REGION 2000 SERVICES AUTHORITY

LYNCHBURG, VIRGINIA

FINANCIAL REPORT
YEARS ENDED JUNE 30, 2018 AND 2017

REGION 2000 SERVICES AUTHORITY

LYNCHBURG, VIRGINIA

FINANCIAL REPORT
YEARS ENDED JUNE 30, 2018 AND 2017

Table of Contents

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Region 2000 Services Authority, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Region 2000 Services Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Region 2000 Services Authority, as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Notes 10 and 12 to the financial statements, in 2018, the Region 2000 Services Authority adopted new accounting guidance, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017.* Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 12 to the financial statements, in 2018, the Region 2000 Services Authority restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Comparative Information

As described in Note 12 to the financial statements, GASB Statement No. 75 was implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net OPEB liability and related information as computed under GASB 75 standards was unavailable. Therefore, the 2017 amounts related to other postemployment benefits have not been restated to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-8 and 59-67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Region 2000 Services Authority's basic financial statements. The statistical information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of Region 2000 Services Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Region 2000 Services Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Region 2000 Services Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 31, 2018

This page intentionally left blank

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

As management of the Region 2000 Services Authority, (the "Authority"), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements section of this report.

Overview of the Financial Statements

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

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

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

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

The basic enterprise fund financial statements can be found on pages 9-12 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13-58 of this report.

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

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $4,861,986 (net position). Of this amount $63,948 is reported as unrestricted net position and when available may be used to meet the Authority's ongoing obligations to customers and creditors.

- The Authority's total net position increased by $630,659.

- The Authority's total obligations decreased by $1,006,081 during the current fiscal year. Additional analysis of the changes in long-term obligations is provided under the Long-Term Obligation section of the MD&A.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Services Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $4,861,986 at the close of the most recent fiscal year.

A portion of the Authority's net position, $4,798,038, reflects its net investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position		
	2018	**2017**	**2016**
Current and other assets	$ 14,653,185	$ 14,115,124	$ 20,132,692
Capital assets	15,354,754	15,930,683	12,307,492
Total assets	$ 30,007,939	$ 30,045,807	$ 32,440,184
Total deferred outflows of resources	$ 92,992	$ 102,697	$ 70,434
Long-term liabilities outstanding	$ 23,584,501	$ 24,590,582	$ 24,882,723
Other liabilities	1,488,480	1,158,918	3,169,047
Total liabilities	$ 25,072,981	$ 25,749,500	$ 28,051,770
Total deferred inflows of resources	$ 165,964	$ 92,731	$ 122,609
Net position:			
Net investment in capital assets	$ 4,798,038	$ 4,030,792	$ 5,707,701
Unrestricted	63,948	275,481	(1,371,462)
Total net position	$ 4,861,986	$ 4,306,273	$ 4,336,239

Financial Analysis: (Continued)

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

	Change in Net Position		
	2018	**2017**	**2016**
Revenues:			
Operating revenues	$ 7,103,452	$ 6,822,137	$ 7,163,243
Return of excess revenues to participating governments	(1,207,540)	(953,793)	(1,159,630)
Participating government contribution - City of Lynchburg	13,077	726,508	34,341
Other revenue	123,207	59,120	170,271
Total revenues	$ 6,032,196	$ 6,653,972	$ 6,208,225
Expenses:			
Operating expenses	$ 2,778,149	$ 2,990,983	$ 3,198,445
Landfill closure and post-closure expense	685,189	1,529,617	877,011
Depreciation and amortization expense	1,561,758	1,730,949	1,681,567
Nonoperating expenses	-	10,274	-
Interest expense	376,441	422,115	465,276
Total expenses	$ 5,401,537	$ 6,683,938	$ 6,222,299
Increase (decrease) in net position	$ 630,659	$ (29,966)	$ (14,074)
Net position—July 1	4,231,327	4,336,239	4,350,313
Net position—June 30	$ 4,861,986	$ 4,306,273	$ 4,336,239

The Authority's net position increased by $630,659 during the current fiscal year. Total revenues decreased by $621,776, net of return of excess revenues to participating governments, while total expenses decreased $1,282,401 from fiscal year 2017 levels.

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

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2018 amounts to $15,354,754 (net of accumulated depreciation). Below is a comparison of the capital asset costs as of June 30, 2018, June 30, 2017 and June 30, 2016.

	2018	**2017**	**2016**
Buildings and fixtures	$ 3,152,767	$ 3,152,767	$ 3,152,767
Other site improvements	5,793,663	5,269,369	4,056,774
Landfill site	17,784,084	10,675,424	10,675,424
Equipment and vehicles	5,540,309	5,081,562	4,639,718
Less accumulated depreciation	(16,916,069)	(15,357,099)	(13,670,172)
Construction in progress	-	7,108,660	3,452,981
Total capital assets, net	$ 15,354,754	$ 15,930,683	$ 12,307,492

