue received from the sale of recyclables in the Drop Off Recycling Fund to maintain its financial health and has successfully avoided raising assessments to member localities.

Contacting CVWMA's Financial Management

This financial analysis is designed to provide a general overview of CVWMA's finances to all interested parties. If you have questions about this report, or need additional financial information, contact the CVWMA's Executive Director at Central Virginia Waste Management Authority, 2100 W. Laburnum Avenue; Suite 105, Richmond, Virginia 23227 or by telephone at 804-359-8413.

STATEMENT OF NET POSITION JUNE 30, 2017 With Comparative Totals at June 30, 2016

	General Operating <u>Fund</u>	Residential <u>Recycling</u>	Drop-Off <u>Recycling</u>	Municipal Solid <u>Waste</u>	Waste Transfer & <u>Disposal</u>	Special <u>Wastes</u>	Total <u>2017</u>	<u>2016</u>
Assets: Cash and cash equivalents Accounts receivable Prepaid expenses	\$ 489,139 523,115 7,411	\$ 1,006,777 960,799 6,531	\$ 197,480 96,325 220	\$ 321,823 446,344 1,093	\$ 159,029 273,663	\$ 103,245 109,046	\$ 2,277,493 2,409,292 15,255	\$ 2,014,008 2,448,996 22,123
Total current assets	1,019,665	1,974,107	294,025	769,260	432,692	212,291	4,702,040	4,485,127
Capital Assets: Furniture, fixtures &								
equipment Computer equipment Vehicles	35,174 26,445 46,706	15,289 52,718	-	7,263 5,000	-	-	57,726 84,163 46,706	58,477 77,371 59,336
Leasehold improvements	9,061 117,386	68,007	<u>-</u>	12,263	- 	- -	9,061 197,656	9,061 204,245
Accumulated depreciation	(72,099)	(45,720)	-	(10,179)	<u> </u>	<u> </u>	(127,998)	(154,775)
Capital assets, net	45,287	22,287		2,084			69,658	49,470
Total assets	1,064,952	1,996,394	294,025	771,344	432,692	212,291	4,771,698	4,534,597
Deferred Outflows of Resources: Pension related deferred outflows	41,724	20,631	583	1,811	-	-	64,749	44,571
Total deferred outflows of resources	41,724	20,631	583	1,811			64,749	44,571
Liabilities:								
Accounts payable Other accrued liabilities Unearned revenues	193,541 29,032 558,825	1,073,400 27,696 586,004	100,035	507,378 5 248,926	343,343 - 110,720	161,739 31,809 700	2,379,436 88,542 1,505,175	2,200,691 127,164 1,458,844
Total current liabilities	781,398	1,687,100	100,035	756,309	454,063	194,248	3,973,153	3,786,699
Long-term Liabilities: Other post employment								
benefits liability	11,538	9,602	308	981	-	-	22,429	20,100
Net pension liability Total long-term liabilities	36,812 48,350	18,203 27,805	514 822	1,598 2,579			57,127 79,556	30,069 50,169
Deferred Inflows of Resources:								<u> </u>
Pension related deferred inflows	19,571	9,677	274	849			30,371	53,381
Total deferred inflows of resources	19,571	9,677	274	849			30,371	53,381
Net Position (Deficit)								
Net investment in capital assets	45,287	22,287	-	2,084	-	-	69,658	49,470
Unrestricted	212,070	270,156	193,477	11,334	(21,371)	18,043	683,709	639,449
Total net position (deficit)	\$ 257,357	\$ 292,443	\$ 193,477	\$ 13,418	\$ (21,371)	\$ 18,043	\$ 753,367	\$ 688,919

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	General Operating <u>Fund</u>	Residential <u>Recycling</u>	Drop- Off <u>Recycling</u>	Municipal Solid <u>Waste</u>	Waste Transfer & <u>Disposal</u>	Special <u>Wastes</u>	Total <u>2017</u>	<u>2016</u>
Operating revenues:								
Local government								
assessments	\$ 552,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 552,522	\$ 548,282
Recycling	-	7,593,952	546,871	-	-	-	8,140,823	7,976,957
Refuse and solid waste	-	-	-	3,008,162	1,575,382	-	4,583,544	4,245,042
Composting and yard waste	-	-	-	-	-	545,261	545,261	306,797
Other project revenues	-	-	-	-	-	260,544	260,544	247,500
Material sales rebates		798,616	455,366			472,916	1,726,898	1,343,848
Total operating revenues	552,522	8,392,568	1,002,237	3,008,162	1,575,382	1,278,721	15,809,592	14,668,426
Operating expenses:								
Administrative/operating	64,890	207,258	22,483	5,714	-	-	300,345	258,964
Salaries and benefits	462,031	232,273	6,128	19,896	-	-	720,328	688,984
Professional service fees	28,409	26,757	805	5,385	-	-	61,356	80,241
Depreciation	7,585	7,376	-	1,000	-	-	15,961	12,186
Project contractual services	-	7,153,448	546,871	2,959,710	1,575,172	805,805	13,041,006	12,307,502
Material sales rebate		798,634	381,880			472,916	1,653,430	1,307,691
Total operating expenses	562,915	8,425,746	958,167	2,991,705	1,575,172	1,278,721	15,792,426	14,655,568
Operating income (loss)	(10,393)	(33,178)	44,070	16,457	210		17,166	12,858
Non-operating revenues:								
Grants and sponsorships	-	10,000	-	-	-	-	10,000	24,500
Interest income	18,037	8,072	-	3,344	-	-	29,453	21,120
Miscellaneous/Other	7,829						7,829	
Total non-operating revenues	25,866	18,072		3,344			47,282	45,620
Change in Net Position	15,473	(15,106)	44,070	19,801	210	-	64,448	58,478
Net position (deficit) -								
beginning of year	241,884	307,549	149,407	(6,383)	(21,581)	18,043	688,919	630,441
Net position (deficit) -								
end of year	\$ 257,357	\$ 292,443	\$ 193,477	\$ 13,418	\$ (21,371)	\$ 18,043	\$ 753,367	\$ 688,919

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2017 With Comparative Totals for the Year Ended June 30, 2016

	General Operating <u>Fund</u>		Residential Recycling		Drop- Off <u>Recycling</u>		Municipal Solid <u>Waste</u>		Waste Transfer & Disposal	Special <u>Wastes</u>		2017		2016
Cash Flows From Operating Activities														
Receipts from local governments	\$ 549,049	\$	7,427,507	\$	577,228	\$	3,229,140	\$	1,538,759	\$	827,298	\$	14,148,981	\$ 13,322,795
Receipts from the sale of recyclables	-		-		73,486		-		-		-		73,486	379,842
Payments to contractors	-		(7,136,129)		(546,627)		(2,977,535)		(1,577,097)		(794,475)		(13,031,863)	(12,432,651)
(Payments to) refunds from suppliers	80,324		(230,847)		(23,239)		(10,932)		-		-		(184,694)	(341,457)
Payments to employees	(479,370)		(246,876)		(6,396)		(20,918)						(753,560)	 (727,182)
Net cash provided by (used in) operating activities	150,003		(186,345)		74,452		219,755		(38,338)		32,823		252,350	201,347
Cash Flows From Noncapital Financing Activities:														
Grants, sponsorships, and miscellaneous			10,000										10,000	 24,500
Net cash provided by noncapital financing activities	-		10,000		-		-		-		-		10,000	24,500
Cash Flows From Capital and Related														
Financing Activities:														
Proceeds from the sale of capital assets	7,829		-		-		-		-		-		7,829	-
Acquisitions of capital assets	(26,835)	<u> </u>	(9,312)										(36,147)	 <u>-</u>
Net cash provided by (used in) capital financing activities	(19,006)	<u> </u>	(9,312)		-		<u>-</u>		<u>-</u>		-		(28,318)	 <u>-</u>
Cash Flows From Investing Activities: Interest received	18,037		8,072		<u> </u>		3,344		<u> </u>				29,453	 21,120
Net Increase (Decrease) in cash and cash equivalents	149,034		(177,585)		74,452		223,099		(38,338)		32,823		263,485	246,967
Cash and cash equivalents at June 30, 2016	340,105		1,184,362		123,028		98,724		197,367		70,422		2,014,008	 1,767,041
Cash and cash equivalents at June 30, 2017	\$ 489,139	\$	1,006,777	\$	197,480	\$	321,823	\$	159,029	\$	103,245	\$	2,277,493	\$ 2,014,008

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2017 With Comparative Totals for the Year Ended June 30, 2016

	Genera Operatii <u>Fund</u>		esidential Pecycling		Drop- Off ecycling	N	lunicipal Solid <u>Waste</u>	Waste ransfer & Disposal		Special Vastes	2017	<u>2016</u>
Net operating income (loss)	\$ (1	0,393)	\$ (33,178)	\$	44,070	\$	16,457	\$ 210	\$	-	\$ 17,166	\$ 12,858
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:												
Depreciation		7,585	7,376		-		1,000	-		-	15,961	12,187
Pension expense net of employer contributions	(3,879)	(6,575)		(121)		(555)			-	(16,130)	(43,539)
(Increase)/decrease in Assets:												
Accounts receivable - local governments	(1	9,776)	(170,601)		30,357		204,852	(36,623)		21,493	39,702	(99,033)
Prepaid expenses		3,484	3,168		49		167	-		-	6,868	(947)
Increase/(decrease) in Liabilities:												
Accounts payable	17	0,139	17,337		244		(17,825)	(20,971)		29,821	178,745	182,099
Unearned revenue		5,303	4,156		-		16,126	19,046		700	46,331	107,380
Other accrued liabilities	(9,658)	(9,025)		(179)		(569)	-		(19,191)	(38,622)	30,342
Other post employment benefits		1,198	 997	_	32		102	 	_		 2,329	
Net cash provided by (used in) operating activities	\$ 15	0,003	\$ (186,345)	\$	74,452	\$	219,755	\$ (38,338)	\$	32,823	\$ 252,350	\$ 201,347

Notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Virginia Waste Management Authority ("Authority") was created in December 1990 under the Virginia Waste and Waste Authorities Act (Chapter 51, Title 15.2, Code of Virginia of 1950 as amended). The Authority's purpose is to plan, acquire, construct, reconstruct, improve, extend, operate, contract for and maintain any garbage and refuse collection, transfer and disposal program or system, including waste reduction, waste material recovery, recycling as mandated by law or otherwise, resource recovery, waste incineration, landfill operation, ash management, sludge disposal from water and wastewater treatment facilities, household hazardous waste management and disposal and similar programs or systems, within one or more of the political subdivisions which are members of the Authority.

- **A.** Reporting Entity The Authority is a primary government with no component units. The members of the Authority are the Cities of Colonial Heights, Hopewell, Petersburg and Richmond; the Town of Ashland; and the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George. The Authority is governed by a Board of Directors consisting of one or more representatives appointed by each of the member cities, town and counties. The Authority is a jointly governed organization of the thirteen member jurisdictions listed herein, however it is not a component unit of any of the participating governments. The participating governments do have a financial interest in and responsibility to the Authority.
- **B. Basis of Presentation –** The Authority administers six enterprise funds: the General Operating Fund, the Residential Recycling, the Drop-Off Recycling, the Municipal Solid Waste, the Waste Transfer and Disposal, and Special Wastes Funds are considered major funds.
- **C.** Basis of Accounting The accounting records for the Authority are maintained on the accrual basis with revenue recorded when earned and expenses recorded when incurred. The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB) for enterprise funds of governmental units.
- **D. Estimates -** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.E.
- **E. Cash and Cash Equivalents -** Cash and cash equivalents are defined as being cash and short-term interest bearing investments consisting of certificates of deposit, repurchase agreements and other income producing securities. These investments are readily convertible to cash and are stated at cost, which approximates fair value.
- **F. Receivables -** All revenue and receivables are recognized when earned. Receivables consist of amounts due from the participating governments for services performed for residents. Each government is liable for the actual cost of service based on operating assessments outlined in the Articles of Incorporation and contractual arrangements; therefore, there is no allowance for doubtful accounts.

G. Capital Assets - Capital assets are stated at historical cost. The capitalization threshold for capital assets is \$2,000. Expenses for repairs and upgrading which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are charged to expense as incurred.

Depreciation is charged as an expense using the straight-line method over the assets' estimated useful lives as follows:

Furniture, fixtures and equipment 5-7 years
Computer equipment 2-3 years
Vehicles 7 years
Leasehold improvements 6 years

- **H. Compensated Absences -** Authority employees, in the event of termination, are reimbursed for accumulated annual leave in full, and for sick leave in the amount of one third (1/3) of sick leave accumulated up to \$3,500. Vested annual and sick leave balances are reflected in the accompanying financial statements as a current liability.
- **I.** Pensions For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- J. Deferred Inflows of Resources, Unearned Revenues and Deferred Outflows of Resources- In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting under this category which represents differences between projected and actual experience in the pension plan. The second item is the net difference between projected and actual earnings on pension plan investments. These differences will be recognized in pension expense over a closed five year period.

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two types of items that qualify for reporting in this category. The first consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The second item is the net difference between projected and actual earnings on pension plan investments which will be recognized in pension expense over a closed five year period.

K. Net Position - Net position comprises the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated

depreciation, reduced by any outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net position not included in the above categories. The Authority did not have any restricted net position at June 30, 2017 or 2016, nor is there any debt associated with capital assets.

- **L. Risk Management -** The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance for all risks of loss including general liability, employee health and accident, workers' compensation, automobile and public officials' liability insurance. Any settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.
- **M. Revenue Classification -** Revenues from recycling and solid waste collection, local government assessments and other program revenues are reported as operating revenues. All other revenues including certain grants, contributions and interest income are reported as non-operating revenues.
- **N. Unearned Revenues -** In connection with certain contracts, the Authority bills for services and receives cash in advance. These amounts are recorded as unearned revenue until earned by the Authority.
- **O. Summarized Comparative Information for 2016 -** The financial information for the year ended June 30, 2016, presented for comparative purposes, is not intended to be a complete financial statement presentation because only the total of all funds has been reflected.

II. DEPOSITS AND INVESTMENTS

<u>Deposits</u>. 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.

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

At year end, the Authority's deposits and investments were as follows:

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	<u>Fair Value</u>	Fair Value
Local Government Investment Pool	\$ 555,348	\$ 52,849
Commercial Paper	993,816	660,470
Cash in Bank	728,229	1,300,589
Cash on Hand	100	100
Total Deposits and Investments	<u>\$ 2,277,493</u>	2,014,008

Interest Rate Risk. Investment maturity is managed to precede or coincide with expected need of funds to help limit exposure to fair value losses arising from rising interest rates. As of June 30, 2017, the Authority's investments were in the Local Government Investment Pool (LGIP), single Commercial Paper, issued by Natixis NY, maturing December 2017.