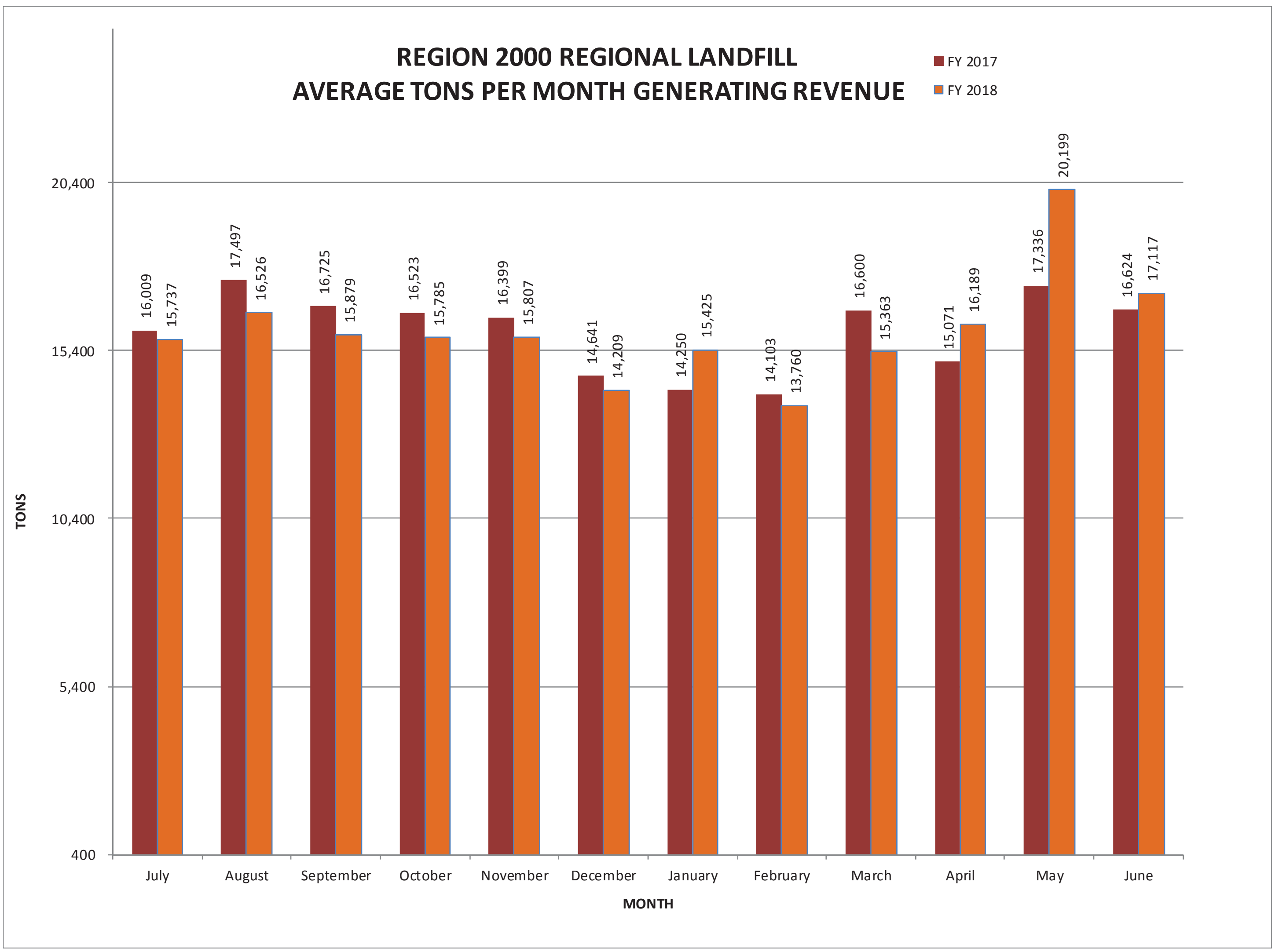
Capital Asset and Debt Administration: (Continued)

Long-Term Obligations - At the end of the fiscal year, the Authority had $23,584,501 in total long-term obligations in comparison to $24,590,582 reported in the prior year, a net decrease of $1,006,081. Long-term obligations are composed of various types of obligations including; revenue bonds, landfill closure and post-closure care liability, compensated absences and other postemployment benefit liabilities. During fiscal year 2018 the Authority repaid principal in the amount of $1,550,000. The Authority's estimated landfill closure and post-closure care liability increased $478,595.

Review of Operations

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

The Concord Turnpike Regional Landfill is closed and the closure cap is complete. This facility has entered the thirty year post closure monitoring period. The Lynchburg Residential Convenience Center is located on site and continues to operate for City residents. Waste from the convenience center is transported to the Livestock Road Facility.



Recycling

The regional recycling rate for Calendar Year 2017 was 40.1%.

Landfill Gas

Construction of the second phase landfill gas collection system was completed and placed in service in November 2017. The total system includes 23 vertical landfill gas wells and a 2500 cfm landfill gas compressor and flare. The landfill gas will be combusted initially. However, beneficial uses of the gas will be evaluated.

These measures have reduced odor complaints from nearby residents by 98% when comparing the same number of days before and after the systems were placed in service.

Reimbursable Expenses

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

Phase IV Landfill Cell

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

Phase III Partial Closure

Engineering for the partial permanent closure cap for Phase III is complete and will be advertised for construction bids in the fall of 2018.

Future Planning

A strategic planning process to determine landfill disposal options beyond 2030 was completed. The working group met regularly to evaluate the options and receive public input on these options. The final report was presented to the Board during the spring of 2017. No action has been taken. Information on this future planning process can be found at http://www.solidwastemanagement2030.org/.