The Commercial Instrument is reported at cost. The LGIP is a short-term investment pool offered through the State Treasurer to public entities of the Commonwealth (a "2a7-like pool") providing daily liquidity and is reported at amortized cost. There are no limitations or restrictions on participant withdrawals.

<u>Credit Risk.</u> Policy, consistent with state statute, requires commercial paper, including banker's acceptances, to have a short-term debt rating of no less than "P-1" from Moody's Investors Service, and "A-1" from Standard & Poor's (S&P). Corporate notes and bonds must have a rating of at least "AA" by S&P or "Aa" by Moody's. The Authority's commercial paper instrument, issued by Credit Naxtixis Corp, is rated "A-1" by S&P and "P-1" by Moody's. This rating meets the minimum financial ratings required by state statute. Maturity is an interest rate risk, not a credit risk. The investments in the LGIP are rated AAA by Standard's & Poor's.

<u>Concentration of Credit Risk.</u> The Code of Virginia and the Authority's investment policy places no limit on the amount the Authority may invest in any one issuer. However, the policy establishes limitations on portfolio composition, both by investment type and by issuer, in order to control concentration of credit risk. At June 30, 2017, the Authority's investment portfolio consisted of the following:

<u>Issuer</u>	 <u>Amount</u>	<u>% of</u> <u>Portfolio</u>
Local Government Investment Pool (LGIP) Natixis NY	\$ 555,348 993,816	35.85% 64.15%
	\$ 1,549,164	

III. CAPITAL ASSETS

A summary of changes in capital assets follows:

Formitains findings	Balance June 30, <u>2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2017</u>
Furniture, fixtures & equipment Computer equipment Vehicles Leasehold	\$ 60,342 183,656 39,466	\$ - - 19,870	(1,865) (106,285) -	\$ 58,477 77,371 59,336	\$ - 9,312 26,836	(751) (2,520) (39,466 <u>)</u>	\$ 57,726 84,163 46,706
improvements Total capital assets	<u>9,061</u> 292,525	19,870	(108,150)	9,061 204,245	36,148	(42,737)	<u>9,061</u> 197,656
Accumulated depreciation: Furniture, fixtures							
& equipment Computer equipment Vehicles	60,342 141,870 39,466	- 12,186 -	(1,865) (106,285) -	58,477 47,771 39,466	10,376 5,585	(752) (2,520) (39,466)	57,725 55,627 5,585
Leasehold improvements	9,061			9,061			9,061
Total accumulated Depreciation Capital assets, net	250,739 \$ 41,786	12,186 \$ 7,683	(108,150) \$ -	154,775 \$ 49,470	15,961 \$ 20,187	\$ <u>(42,738)</u>	127,998 \$ 69,658

IV. LEASES

The Authority has noncancelable operating leases for the rental of a vehicle, office space and equipment. Rental expense for operating leases during 2017 and 2016 was \$77,266 and \$74,170, respectively, and is included in administrative/operating expenses in the Statement of Revenues, Expenses and Changes in Net Position. The lease for office space contains an escalation clause which results in an annual increase of 3% in the rate per square foot.

Future minimum lease payments under noncancelable operating leases at June 30, 2017 are:

2018	\$ 75,91	6
2019	62,45	7
2020	2,93	4
	<u>\$ 141,30</u>	7

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V. DEFINED BENEFIT PENSION PLAN

Plan Description

All full-time, salaried permanent employees of the Authority, (the "Political Subdivision") are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

<u>Plan 1</u> – 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.

- Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- Retirement Contributions Employees contribute 5.00% 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 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- Creditable Service Creditable service includes active service. Members earn
 creditable service for each month they are employed in a covered position. It also
 may include credit for prior service the member has purchased or additional
 creditable service the member was granted. A member's total creditable service is
 one of the factors used to determine their eligibility for retirement and to calculate
 their retirement benefit. It also may count toward eligibility for the health insurance
 credit in retirement, if the employer offers the health insurance credit.

(Continued)

V. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- Vesting Vesting is the minimum length of service a member needs to qualify for a
 future retirement benefit. Members become vested when they have at least five years
 (60 months) of creditable service. Vesting means members are eligible to qualify for
 retirement if they meet the age and service requirements for their plan. Members
 also must be vested to receive a full refund of their member contribution account
 balance if they leave employment and request a refund. Members are always 100%
 vested in the contributions that they make.
- Calculating the Benefit The Basic Benefit is calculated based on a formula using
 the member's average final compensation, a retirement multiplier, and total service
 credit at retirement. It is one of the benefit payout options available to a member at
 retirement. An early retirement reduction factor is applied to the Basic Benefit if the
 member retires with a reduced retirement benefit or selects a benefit payout option
 other than the Basic Benefit.
- Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- Service Retirement Multiplier 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%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. 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.
- Normal Retirement Age Age 65 or age 60 for hazardous duty employees.
 - Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
 - Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
 Age 50 with at least five years of creditable service for hazardous duty employees.
 - Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

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V. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- Cost-of-Living Adjustment (COLA) in Retirement (Continued)
 - Eligibility For members who retire with an unreduced benefit or with a
 reduced benefit with at least 20 years of creditable service, the COLA will
 go into effect on July 1 after one full calendar year from the retirement date.
 For members who retire with a reduced benefit and who have less than 20
 years of creditable service, the COLA will go into effect on July 1 after one
 calendar year following the unreduced retirement eligibility date.
 - Exceptions to COLA Effective Dates The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
 - Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

V. DEFINED BENEFIT PENSION PLAN (Continued)

<u>Plan Description</u> (Continued)

Plan 1 (Continued)

Purchase of Prior Service – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay

<u>Plan 2</u> - 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.

- **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- Retirement Contributions Employees contribute 5.00% 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 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- Creditable Service Same as Plan 1.
- Vesting Same as Plan 1.
- Calculating the Benefit See definition under Plan 1.
- Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- Service Retirement Multiplier Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.

V. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- Normal Retirement Age Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- Earliest Unreduced Retirement Eligibility Normal Social Security retirement age
 with at least five years (60 months) of creditable service or when their age and service
 equal 90. Hazardous duty employees are the same as Plan 1.
- Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- Cost-of-Living Adjustment (COLA) in Retirement (Continued)
 - Eligibility For members who retire with an unreduced benefit or with a
 reduced benefit with at least 20 years of creditable service, the COLA will
 go into effect on July 1 after one full calendar year from the retirement date.
 For members who retire with a reduced benefit and who have less than 20
 years of creditable service, the COLA will go into effect on July 1 after one
 calendar year following the unreduced retirement eligibility date.
 - Exceptions to COLA Effective Dates The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
 - Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

V. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

Plan 2 (Continued)

 Purchase of Prior Service – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

<u>Plan 2</u> - 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.

- Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- Retirement Contributions Employees contribute 5.00% 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 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- Creditable Service Same as Plan 1.
- Vesting Same as Plan 1.
- Calculating the Benefit See definition under Plan 1.
- Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- Service Retirement Multiplier Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- Normal Retirement Age Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.

V. DEFINED BENEFIT PENSION PLAN (Continued)

Plan 2 (Continued)

- Earliest Unreduced Retirement Eligibility Normal Social Security retirement age
 with at least five years (60 months) of creditable service or when their age and service
 equal 90. Hazardous duty employees are the same as Plan 1.
- Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - Eligibility Same as Plan 1.
- Cost-of-Living Adjustment (COLA) in Retirement (Continued)
 - o Exceptions to COLA Effective Dates Same as Plan 1.
- Disability Coverage Same as Plan 1 except that the retirement multiplier is 1.65%.
- Purchase of Prior Service Same as Plan 1.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

V. DEFINED BENEFIT PENSION PLAN (Continued)

<u>Plan Description</u> (Continued)

Hybrid Retirement Plan (Continued)

• Retirement Contributions – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service –

- Defined Benefit Component Under the defined benefit component of the plan, creditable service includes active service. Members earn credible 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 credible service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- Defined Contributions Component Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting –

- Defined Benefit Component Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
- Defined Contributions Component Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

V. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- Calculating the Benefit
 - Defined Benefit Component See definition under Plan 1.
 - Defined Contribution Component The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- Average Final Compensation Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- Normal Retirement Age
 - Defined Benefit Component Same as Plan 2, however, not applicable for hazardous duty employees.
 - Defined Contribution Component Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- Earliest Unreduced Retirement Eligibility
 - Defined Benefit Component Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - Defined Contribution Component Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- Earliest Reduced Retirement Eligibility
 - Defined Benefit Component Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - Defined Contribution Component Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- Cost-of-Living Adjustment (COLA) in Retirement
 - Defined Benefit Component Same as Plan 2.
 - Defined Contribution Component Not Applicable.
 - Eligibility Same as Plan 1 and 2.
 - Exceptions to COLA Effective Dates Same as Plan 1 and 2.

V. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

Disability Coverage – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service –

- Defined Benefit Component Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - The cost for purchasing refunded service is the higher or 4% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
- Defined Contribution Component Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	7
Inactive members: Vested inactive members Non-vested inactive members Inactive members active elsewhere in VRS	3 1 5
Total inactive members	9
Active members	9
Total covered employees	25

V. DEFINED BENEFIT PENSION PLAN (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 4.69% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$26,141 and \$44,571 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

expense, including inflation*

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees - Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment

V. DEFINED BENEFIT PENSION PLAN (Continued)

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

Mortality rates: General employees - 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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:

General Employees - Largest 10 - Non-LEOS and All Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) and increase in rates of withdrawal.

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.

V. DEFINED BENEFIT PENSION PLAN (Continued)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate

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

V. DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability

	Increase (Decrease)					
		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) – (b)
Balances at June 30, 2015	<u>\$</u>	1,484,858	\$	1,454,789	\$	30,069
Changes for the year:						
Service cost		48,783		-		48,783
Interest		101,997		-		101,997
Differences between expected						
and actual experience		(30,702)		-		(30,702)
Contributions – employer		-		41,760		(41,760)
Contributions – employee		-		25,934		(25,934)
Net investment income		-		26,226		(26,226)
Benefit payments, including refunds of employee						
contributions		(55,516)		(55,516)		-
Administrative expenses		-		(889)		889
Other changes				(11)		11
Net changes		64,562		37,504		27,058
Balances at June 30, 2016	\$	1,549,420	\$	1,492,293	\$	57,127

V. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

	1.00% Decrease		ase Discount		1.00% Increase	
		(6.00%)		Rate (7.00%)		(8.00%)
Political subdivision's net pension liability	\$	<u>299,370</u>	\$	<u>57,127</u>	\$	(140,033)

<u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$7,199. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 30,371
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	38,608	
Employer contributions subsequent to the measurement date	26,141	
Total	\$ 64,479	\$ 30,371

V. DEFINED BENEFIT PENSION PLAN (Continued)

The \$26,141 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date and will be recognized as a reduction of the Net Pension Liability in the 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:

Year Ended June 30	Reductio in Pensior <u>Expense</u>	1
2018	\$ (16,31	7)
2019	(10,91	9)
2020	20,27	73
2021	15,20	00
2022	C)
Thereafter	C)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans 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.

Payables to the Pension Plan

At June 30, 2017, approximately \$4,658 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

VI. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Healthcare Benefits

A. Plan description

The Authority administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides postemployment healthcare benefits to retirees of the Authority, under the health plan administered by the Local Choice Health Benefits Program of the Virginia Department of Human Resource Management. Retirees must pay the full cost of health coverage for these benefits. A separate report was not issued for the plan.

VI. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

B. Funding Policy

By Authority resolution, the Authority allows qualified employees to participate in healthcare benefits at the retiree's expense. Local choice charges a blended rate which is 102% of the rate for participants that elect only to cover active employees. The only cost to the Authority is this implicit rate subsidy which does not result in a future outlay of Authority funds.

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 ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for fiscal year 2017, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$	2,764
Adjustments to ARC		(1,382)
Interest on OPEB	_	758
Annual OPEB cost	\$	2,140
Other adjustments made	_	189
Increase in OPEB obligation	\$	2,329
Net OPEB obligation, beginning of year	_	20,100
Net OPEB obligation, end of year	\$	22,429

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last four years was:

Percentage of Annual OPEB

Year Ended	Annual OPEB	Cost	Net OPEB
<u>June 30</u>	<u>Cost</u>	Contributed	<u>Obligation</u>
2017	\$ 2,140	0%	\$22,429
2016	2,575	0%	20,100
2015	2,575	11.65%	20,100
2014	2.379	4.2%	20.100

D. Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves 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 healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented following the notes as required supplementary information, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

VI. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

As of June 30, 2017, the most recent actuarial valuation date, the plan was not funded. The actuarial value of assets was \$ 0 resulting in an unfunded actuarial accrued liability (UAAL) of \$22,429.

E. Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. An inflation rate of 2.5% is assumed. A simplified version of projected unit credit cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was thirty years.

Payroll growth rate – The payroll growth rate is 2.5% per annum.

Discount rate – As of June 30, 2017, the discount rate has been set at 3.5%

VII. RELATED PARTIES

Each member jurisdiction has a financial responsibility to the Authority for assessments and fees for services. The Authority remits rebates from the sale of recycled materials to the participating governments.

Total amounts due from and payable to the related jurisdictions at June 30, 2017 and 2016 are as follows:

	<u>2</u>	<u>2017</u>		<u>2016</u>
	Due From	<u>Due To</u>	Due From	Due To
COV – DGS	\$ 2,901	\$ -	\$	\$ -
Town of Ashland	18,966	-	18,419	-
County of Charles City	3,519	-	3,480	-
County of Chesterfield	742,950	10,314	530,398	6,774
City of Colonial Heights	117,291	456	62,496	340
County of Goochland	39,602	5,798	87,025	3,772
County of Hanover	47,596	51,379	55,255	16,941
County of Henrico	385,693	20,231	263,652	11,936
City of Hopewell	187,287	186	100,174	-
County of New Kent	14,743	3,574	41,440	2,834
City of Petersburg	261,330	-	638,273	-
County of Powhatan	42,047	4,199	59,562	2,666
County of Prince George	17,823	-	17,489	-
City of Richmond	454,593	<u>76</u>	511,729	<u>-</u>
Total	\$ <u>2,336,341</u>	<u>\$ 96,213</u>	<u>\$ 2,389,392</u>	<u>\$ 45,263</u>

VII. RELATED PARTIES (Continued)

Total revenues from and expenses to related jurisdictions in the years ended June 30, 2017 and 2016 are follows:

	<u>2017</u>	•	<u>201</u>	<u>6</u>
	Revenues	Expenses	Revenues	Expenses
Commonwealth VA-DGS	\$ 12,872	\$ 4,984	\$ -	\$ -
Town of Ashland	191,436	7,186	185,607	6,392
County of Charles City	3,479	-	3,489	-
County of Chesterfield	3,736,804	304,574	3,292,107	285,985
City of Colonial Heights	684,908	28,125	679,296	26,754
County of Goochland	392,633	61,377	388,270	45,680
County of Hanover	430,632	348,038	405,224	258,727
County of Henrico	2,743,143	502,848	2,596,248	386,004
City of Hopewell	1,089,763	11,835	1,063,522	6,005
County of New Kent	333,924	43,402	327,154	26,464
City of Petersburg	1,504,876	16,885	1,515,803	7,490
County of Powhatan	307,548	59,359	294,421	39,355
County of Prince George	27,271	-	24,714	-
City of Richmond	2,444,936	<u> 264,817</u>	2,417,762	218,834
Total	\$ <u>13,904,225</u>	\$1,653,430	\$ 13,193,617	\$ 1,307,690

VIII. NET POSITION AND INTERFUND TRANSFERS

The following funds have deficit net position balances as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Waste Transfer & Disposal	\$ 21,371	\$ 21,581
Municipal Solid Waste	-	6,383

These deficits are expected to be eliminated through future revenues.