Requests for Information

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

This page intentionally left blank

Financial Statements

This page intentionally left blank

Statements of Net Position
At June 30, 2018 and 2017

	At June 30,			
		2018		2017
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	$	3,304,907	$	3,100,583
Cash and cash equivalents - closure/post-closure reserve accounts		7,603,693		7,374,440
Restricted cash and cash equivalents:				
Unspent bond proceeds		350,725		584,366
Cash held with trustee for debt service		1,342,559		1,315,743
Accounts receivable (Note 2)		732,368		612,595
Due from participating government		739,585		726,508
Prepaid items		83,242		43,119
Total current assets	$	14,157,079	$	13,757,354
Noncurrent assets:				
Other Assets:				
Net pension asset	$	496,106	$	357,770
Capital assets (Note 4):				
Buildings and fixtures	$	3,152,767	$	3,152,767
Landfill site		17,784,084		10,675,424
Equipment and vehicles		5,540,309		5,081,562
Other site improvements		5,793,663		5,269,369
Accumulated depreciation		(16,916,069)		(15,357,099)
Sub-total net capital assets	$	15,354,754	$	8,822,023
Construction work in progress	$	-	$	7,108,660
Total net capital assets	$	15,354,754	$	15,930,683
Total noncurrent assets	$	15,850,860	$	16,288,453
Total assets	$	30,007,939	$	30,045,807
DEFERRED OUTFLOW OF RESOURCES				
OPEB related items	$	4,768	$	-
Pension related items		88,224		102,697
Total deferred outflows of resources	$	92,992	$	102,697

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

Statements of Net Position
At June 30, 2018 and 2017 (Continued)

	At June 30, 2018	At June 30, 2017
LIABILITIES		
Current liabilities:		
Accounts payable	$ 166,774	$ 76,928
Due to participating governments	1,207,540	953,793
Compensated absences (Note 5)	74,405	82,539
Total current liabilities	$ 1,448,719	$ 1,113,260
Current liabilities payable from restricted assets:		
Current maturities of long-term debt (Note 6)	$ 1,597,000	$ 1,550,000
Accrued interest	114,166	128,197
Total current liabilities payable from restricted assets	$ 1,711,166	$ 1,678,197
Noncurrent liabilities:		
Accrued landfill closure and post-closure costs (Note 8)	$ 7,603,693	$ 7,374,440
Accrued landfill closure and post-closure costs - unfunded portion	3,253,917	3,004,575
Net OPEB liabilities (Note 10)	402,486	329,028
Revenue bonds - net of current portion (Note 6)	10,653,000	12,250,000
Total noncurrent liabilities	$ 21,913,096	$ 22,958,043
Total liabilities	$ 25,072,981	$ 25,749,500
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$ 141,016	$ 92,731
OPEB related items	24,948	-
Total deferred inflows of resources	$ 165,964	$ 92,731
NET POSITION		
Net investment in capital assets	$ 4,798,038	$ 4,030,792
Unrestricted	63,948	275,481
Total net position	$ 4,861,986	$ 4,306,273

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	Year Ended June 30, 2018	Year Ended June 30, 2017
Operating revenues:		
Tipping fees	$ 7,009,684	$ 6,699,464
Recycling revenues	28,849	55,682
Penalties and interest	14,618	18,483
Other revenue	50,301	48,508
Total operating revenues	$ 7,103,452	$ 6,822,137
Return of excess revenues to participating governments	$ (1,207,540)	$ (953,793)
Total operating revenues (net of reimbursement)	$ 5,895,912	$ 5,868,344
Operating expenses:		
Personnel costs	$ 1,247,360	$ 1,247,160
Contractual, legal and professional	373,761	411,900
Other operating costs	1,157,028	1,331,923
Landfill closure and post-closure expense	685,189	1,529,617
Depreciation	1,561,758	1,730,949
Total operating expenses	$ 5,025,096	$ 6,251,549
Operating income (loss)	$ 870,816	$ (383,205)
Nonoperating revenues (expenses):		
Interest income	$ 122,600	$ 50,159
Participating government contribution - City of Lynchburg	13,077	726,508
Gain (loss) on disposal of assets	607	8,961
Other nonoperating revenues (expenses)	-	(10,274)
Interest expense	(376,441)	(422,115)
Total nonoperating revenues (expenses)	$ (240,157)	$ 353,239
Change in net position	$ 630,659	$ (29,966)
Net position, beginning of year, restated (Note 12)	4,231,327	4,336,239
Net position, end of year	$ 4,861,986	$ 4,306,273

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

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	Year Ended June 30, 2018	Year Ended June 30, 2017
Cash from operating activities:		
Receipts from customers and users	$ 6,029,886	$ 5,781,276
Payments to suppliers	(1,666,297)	(2,164,432)
Payments to and on behalf of employees	(1,312,380)	(1,247,904)
Net cash provided by (used for) operating activities	$ 3,051,209	$ 2,368,940
Cash from noncapital financing activities:		
Participating government contribution for closure and post-closure costs	$ -	$ 473,950
Net cash provided by (used for) noncapital financing activities	$ -	$ 473,950
Cash from capital and related financing activities:		
Purchases of capital assets	$ (1,007,192)	$ (7,085,530)
Proceeds from the disposal of assets	607	41,196
Principal payments on bonds	(1,550,000)	(1,505,000)
Interest payments	(390,472)	(435,642)
Net cash provided by (used for) capital and related financing activities	$ (2,947,057)	$ (8,984,976)
Cash from investing activities:		
Interest income	$ 122,600	$ 50,159
Net cash provided by (used for) investing activities	$ 122,600	$ 50,159
Increase (decrease) in cash and cash equivalents	$ 226,752	$ (6,091,927)
Cash and cash equivalents at beginning of year (including $1,900,109 and $8,705,209, respectively reported in restricted accounts)	12,375,132	18,467,059
Cash and cash equivalents at end of year (including $1,693,284 and $1,900,109, respectively reported in restricted accounts)	$ 12,601,884	$ 12,375,132
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ 870,816	$ (383,205)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,561,758	1,730,949
Miscellaneous expense	-	(10,274)
Changes in operating assets and liabilities and deferred inflows/outflows:		
(Increase) decrease in accounts receivable	(119,773)	129,043
(Increase) decrease in prepaid items	(40,123)	11,707
(Increase) decrease in net pension asset	(138,336)	37,449
(Increase) decrease in deferred outflows - net pension asset related	14,473	(32,263)
(Increase) decrease in deferred outflows - OPEB related items	(4,768)	-
Increase (decrease) in compensated absences	(8,134)	(14,940)
Increase (decrease) in net OPEB liabilities	(1,488)	38,888
Increase (decrease) in deferred inflows - OPEB related items	24,948	-
Increase (decrease) in deferred inflows - net pension asset related	48,285	(29,878)
Increase (decrease) in accounts payable - operating	111,209	(91,610)
Increase (decrease) in due to participating governments	253,747	(205,837)
Increase (decrease) in accrued landfill costs	478,595	1,188,911
Net cash provided by (used for) operating activities	$ 3,051,209	$ 2,368,940
Noncash investing, capital and financing activities:		
(Increase) decrease in accounts/retainage payable for capital activities	$ 21,363	$ 1,699,155