Interfund transfers are the flow of cash from one fund to another without the requirement of repayment. Interfund balances are the result of loans between funds.

IX. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

IX. NEW ACCOUNTING STANDARDS (Continued)

GASB Statement No. 81, Irrevocable Split-Interest Agreements provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 83, Certain Asset Retirement Obligations establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2017

			Plan Year		
	<u>2016</u>		<u>2015</u>		<u>2014</u>
Total Pension Liability					
Service Cost	\$ 48,783	\$	44,781	\$	48,867
Interest on total pension liability Difference between expected and actual experience	101,997 (30,702)		97,556 (24,167)		91,297 -
Benefit payments, including refunds of member contributions	 (55,516)	_	(53,934)	_	(47,567)
Net change in total pension liability	64,562		64,236		92,597
Total pension liability - beginning	 1,484,858		1,420,622		1,328,025
Total pension liability - ending	\$ 1,549,420	\$	1,484,858	\$	1,420,622
Plan Fiduciary Net Position					
Contributions - employer	\$ 41,760	\$	40,747	\$	48,571
Contributions - employee	25,934		23,299		22,865
Net investment income	26,226		63,905		187,946
Benefit payments, including refunds of member contributions	(55,516)		(53,934)		(47,567)
Administrative expenses	(889)		(851)		(982)
Other changes	 (11)		(14)		10
Net change in plan fiduciary net position	37,504		73,152		210,843
Plan fiduciary net position - beginning	 1,454,789		1,381,637		1,170,794
Plan fiduciary net position - ending	\$ 1,492,293	\$	1,454,789	\$	1,381,637
Net pension liability - ending	\$ 57,127	\$	30,069	\$	38,985
Plan fiduciary net position as a percentage of total pension liability	 96%		98%		97%
Covered payroll	\$ 480,552	\$	468,572	\$	457,725
Net pension liability as a percentage of covered employee payroll	 12%		6%		9%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS June 30, 2017

Year Ended June 30			in R Ac De	Contributions in Relation to Actuarially Determined Contribution (2)		Contribution Deficiency (Excess)		Covered mployee Payroll	Contributions as a Percentage of Covered Payroll	
2017	\$	26,141	\$	26,141	\$	-	\$	526,157	4.96%	
2016		44,571		44,571	\$	-		512,903	8.69%	
2015		40,719		40,719		-		468,572	8.69%	

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS FOR THE YEAR ENDED JUNE 30, 2017

Other Postemployment Benefits:

					Uı	nfunded				
	,	Actuarial	Α	ctuarial	Α	ctuarial				UAAL as
Actuarial		Value of	Α	ccrued	A	ccrued				Percentage
Valuation		Assets	L	iability	L	.iability	Funded	C	Covered	of Covered
Date		(AVA)		(AAL)		UAAL)	Ratio	Payroll		Payroll
June 30, 2017	\$	-	\$	22,429	\$	22,429	0.00%	\$	526,157	4.26%
July 1, 2014		-		20,100		20,100	0.00%		457,700	4.39%
July 1, 2011				11.433		11,433	0.00%		467,144	2.45%

Schedule of Employer Contributions

Annual										
Year Ended	R	equired	Percentage							
June 30	Cor	ntribution	Contributed							
2017	\$	2,764	0.00%							
2016	\$	2,575	0.00%							
2015		2,575	0.00%							
2014		2,379	0.00%							
2013		2,615	0.00%							
2012		2,615	0.00%							
2011		2,615	0.00%							

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits.

Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Statistical Section

The Statistical Section supports and provides additional historical perspective, context and detail to the Financial Section.

Financial Trends

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

Net Position by Component Changes in Net Position Operating Revenues by Source Operating Expenses Nonoperating Revenues

Revenue Capacity

This schedule contains information to help the reader assess the Authority's significant revenue sources.

Curbside Recycling and Municipal Solid Waste Rates

Debt Capacity

The Authority does not issue debt and as a result no disclosure is required.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Revenue by Locality
Demographic and Economic Statistics
Principal Employers

Operating Information

These schedules contain service and operational data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

> Materials Collected Number of Customers by Type Number of Employees by Function

Net Position by Component – Last Nine Fiscal Years

	Capital		Total
Fiscal	Assets		Net
Year	Net	Unrestricted	Position
2017	\$ 69,658	\$ 683,708	\$ 753,367
2016	49,470	639,449	688,919
2015	41,786	588,655	630,441 *
2014	6,087	652,971	659,058
2013	11,375	629,728	641,103
2012	11,981	615,825	627,806
2011	31,268	609,446	640,714
2010	52,702	610,693	663,395
2009	74,016	811,699	885,715

*GASB Statement No. 68 was adopted in fiscal year 2015.

Changes in Net Position – Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Non-operating Revenues (Expenses)	Change in Net Position
		*			
2017	\$ 15,809,592	\$ 15,792,426	\$ 17,166	\$ 47,282	\$ 64,448
2016	14,668,426	14,655,568	12,858	45,620	58,478
2015	13,451,160	13,402,929	48,231	31,812	80,043
2014	13,444,295	13,441,342	2,953	15,002	17,955
2013	14,288,408	14,291,731	(3,323)	16,620	13,297
2012	14,858,298	14,913,076	(54,778)	41,870	(12,908)
2011	14,044,355	14,116,751	(72,396)	49,715	(22681)
2010	13,818,000	13,924,345	(106,345)	34,025	(222,320)
2009	13,337,165	13,458,101	(120,936)	53,318	(67,618)
2008	12,959,991	12,979,129	(19,138)	117,458	98,320

Notes:

The significant change in Net Position for fiscal year 2010 was due mostly to a rebate of \$150,000 of accumulated funds given back to the member jurisdictions. This rebate was based on each member's prorated earnings in the recycling markets. CVWMA's Net Position Policy allows the Authority to consider a rebate of unrestricted net assets in excess of 5% of total operating budget. Although 93% of the budget is pass through to localities depending on participation, the Authority feels it is prudent to continue to build reserves in the event significant resources are needed in the future.