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

NOTE 1—FORMATION OF THE REGION 2000 SERVICES AUTHORITY:

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

Financial Reporting Entity

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

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

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

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basic Financial Statements

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

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

A. Basic Financial Statements (Continued)

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

- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Required Supplementary Information
  - Schedule of Authority's Proportionate Share of the Net Pension Asset/Liability
  - Schedule of Employer Contributions - Pension
  - Notes to Required Supplementary Information - Pension
  - Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios – Health Insurance
  - Notes to Required Supplementary Information – OPEB – Health Insurance
  - Schedule of Authority's Share of Net OPEB Liability – Group life insurance
  - Schedule of Employer Contributions – Group life insurance
  - Notes to Required Supplementary Information – Group life insurance

B. Basis of Accounting

The Region 2000 Services Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

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

C. Cash and Cash Equivalents

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

D. Restricted Assets

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

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

E. Capital Assets

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

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

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

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

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

Assets	Years
Buildings and Fixtures	15
Other Site Improvements	15
Equipment and Vehicles	5 to 15

Depreciation of landfill cell development and site costs is recorded based on remaining units of capacity. Total depreciation for the periods ended June 30, 2018 and 2017 was $1,561,758 and $1,730,949, respectively.

F. Accounts Receivable

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

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

G. Use of Estimates

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

H. Closure and Post-Closure Obligations

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

I. Net Position:

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

J. Net Position Flow Assumption

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

K. Deferred Outflows/Inflows of Resources

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

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

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category. This item is related to the measurement of the net pension asset/liability and net OPEB asset/liability(ies) are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Investments

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

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The Authority has no formal deposit and investment policy.

Investments

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

Authority's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings AAAm
Local Government Investment Pool	$ 7,983,472
U.S. Treasury Obligation Money Market Fund	1,342,559
Total	$ 9,326,031

Interest Rate Risk

Investment Maturities (in years)

	Value	Less Than 1 Year
Local Government Investment Pool	$ 7,983,472	$ 7,983,472
U.S. Treasury Obligation Money Market Fund	1,342,559	1,342,559
	$ 9,326,031	$ 9,326,031

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools

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

Fair Value Measures

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

- Level 1 — Quoted prices in active markets for identical assets or liabilities.

- Level 2 — Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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

		Fair Value Measurements at Reporting Date Using		
	Total June 30, 2018	**Quoted Prices in Active Markets for Identical Assets** (Level 1)	**Significant Other Observable Inputs** (Level 2)	**Significant Unobservable Inputs** (Level 3)
U.S. Treasury & Agency Money Market Funds	$ 1,342,559	$ 1,342,559	$ -	$ -
Total by fair value level	$ 1,342,559	$ 1,342,559	$ -	$ -

NOTE 4—CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2018 follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Construction in progress	$ 7,108,660	$ -	$ 7,108,660	$ -
Total capital assets not being depreciated	$ 7,108,660	$ -	$ 7,108,660	$ -
Other Capital Assets:				
Buildings and fixtures	$ 3,152,767	$ -	$ -	$ 3,152,767
Accumulated depreciation	(1,317,343)	(262,203)	-	(1,579,546)
Other site improvements	5,269,369	524,294	-	5,793,663
Accumulated depreciation	(2,378,273)	(363,300)	-	(2,741,573)
Landfill site	10,675,424	7,108,660	-	17,784,084
Accumulated depreciation	(7,449,500)	(691,273)	-	(8,140,773)
Equipment and vehicles	5,081,562	461,536	2,789	5,540,309
Accumulated depreciation	(4,211,983)	(244,983)	(2,789)	(4,454,177)
Other capital assets, net	$ 8,822,023	$ 6,532,731	$ -	$ 15,354,754
Capital assets, net	$ 15,930,683	$ 6,532,731	$ 7,108,660	$ 15,354,754

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

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

NOTE 5—COMPENSATED ABSENCES:

Authority regular employees earn vacation leave each month at a scheduled rate from eight hours to twelve hours per month in accordance with years of service and sick leave at the rate of eight hours per month. Vacation leave can be accrued up to a maximum of 240 hours and sick leave can be accrued up to a maximum of 1,200 hours. Employees covered as VRS Hybrid employees can accrue a maximum of 80 hours sick leave. Sick leave is paid to the employee at a rate of $20 per day. Accumulated unpaid vacation and sick leave amounts are accrued when incurred. At June 30, 2018 and 2017, the liability for accrued vacation and sick leave was $74,405 and $82,539, respectively.