Operating Revenues by Source – Last Ten Fiscal Years

	Local Gov't		Refuse and Solid	Composting and Yard	Other	Material	
	Assmts	Recycling(1)	Waste(2)	Waste(3)	Projects(4)	Sales(5)	Total
2017	\$552,522	\$ 8,140,823	\$4,583,544	\$ 545,261	\$ 260,544	\$1,726,898	\$15,809,592
2016	548,282	7,976,957	4,245,042	306,797	247,500	1,343,848	14,668,426
2015	533,205	7,221,900	3,871,868	326,904	174,062	1,323,221	13,451,160
2014	533,205	7,250,055	4,502,336	478,503	204,355	475,841	13,444,295
2013	533,205	7,048,641	5,633,416	474,475	202,976	395,695	14,288,408
2012	515,894	6,766,758	6,144,498	675,122	221,092	534,934	14,858,298
2011	508,688	6,405,782	6,009,299	429,922	210,715	479,949	14,044,355
2010	503,312	6,270,895	6,053,238	445,477	209,243	335,835	13,818,000
2009	497,069	5,677,879	6,023,046	471,765	228,914	438,492	13,337,165
2008	491,808	5,231,168	6,153,941	426,106	313,343	343,625	12,959,991

Notes:

Member jurisdictions have the option to choose from a menu of services that best meet their individual needs.

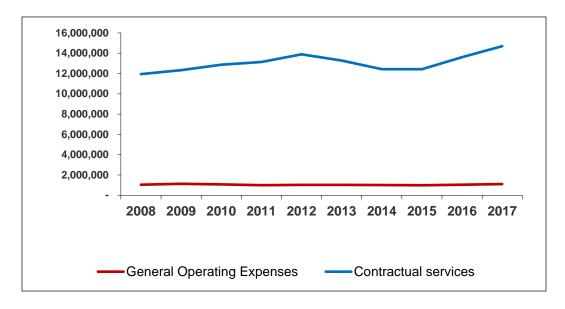
- (1) Recycling programs include residential and drop off recycling services, which include the recycling of traditional materials such as paper, cardboard and aluminum, plastic and glass bottles and jars. The CVWMA negotiated an early renewal of the contract for residential collection and processing of recyclable material, which became effective May 1, 2014, resulting in savings to participating localities. In addition, the City of Hopewell joined the curbside recycling program in July 2014. In fiscal year 2012 the CVWMA implemented a program which allows citizens to purchase 95-gallon recycling carts online. The CVWMA implemented curbside recycling in the City of Petersburg in March 2013. In July 2015, the City of Richmond rolled out large recycling carts to about 61,500 equivalent residential units. Currently, nine localities participate in residential recycling and ten participate in drop off recycling.
- (2) The refuse and solid waste programs include municipal solid waste collection and disposal in Ashland, Colonial Heights, Hopewell and Petersburg and transfer and disposal from the convenience centers in Chesterfield, Goochland, New Kent and Powhatan. As of 2011, Prince George no longer participates in the convenience center program. Since July 1, 2012, CVWMA has procured and negotiated new contracts for trash collection in Ashland, Colonial Heights, Hopewell, and Petersburg, resulting in a significant reduction in costs. Additionally, a new procurement in 2012 resulted in significantly reduced rates for hauling and disposal of waste from 9 area convenience centers. In 2016, Chesterfield began providing trash collection to nearly 2,500 tax-relief customers through the Authority.
- (3) The yard waste grinding and leaf composting contracts are on an as needed basis with no minimum volume guaranteed. The increase in activity in 2012 was due to Hurricane Irene.
- (4) Other projects include other waste disposal and recycling programs such as waste tire recycling, appliance and scrap metal recycling and household hazardous waste disposal.
- (5) The revenue generated from the sale of recyclables is dependent upon the market at the time of the sale. Markets have fluctuated in the last ten years typically related to the fluctuation in the economy. In FY 2014, the Authority negotiated a renewal of the curbside recycling contract to include a rebate effective May 1, 2014.

Operating Expenses – Last Ten Fiscal Years

	Administrative /Operating	Salaries And Benefits	S	fessional ervice Fees	Depr	reciation	Project Contractual Services	Material Sales Rebates*	Total Operating Expenses
2017	\$ 300,345	\$720,328	\$	61,356	\$	15,961	\$13,041,006	\$1,653,430	\$15,792,426
2016	258,964	688,984	Ψ	80,241	Ψ	12,186	12,307,502	1,307,691	14,655,568
2015	241,959	667,420		61,985		12,301	11,130,568	1,288,696	13,402,929
2014	234,949	707,418		65,959		5,288	11,985,140	442,588	13,441,342
2013	225,782	714,568		67,346		10,606	12,923,072	350,357	14,291,731
2012	257,528	679,827		63,857		19,288	13,391,649	500,927	14,913,076
2011	214,794	679,960		70,356		23,453	12,658,523	469,665	14,116,751
2010	270,952	690,548		75,274		27,485	12,533,001	327,085	13,924,345
2009	332,276	671,271		94,522		30,577	11,912,611	416,844	13,458,101
2008	347,610	601,933		56,730		31,278	11,660,096	281,482	12,979,129

Notes:

The Authority implemented the results of a pay, classifications and benefits study conducted in 2008. In addition, the Authority conducted a study of eligible curbside recyclers in 2009 in an effort to ultimately increase participation and usage of the program by residents. The Authority, in partnership with the Curbside Value Partnership (a national non-profit firm dedicated to increasing recycling rates at the curb through promotion and outreach), implemented and executed a campaign in FY 2012 in an effort to increase recycling participation rates and volumes in the curbside recycling program. In FY 2013 the Authority completed the phase-in of the VRS employee contribution of 5%, which resulted in pay increases of 5%. Three full-time employees retired from the Authority in calendar year 2013. General operating expenses, including salaries, benefits and professional fees have remained relatively constant in relation to program costs over the last ten years. A rebate of \$669,367 was received in FY 2015 as a result of an early renewal of the residential recycling contract provided to 255,000 households. In FY 2016, the Authority hired Zellos to consult and assist with the implementation of the Authority's Strategic Plan. In late 2015, the Authority increased the Recycling Education and Outreach Specialist from part-time to a full-time position under the Public Affairs program.



Nonoperating Revenues - Last Ten Fiscal Years

Fiscal Year	0	ts and orships	 nterest ncome	Miscell	aneous	Nonop	otal perating enues
2017	\$	10,000	\$ 29,453	\$	7,829	\$	47,282
2016		24,500	21,120		-		45,620
2015		10,000	21,812		-		31,812
2014		10,000	4,702		300		15,002
2013		10,000	6,075		545		16,620
2012		27,500	14,370		-		41,870
2011		10,000	28,415		11,300		49,715
2010		13,800	20,225		-		34,025
2009		17,448	31,996		3874		53,318
2008		8,390	108,252		816		117,458

Notes:

The Authority has negotiated with Tidewater Fiber Corporation to contribute \$10,000 annually to promote residential recycling through FY2023. Seven sponsors contributed \$14,500 toward the CVWMA's 25th Anniversary events in 2015. The Authority sold two vehicles in FY2017, netting \$7,829 in revenue.

In 2015, the Authority implemented another payment option for vendors, which has resulted in earning a rebate on the payment to vendors via a purchasing card. Previously, the Authority was selected for a partnership with Curbside Value Partnership (CVP) to promote curbside recycling. This campaign was launched in the fall of 2011 and Tidewater Fiber Corporation contributed \$20,000 toward the campaign. The Authority also received a sponsorship from Sonoco Recycling for the 2012 Curbside Recycling Calendar in the amount of \$7,500. The Authority received a sponsorship from Dominion Resources for the 2011 Curbside Recycling Calendar. The Authority also received funds from fourteen sponsors for the CVWMA's 20th Anniversary event in FY 2011.

The Authority conducted a two year pilot study in fiscal years 2008 and 2009 to determine the amount of recyclable material generated in schools through a grant from the US Environmental Protection Agency. The Authority has relied somewhat on investment and interest income, the fluctuation of which is a factor of the economy.

Residential Recycling and Municipal Solid Waste Rates Last Ten Fiscal Years

Residential Recycling - Rates per household per month

		Bi-Weekly			
	Bi-Weekly	Collection	Weekly	Public	Customer
	Collection	w/ cart	Collection	Information	<u>Service</u>
2017	\$1.860	1.540-2.930	\$ -	\$.064	\$.068
2016	1.800	1.490-2.860	-	.063	.067
2015	1.800	1.470-2.420	-	.063	.067
2014	1.800	2.420	-	.063	.066
2013	1.815	2.872	2.872	.062	.065
2012	1.767	-	2.797	.060	.063
2011	1.721	-	2.723	.060	.061
2010	1.682	-	2.662	.080	.060
2009	1.479	-	2.332	.086	.070
2008	1.422	-	2.242	.083	.067

Notes:

The curbside recycling program collection rates vary based on the participating jurisdictions level of service desired. In 2015, the City of Hopewell added residential recycling to its menu of services. In Fiscal Year 2013, both Ashland and Colonial Heights converted from a weekly collection program to biweekly with 95-gallon carts and the City of Richmond converted from bins to carts in 62,000 homes in 2016. Therefore, no jurisdiction is providing weekly collection anymore. current contract became effective July 1, 2009 and an early renewal was negotiated effective May 1, 2014 resulting in reduced per household fees and rebate on each ton collected at the curb from one vendor. A fee is charged participating localities for public education and the CVWMA uses those funds to promote the program regionally. The public relations rate was reduced in FY 2011 to .06 cents/household per month during the budget process. A separate fee is charged for customer service provided by the Authority.

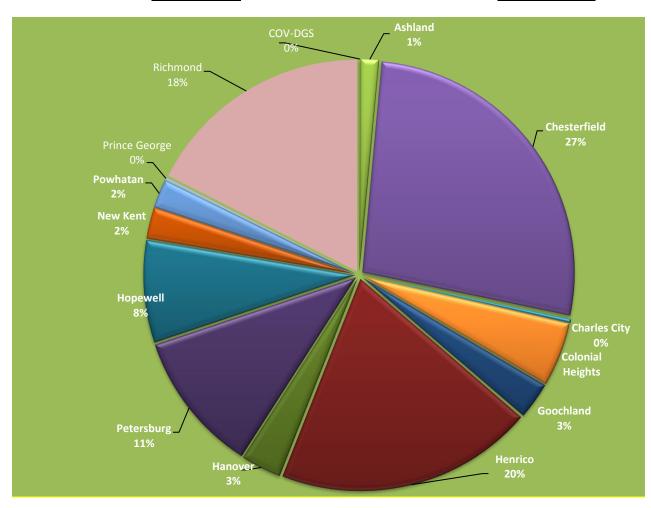
	Municipal Solid Waste Collection per household Per month	Tipping Fees Range Dollars <u>Per Ton</u>
2017	\$7.00 - \$10.35	\$17.29 - \$19.01
2016	\$5.02 - \$10.35	\$16.90 - \$22.50
2015	\$5.02 - \$10.35	\$16.00 - \$22.50
2014	\$5.02 - \$15.40	\$16.00 - \$22.50
2013	\$5.02 - \$15.19	\$28.05 - \$38.30
2012	\$9.51 - \$14.93	\$29.34 - \$37.66
2011	\$9.18 - \$14.41	\$29.25 - \$36.30
2010	\$9.00 - \$14.13	\$27.76 - \$35.59
2009	\$9.00 - \$14.13	\$27.76 - \$35.59
2008	\$8.64 - \$15.27	\$26.64 - \$34.16

The current municipal solid waste contracts include the Cities of Colonial Heights, Hopewell and Petersburg and the Town of Ashland. The rates include collection and disposal except in the City of Petersburg where disposal is free based on a host agreement between the City and the privately owned landfill. In fiscal year 2010, rates remained the same due to a deflation in the economy.

The Authority also has contracts for waste disposal from area convenience centers. The tipping fees (per ton disposal fees) were reduced in fiscal year 2014 with the procurement of new contracts for Chesterfield, Goochland, New Kent and Powhatan.

Revenue by Locality - Current Year and Nine Years Ago

Locality	2017 Operating Revenues	2017 Percent of Revenue	Locality	2008 Operating Revenues	2008 Percent of Revenue
County of Chesterfield	3,736,804	26.88%	County of Chesterfield	\$ 3,138,525	24.9%
County of Henrico	2,743,143	19.73%	County of Henrico	1,877,911	14.9%
City of Richmond	2,444,936	17.58%	City of Richmond	1,641,596	13.0%
City of Petersburg	1,504,876	10.82%	City of Colonial Heights	1,089,843	8.6%
City of Hopewell	1,089,763	7.84%	City of Hopewell	1,323,384	10.5%
City of Colonial Heights	684,908	4.93%	City of Petersburg	1,238,868	9.8%
County of Goochland	392,633	2.82%	County of Goochland	621,167	4.9%
County of Hanover	430,632	3.10%	County of New Kent	460,568	3.7%
County of New Kent	333,924	2.40%	County of Powhatan	510,314	4.0%
County of Powhatan	307,548	2.21%	County of Prince George	222,302	1.8%
Town of Ashland	191,436	1.38%	Town of Ashland	298,115	2.4%
County of Prince George	27,271	0.20%	County of Hanover	186,561	1.5%
Commonwealth VA-DGS	12,872	0.08%	County of Charles City	3,360	0.0%
County of Charles City	3,479	0.03%	Commonwealth VA-DGS	0	0.0%
Totals	\$13,904,225	100.0%	Sub-totals	\$ 12,612,514	100.0%



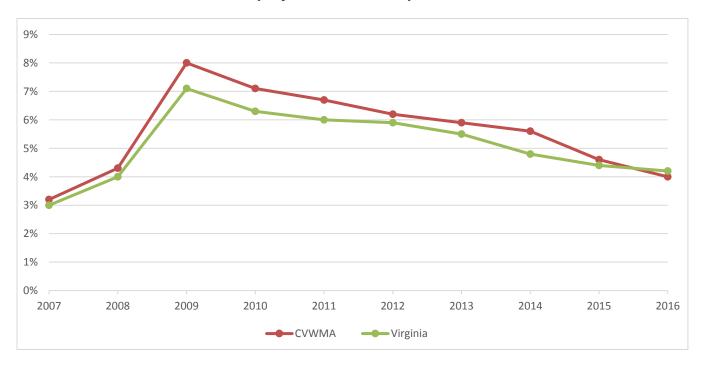
Demographic and Economic Statistics – Last Ten Calendar Years

Calendar	Daniel at an	Personal	Per Capita Personal	<u>Unemployn</u>	
<u>Year</u>	<u>Population</u>	<u>Income</u>	<u>Income</u>	<u>CVWMA</u>	<u>Virginia</u>
2016	1,170,128	Not Available	\$ 53,723	4.0%	4.2%
2015	1,164,023	Not Available	52,136	4.6%	4.4%
2014	1,151,077	\$56,454,774	50,405	5.6%	4.8%
2013	1,142,254	54,848,899	46,730	5.9%	5.5%
2012	1,132,928	53,122,366	45,339	6.2%	5.9%
2011	1,112,543	49,246,121	43,468	6.7%	6.0%
2010	1,110,843	47,833,944	41,370	7.1%	6.3%
2009	1,085,076	46,894,089	40,927	8.0%	7.1%
2008	1,070,522	47,917,871	41,510	4.3%	4.0%
2007	1,061,818	44,839,275	39,329	3.2%	3.0%

Source of Data: Weldon Cooper Center for Public Service, University of Virginia, Bureau of Economic Analysis, and Virginia Employment Commission.