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the year ended June 30, 2018:

	Balance July 1, 2017	Restatement To Beginning Balance*	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2018	Due Within One Year
Landfill closure/post-closure	$ 10,379,015	$ -	$ 604,870	$ 126,275	$ 10,857,610	$ -
Revenue bonds	13,800,000	-	-	1,550,000	12,250,000	1,597,000
Net OPEB liability - group life insurance	-	79,865	-	16,596	63,269	-
Net OPEB liability - health insurance	329,028	(4,919)	35,269	20,161	339,217	-
Compensated absences	82,539	-	-	8,134	74,405	74,405
Totals	$ 24,590,582	$ 74,946	$ 640,139	$ 1,721,166	$ 23,584,501	$ 1,671,405

* Beginning balance was restated as part of the GASB Statement No. 75 implementation.

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

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

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

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest
2019	$ 1,597,000	$ 343,799
2020	1,645,000	295,566
2021	1,695,000	245,725
2022	1,746,000	194,212
2023	1,800,000	140,954
2024-2025	3,767,000	114,833
Total	$ 12,250,000	$ 1,335,089

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

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Revenue Bonds:		
$10,000,000 Revenue Bonds Series 2011 dated April 28, 2011 with principal payable annually in installments ranging from $233,000 to $1,767,000 and interest payable semi-annually at 4.15% ranging from $17,077 to $314,708, maturing August 2024.	$ 5,100,000	$ 641,000
$9,000,000 Revenue Bonds Series 2015 dated May 28, 2015 with principal payable annually starting November 1, 2016 in installments ranging from $915,000 to $1,089,000 and interest payable semi-annually at 2.18% ranging from $11,870 to $98,100, maturing November 1, 2024.	7,150,000	956,000
Total revenue bonds	$ 12,250,000	$ 1,597,000
Compensated absences	$ 74,405	$ 74,405
Net OPEB liability - health insurance	$ 339,217	$ -
Net OPEB liability - group life insurance	$ 63,269	$ -
Landfill closure and post-closure costs	$ 10,857,610	$ -
Total long-term debt obligations	$ 23,584,501	$ 1,671,405

NOTE 7—PENSION PLAN:

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

NOTE 7—PENSION PLAN:

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

Plan Description

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • 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.

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund. **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.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**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 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	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service (Cont.) credit in retirement, if the employer offers the health insurance credit.	**Creditable Service (Cont.)**	**Creditable Service (Cont.)** **Defined Benefit Component:** calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting 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.	**Vesting** Same as Plan 1.	**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.

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **<u>Defined Contributions Component:</u>** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. 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.

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Unreduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable.

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **<u>Exceptions to COLA Effective Dates:</u> (Cont.)** • 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.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **<u>Exceptions to COLA Effective Dates:</u> (Cont.)**	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **<u>Exceptions to COLA Effective Dates:</u> (Cont.)**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**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.

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Contributions

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

NOTE 7—PENSION PLAN: (CONTINUED)

Contributions: (Continued)
The Authority's contractually required contribution rate for the year ended June 30, 2018 was 6.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $59,053 and $56,591 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Authority reported an asset of $496,106 for its proportionate share of the net pension asset. The Authority's net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The Authority's proportionate share of the same was calculated using contributions paid to the plan during June 30, 2018 as a basis for allocation. At June 30, 2018 and 2017 the Authority's proportionate share was 51.86% and 57.30%, respectively.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates: (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTE 7—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Virginia's Region 2000 Local Government Council Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	(6.00%)	**(7.00%)**	**(8.00%)**
Region 2000 Services Authority Net Pension Liability (Asset)	$ (338,982)	$ (496,106)	$ (625,194)

NOTE 7—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2018, the Authority recognized pension expense of ($16,525). Since there was a change in proportionate share between measurement dates in a prior year, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 92,986
Change in assumptions	-	26,226
Change in proportionate employer share	29,171	-
Net difference between projected and actual earnings on pension plan investments	-	21,804
Employer contributions subsequent to the measurement date	59,053	-
Total	$ 88,224	$ 141,016

$59,053 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction/addition of the Net Pension Liability/Asset in the fiscal year ended June 30, 2019. 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	
2019	$ (41,738)
2020	(24,745)
2021	(30,364)
2022	(14,998)

NOTE 8—CLOSURE AND POST-CLOSURE CARE COSTS:

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

The Authority purchased the "Concord" landfill site from the City of Lynchburg in fiscal year 2009. As part of the purchase agreement the Authority assumed the landfill closure and post-closure liability and received cash reserves equal to the liability less current costs paid. The amount recorded as post-closure care costs is $3,010,745 at June 30, 2018. The post-closure care costs for the Concord site is based on the use of 100% of the landfill capacity at June 30, 2018. The Authority will recognize any remaining costs of closure and post-closure care and post-closure monitoring as the closure is completed.

During fiscal year 2012, the Authority purchased the "Livestock Road" site from the County of Campbell whereby assuming all related closure and post-closure liabilities. These amounts are based on what it would cost to perform all closure and post-closure care in 2018. The amount recorded as accrued landfill closure and post-closure care costs is $4,467,210 and $3,379,655, respectively, at June 30, 2018. The total closure and post-closure care costs reported in the amount of $7,846,865 for the Livestock Road site is based on the use of 94% of the open and permitted landfill capacity at June 30, 2018 of Phase III and 11% of Phase IV. The Authority will recognize any remaining costs of closure and post-closure care and post-closure monitoring as the closure is completed.