The data above represents the Central Virginia Waste Management Authority Service Area which includes the Cities of Colonial Heights, Hopewell, Petersburg and Richmond; the Town of Ashland; and the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George.

Unemployment Rate Comparison



Central Virginia Principal Employers

Current Year and Nine Years Ago

Employer **	Calendar Year 2016*	Calendar Year 2007*
Virginia Commonwealth University Capital One Bank Henrico County School Board MCV Hospital/VCU Medical Center Chesterfield County School Board HCA Virginia Health System Bon Secours Health Systems Wal-Mart US Department of Defense Amazon Com KYDC Inc Philip Morris U.S.A., Inc.	Rank 1 2 3 4 5 6 7 8 9 10	Rank 3 5 2 6 1 7 9 4 8 - 10

^{*} Final Quarter data for most recent calendar year (2016 and 2007).

Source of Data: Virginia Employment Commission

^{**} The Virginia Employment Commission does not disclose the actual number of employees, due to the Confidential Information Protection and Statistical Efficiency Act - Title V of Public Law 107-347. All employers have over 1,000 individuals employed.

Material Collected - Last Ten Fiscal Years

Fiscal Year	Tons Recycled*	Tons of Municipal Solid Waste	Cubic Yards of Yard Waste	Gallons of Paint Collected	Gallons of Used Oil Collected	Tons of Batteries Recycled	Propane Tanks Recycled	Tons of Tires Recycled	Tons of Electronics Recycled	Tons of Textiles
2017	49,138	71,899	115,284	12,540	165,649	60.3	1,994	702	229	946
2016	46,347	68,097	167,360	11,440	161,701	55.0	1,411	707	274	1,012
2015	45,049	65,059	180,092	10,560	112,143	35.2	1,408	724	185	1,033
2014	40,007	65,095	269,604	9,075	105,713	29.5	1,082	766	405	814
2013	42,943	61,923	234,460	8,745	114,804	30.4	1,105	787	410	548
2012	41,936	72,272	363,219	12,045	112,230	42.2	1,141	736	406	423
2011	41,886	72,434	255,388	12,155	116,805	19.1	1,597	778	365	333
2010	42,824	74,646	257,925	12,485	131,025	33.5	974	882	320	290
2009	43,750	75,154	419,465	13,475	49,660	56.8	1,789	652	398	177

^{*} Includes paper, metals, plastic and glass.

Source of Data: CVWMA Operations Department

Number of Customers by Type – Last Ten Fiscal Years

Residential Recycling

Fiscal			Colonial							
Year	Ashland	Chesterfield	Heights	Goochland	Hanover	Henrico	Hopewell	Petersburg	Richmond	Total
2017	1,465	95,007	6,701	1,336	3,553	84,909	8,644	11,064	61,487	274,166
2016	1,465	95,693	6,701	1,242	3,257	84,909	8,644	11,064	61,487	274,462
2015	1,465	97,600	6,635	1,238	2,837	84,909	8,649	11,199	61,487	276,019
2014	1,465	97,585	6,701	1,238	2,837	84,909	-	11,203	61,487	267,425
2013	1,465	97,585	6,701	1,238	2,837	84,528	-	10,998	61,428	266,780
2012	1,465	97,566	6,360	1,146	2,837	84,361	-	-	61,159	254,894
2011	1,465	95,744	6,335	957	2,760	83,760	_	-	60,826	251,847
2010	1,465	94,347	6,308	1,232	2,728	82,720	_	-	60,508	249,308
2009	1,465	93,767	6,279	1,207	1,031	82,031	_	-	60,179	245,959
2008	1,465	91,983	6,246	1,166	-	80,584	-	-	61,306	242,750

Municipal Solid Waste Collection

Fiscal			Colonial			
Year	Ashland	Chesterfield	Heights	Hopewell	Petersburg	Total
2017	1,465	2,115	6,701	8,644	11,064	29,954
2016	1,465	2,301	6,632	8,648	11,064	30,110
2015	1,465	-	6,635	8,647	11,199	27,946
2014	1,465	-	6,701	8,644	11,203	28,013
2013	1,465	-	6,701	8,644	10,998	27,808
2012	1,465	-	6,250	8,644	11,810	28,169
2011	1,465	-	6,337	8,644	11,810	28,256
2010	1,465	-	6,488	8,768	11,811	28,532
2009	1,465	-	6,500	8,768	12,041	28,774
2008	1,465	-	6,498	8,768	12,041	28,772

Notes:

Each member locality has the option to choose from a menu of programs that best meet their needs. The above represents the jurisdictions that participate or have participated in the residential recycling and municipal solid waste programs. The other Authority programs are available to all residents of the jurisdiction(s) that participate in those programs.

The County of Goochland decided to stop offering curbside recycling to its residents effective July 1, 2010, but reinstated some subdivisions on October 7, 2010.

The County of Hanover decided to stop offering curbside recycling to its residents effective July 1, 2002, but reinstated some subdivisions on July 1, 2008.

The City of Petersburg joined the municipal solid waste collection program July 1, 2002 and the residential recycling program in March 2013.

The City of Hopewell implemented residential recycling in July 2014.

The County of Chesterfield implemented the municipal solid waste collection for their tax-relief citizens in August 2015.

Source of Data: CVWMA Operations Department

Number of Employees by Function – Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	2012	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Program Management and Operations	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Public Information and Education	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Finance and Administration	3.0	3.0	2.5	3.0	3.5	3.5	3.5	3.5	3.5	3.5
Call Center Operations	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>	<u>3.0</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
Total Employees	11.0	11.0	10.5	10.0	11.0	11.0	11.0	11.5	11.5	11.5

CVWMA provides recycling and solid waste management programs to its member localities through the use of contracts with the private sector.

Source of Data: CVWMA Administrative Office

Compliance Section



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

To the Audit Committee and Board of Directors Central Virginia Waste Management Authority Richmond, Virginia

We have audited, 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, the financial statements of each major fund of the Central Virginia Waste Management Authority (the "Authority"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 8, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CERTIFIED PUBLIC ACCOUNTANTS

Brown, Edwards & Company, S. L. P.

Harrisonburg, Virginia September 8, 2017

CENTRAL VIRGINIA WASTE MANAGEMENT AUTHORITY SUMMARY OF COMPLIANCE MATTERS June 30, 2017

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

<u>Code of Virginia</u>: Cash and Investment Laws Debt Provisions Local Retirement Systems Procurement Laws

CENTRAL VIRGINIA WASTE MANAGEMENT AUTHORITY SCHEDULE OF FINDINGS AND RESPONSES Year Ended June 30, 2017

A. FINDINGS AND QUESTIONED COSTS - COMMONWEALTH OF VIRGINIA

2017-001: Commonwealth of Virginia Disclosure Statements

Condition:

We noted certain members of the Board did not file a statement of economic interest by the January deadline as set forth by the Code of Virginia.

Recommendation:

Steps should be taken to ensure that these statements are filed by all required individuals in a timely manner.

Management's Response:

The auditee concurs with this recommendation.