Total closure and post-closure liability for the Authority at June 30, 2018 was $4,467,210 and $6,390,400, respectively. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Authority is required by state and federal laws and regulations to meet certain financial assurance requirements. On behalf of the Authority the participating localities will demonstrate financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with section 9VAC-20-70 of the Virginia Administrative Code. The Authority has designated cash in the amount of $7,603,693 at June 30, 2018 to meet future closure and post-closure care costs.

NOTE 9—RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of VACORP, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its liability, property and its share of workers compensation coverage.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS:

HEALTH INSURANCE

The Authority implemented GASB Statement Number 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ending June 30, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Plan Description

In addition to the pension benefits described in Note 7, the Authority administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Authority's pension plans. The plan does not issue a publicly available financial report. Similar to all other payroll items, benefits and functions, the Authority employees are under the auspice of the Region 2000 Local Government Council.

Benefits Provided

Participants in the Region 2000 Services Authority OPEB plan must meet the eligibility requirements for retirement of the Virginia Retirement System to be eligible for benefits upon retirement. Participants must also retire directly from active service and meet one of the following criteria to be eligible:

- **Participants Hired by the Authority before July 1, 2006:** Attain the age of 50 with at least 10 years of consecutive service with the Authority.

- **Participants Hired by the Authority on or after July 1, 2006, but before April 17, 2009:** Attain the age of 50 with at least 20 years of consecutive service with the Authority.

- **Participants Hired by the Authority on or after April 17, 2009:** Not eligible to continue medical coverage into retirement.

Plan Membership

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms (includes Region 2000 Services Authority and Region 2000 Local Government Council employees):

Total active employees with coverage	15
Total retirees with coverage	1
Total	16

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2018 was $1,066.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

HEALTH INSURANCE: (CONTINUED)

Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Salary Increases	Salary increase rates of 3.5% - 5.35% including inflation
Discount Rate	3.50% as of June 30, 2017; 3.87% as of June 30, 2018

Discount Rate

The discount rate used to determine the liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. This rate was 3.50% as of June 30, 2017 and 3.87% as of June 30, 2018.

Changes in Total OPEB Liability

		Total OPEB Liability
Balances at June 30, 2017	$	324,109
Changes for the year:		
Service cost		15,407
Interest		11,864
Changes in assumptions		(11,097)
Benefit payments		(1,066)
Net changes		15,108
Balances at June 30, 2018	$	339,217

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

HEALTH INSURANCE: (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
$ 369,547	$ 339,217	$ 310,191

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

1% Decrease in Trend Rate	Healthcare Cost Current Trend Rate	1% Increase in Trend Rate
$ 293,423	$ 339,217	$ 392,848

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Authority recognized OPEB expense in the amount of $25,563. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 9,390
Total	$ -	$ 9,390

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (1,707)
2020	(1,707)
2021	(1,707)
2022	(1,707)
2023	(1,707)
Thereafter	(855)

Additional disclosures on changes in total OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were $4,768 and $4,595 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of $63,269 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .00809% as compared to .00917% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of ($1,038). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,556
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,593
Change in assumptions	-	3,112
Changes in proportion	-	8,297
Employer contributions subsequent to the measurement date	4,768	-
Total	$ 4,768	$ 15,558

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

$4,768 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30		
2019	$	3,205
2020		3,205
2021		3,205
2022		3,205
2023		1,890
Thereafter		849

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

NET GLI OPEB Liability: (Continued)

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The follow presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB 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:

	Rate		
	1% Decrease (6.00%)	**Current Discount (7.00%)**	**1% Increase (8.00%)**
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 81,659	$ 63,269	$ 48,119

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11—UPCOMING PRONOUNCEMENTS:

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

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

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

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

NOTE 11—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

NOTE 12—ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Authority implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Information necessary to restate the beginning balance for the fiscal year ending June 30, 2017 (July 1, 2016) as a result of the implementation of these statements was unavailable. The implementation of these Statements resulted in the following restatement of net position:

		Amount
Net Position as of July 1, 2017, previously reported	$	4,306,273
OPEB liability restated as of July 1, 2017 - health insurance		4,919
OPEB liability restated as of July 1, 2017 - group life insurance		(79,865)
Net Position as of July 1, 2017, as restated	$	4,231,327

Required Supplementary Information

Schedule of Authority's Proportionate Share of the Net Pension Asset
For the Years Ended June 30, 2015 through June 30, 2018

Measurement Date (1)	Proportion of the Net Pension Asset (NPA) (2)	Proportionate Share of the NPA (3)	Covered Payroll (4)	Proportionate Share of the NPA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2014	48.00%	$ 308,487	$ 866,039	35.62%	146.20%
2015	57.30%	395,219	961,770	41.09%	141.90%
2016	57.30%	357,770	944,388	37.88%	131.99%
2017	51.86%	496,106	877,040	56.57%	146.06%

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

Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2015 through June 30, 2018

Fiscal Year	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2015	$ 62,251	$ 62,251	$ -	$ 835,852	7.52%
2016	70,434	70,434	-	944,388	7.46%
2017	56,591	56,591	-	877,040	6.45%
2018	59,053	59,053	-	909,920	6.49%

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

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-
Retirement Rates	Lowered rates at older ages and changed final
Withdrawal Rates	Adjusted rates to better fit experience at each
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-
Retirement Rates	Increased age 50 rates, and lowered rates at
Withdrawal Rates	Adjusted rates to better fit experience at each
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Health Insurance
For the Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	$	15,407
Interest		11,864
Changes in assumptions		(11,097)
Differences between expected and actual experience		-
Benefit payments		(1,066)
Net change in total OPEB liability	$	15,108
Total OPEB liability - beginning		324,109
Total OPEB liability - ending	$	339,217
Covered payroll	$	697,782
Authority's total OPEB liability (asset) as a percentage of covered payroll		48.61%

Notes to Required Supplementary Information - OPEB - Health Insurance
For the Year Ended June 30, 2018

Valuation Date: January 1, 2018
Measurement Date: June 30, 2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal cost method
Discount Rate	3.50% as of June 30, 2017; 3.87% as of June 30, 2018
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	8.10% in 2017, 5.10% in 2018, then grading to an ultimate rate of 4.50% in 2073 to 3.70% in 2018, 7.60% in 2019, 4.90% in 2020, then grading to an ultimate rate of 4.20% in 2094.
Salary Increase Rates	Salary increase rates of 3.5% - 5.35% including inflation
Demographic Assumptions	Assumed 90% of future retirees under normal retirement will elect to continue medical coverage and 60% under normal retirement that will also elect to cover their spouse. Assumed 30% of participants retiring due to disability before normal retirement eligibility will elect coverage and include their spouse.

Schedule of Authority's Share of Net OPEB Liability - Group life insurance
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Tota GLI OPEB Liability (6)
2017	0.00809%	$ 63,269	$ 877,040	7.21%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - Group life insurance
For the Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 4,768	$ 4,768	$ -	$ 909,920	0.52%
2017	4,595	4,595	-	877,040	0.52%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information - Group life insurance
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-2014 projected to
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-2014 projected to
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-2014 projected to
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-2014 projected to
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-2014 projected to
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-2014 projected to
Retirement Rates	Lowered retirement rates at older ages and extended final
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-2014 projected to
Retirement Rates	Lowered retirement rates at older ages and extended final
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-2014 projected to
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-2014 projected to
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Other Supplementary Information

REGION 2000 SERVICES AUTHORITY

Net Position by Component
Last Ten Fiscal Years

	2018 (4)	2017	2016	2015 (3)
Net investment in capital assets	$ 4,798,038	$ 4,030,792	$ 5,707,701	$ 4,032,786
Unrestricted	63,948	275,481	(1,371,462)	317,527
Total net position	$ 4,861,986	$ 4,306,273	$ 4,336,239	$ 4,350,313

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

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

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

(4) In fiscal year 2018, the Authority implemented GASB Statement 75.

Table 1

2014	2013 (2)	2012 (1)	2011	2010	2009 (1)
$ 2,644,436	$ 2,411,016	$ 692,880	$ 305,090	$ (203,719)	$ 641,068
2,048,139	2,815,294	2,765,630	2,402,097	2,684,154	537,723
$ 4,692,575	$ 5,226,310	$ 3,458,510	$ 2,707,187	$ 2,480,435	$ 1,178,791

REGION 2000 SERVICES AUTHORITY

Changes in Net Position
Last Ten Fiscal Years

	2018	2017	2016	2015
Operating revenues:				
Tipping fees	$ 7,009,684	$ 6,699,464	$ 7,049,449	$ 7,162,811
Recycling revenues	28,849	55,682	54,003	55,161
Penalties & interest	14,618	18,483	9,014	5,559
Other revenue	50,301	48,508	50,777	37,298
Total operating revenues	$ 7,103,452	$ 6,822,137	$ 7,163,243	$ 7,260,829
Return of excess revenues to participating localities	$ (1,207,540)	$ (953,793)	$ (1,159,630)	$ (1,301,797)
Total operating revenue (net of reimbursement)	$ 5,895,912	$ 5,868,344	$ 6,003,613	$ 5,959,032
Operating expenses:				
Personnel costs	$ 1,247,360	$ 1,247,160	$ 1,189,343	$ 1,208,718
Contractual, legal and professional	373,761	411,900	402,665	541,585
Other operating costs	1,157,028	1,331,923	1,606,437	987,945
Landfill closure and post-closure expense	685,189	1,529,617	877,011	1,101,840
Depreciation and amortization	1,561,758	1,730,949	1,681,567	2,561,931
Total operating expenses	$ 5,025,096	$ 6,251,549	$ 5,757,023	$ 6,402,019
Operating income (loss)	$ 870,816	$ (383,205)	$ 246,590	$ (442,987)
Nonoperating revenues (expenses):				
Interest earned	$ 122,600	$ 50,159	$ 13,171	$ 11,336
Participating governments contributions	13,077	726,508	34,341	17,645
Gain (loss) on sale of assets	607	8,961	152,100	-
Insurance recovery	-	-	-	-
Return of equity to participating governments	-	-	-	-
Other nonoperating revenues (expenses)	-	(10,274)	5,000	118,993
Interest expense	(376,441)	(422,115)	(465,276)	(357,527)
Total nonoperating revenues (expenses)	$ (240,157)	$ 353,239	$ (260,664)	$ (209,553)
Income (loss) before capital contributions	$ 630,659	$ (29,966)	$ (14,074)	$ (652,540)
Participating governments capital contributions	-	-	-	-
Change in net position	$ 630,659	$ (29,966)	$ (14,074)	$ (652,540)

Table 2

2014	2013	2012	2011	2010	2009
$ 6,905,345	$ 8,226,940	$ 7,125,023	$ 6,485,910	$ 7,084,438	$ 6,976,265
58,931	59,769	58,824	69,327	65,882	58,373
7,917	26,294	8,034	10,762	21,309	15,362
71,225	80,969	8,411	10,627	41,324	17,957
$ 7,043,418	$ 8,393,972	$ 7,200,292	$ 6,576,626	$ 7,212,953	$ 7,067,957
$ (1,157,129)	$ (1,187,310)	$ (945,418)	$ (989,145)	$ (1,598,636)	$ (1,447,966)
$ 5,886,289	$ 7,206,662	$ 6,254,874	$ 5,587,481	$ 5,614,317	$ 5,619,991
$ 1,217,501	$ 1,169,169	$ 1,080,480	$ 1,080,356	$ 1,065,860	$ 964,811
401,322	332,210	280,804	250,001	259,994	240,960
1,083,962	1,212,013	1,078,164	1,018,136	864,736	1,048,847
2,362,121	1,065,485	637,852	607,595	1,826,644	465,732
2,108,922	1,472,821	1,907,046	1,949,825	1,384,231	1,625,893
$ 7,173,828	$ 5,251,698	$ 4,984,346	$ 4,905,913	$ 5,401,465	$ 4,346,243
$ (1,287,539)	$ 1,954,964	$ 1,270,528	$ 681,568	$ 212,852	$ 1,273,748
$ 18,663	$ 27,729	$ 37,987	$ 41,271	$ 12,475	$ 94,090
1,031,277	-	-	-	-	28,458
60,000	64,793	-	63,401	111,469	12,756
-	207,221	6,107	-	-	-
-	-	-	-	(353,613)	(248,533)
50,000	-	-	-	-	-
(406,136)	(486,907)	(563,299)	(312,680)	(313,209)	(362,357)
$ 753,804	$ (187,164)	$ (519,205)	$ (208,008)	$ (542,878)	$ (475,586)
$ (533,735)	$ 1,767,800	$ 751,323	$ 473,560	$ (330,026)	$ 798,162
-	-	-	-	-	95,607
$ (533,735)	$ 1,767,800	$ 751,323	$ 473,560	$ (330,026)	$ 893,769

Revenues by Source (Operating Revenues)
Last Ten Fiscal Years

Fiscal Year		Tipping Fees		Recycling		Penalties & Interest		Other		Total
2009	$	6,976,265	$	58,373	$	15,362	$	17,957	$	7,067,957
2010		7,084,438		65,882		21,309		41,324		7,212,953
2011		6,485,910		69,327		10,762		10,627		6,576,626
2012		7,125,023		58,824		8,034		8,411		7,200,292
2013		8,226,940		59,769		26,294		80,969		8,393,972
2014		6,905,345		58,931		7,917		71,225		7,043,418
2015		7,162,811		55,161		5,559		37,298		7,260,829
2016		7,049,449		54,003		9,014		50,777		7,163,243
2017		6,699,464		55,682		18,483		48,508		6,822,137
2018		7,009,684		28,849		14,618		50,301		7,103,452

REGION 2000 SERVICES AUTHORITY **Table 4**

Expenses by Type
Last Ten Fiscal Years

Fiscal Year		Personnel Costs		Contractual Legal and Professional		Other Operating Costs		Closure and Post-Closure		Depreciation		Total
2009	$	964,811	$	240,960	$	1,048,847	$	465,732	$	1,625,893	$	4,346,243
2010		1,065,860		259,994		864,736		1,826,644		1,384,231		5,401,465
2011		1,080,356		250,001		1,018,136		607,595		1,949,825		4,905,913
2012		1,080,480		280,804		1,078,164		637,852		1,907,046		4,984,346
2013		1,169,169		332,210		1,212,013		1,065,485		1,472,821		5,251,698
2014		1,217,501		401,322		1,083,962		2,362,121		2,108,922		7,173,828
2015		1,208,718		541,585		987,945		1,101,840		2,561,931		6,402,019
2016		1,189,343		402,665		1,606,437		877,011		1,681,567		5,757,023
2017		1,247,160		411,900		1,331,923		1,529,617		1,730,949		6,251,549
2018		1,247,360		373,761		1,157,028		685,189		1,561,758		5,025,096

REGION 2000 SERVICES AUTHORITY

Outstanding Debt by Type
Last Ten Fiscal Years

	2018	2017	2016	2015
Revenue bonds	$ 12,250,000	$ 13,800,000	$ 15,305,000	$ 17,072,000
Net/total OPEB obligation/liability	402,486	329,028	290,140	250,181
Compensated absences	74,405	82,539	97,479	95,161
Landfill closure and postclosure care costs	10,857,610	10,379,015	9,190,104	10,107,590
Total outstanding obligation	$ 23,584,501	$ 24,590,582	$ 24,882,723	$ 27,524,932

Table 5

2014	2013	2012	2011	2010	2009
$ 9,767,000	$ 10,000,000	$ 14,120,000	$ 16,130,000	$ 8,075,000	$ 10,000,000
202,669	146,792	109,445	72,824	36,047	-
95,453	89,585	78,079	71,854	66,124	62,901
12,317,808	10,052,622	8,987,137	5,760,797	5,289,479	3,462,835
$ 22,382,930	$ 20,288,999	$ 23,294,661	$ 22,035,475	$ 13,466,650	$ 13,525,736

This page intentionally left blank

Compliance

This page intentionally left blank

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY *CERTIFIED PUBLIC ACCOUNTANTS*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Region 2000 Services Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Region 2000 Services Authority's basic financial statements and have issued our report thereon dated October 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Region 2000 Services Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Region 2000 Services Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Region 2000 Services Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 31, 2018