

**REGION 2000 SERVICES AUTHORITY  
LYNCHBURG, VIRGINIA  
FINANCIAL REPORT  
YEARS ENDED JUNE 30, 2019 AND 2018**



**REGION 2000 SERVICES AUTHORITY**  
**LYNCHBURG, VIRGINIA**  
**FINANCIAL REPORT**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

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**EXECUTIVE DIRECTOR**

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Independent Auditors' Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Region 2000 Service Authority, as of and for the year ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Region 2000 Services Authority, as of June 30, 2019, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principle*

As described in Note 12 to the financial statements, in 2019, the Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 3-7 and 43-51 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.

### *Supplementary and 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. Other statistical information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other 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 November 13, 2019, 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  
November 13, 2019

## Management's Discussion and Analysis

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

As management of the Region 2000 Services Authority, (the "Authority"), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2019. 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.

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

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

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12-41 of this report.

Other information. In addition to the basic financial statements and accompanying notes, certain required supplementary information concerning the Authority's asset, 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 \$6,760,026 (net position). Of this amount unrestricted net position, which is available to pay for operations, was \$1,174,008
- The Authority's total net position increased by \$1,898,040.
- The Authority's total long-term obligations decreased by \$3,497,811 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 \$6,755,158 at the close of the most recent fiscal year.

A portion of the Authority's net position, \$5,586,018, 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		
	2019	2018	2017
Current and other assets	\$ 12,949,671	\$ 14,653,185	\$ 14,115,124
Capital assets	14,630,179	15,354,754	15,930,683
Total assets	<u>\$ 27,579,850</u>	<u>\$ 30,007,939</u>	<u>\$ 30,045,807</u>
Total deferred outflows of resources	<u>\$ 62,457</u>	<u>\$ 92,992</u>	<u>\$ 102,697</u>
Long-term liabilities outstanding	\$ 20,086,690	\$ 23,584,501	\$ 24,590,582
Other liabilities	668,750	1,488,480	1,158,918
Total liabilities	<u>\$ 20,755,440</u>	<u>\$ 25,072,981</u>	<u>\$ 25,749,500</u>
Total deferred inflows of resources	<u>\$ 126,841</u>	<u>\$ 165,964</u>	<u>\$ 92,731</u>
Net position:			
Net investment in capital assets	\$ 5,586,018	\$ 4,798,038	\$ 4,030,792
Unrestricted	1,174,008	63,948	275,481
Total net position	<u>\$ 6,760,026</u>	<u>\$ 4,861,986</u>	<u>\$ 4,306,273</u>

## Financial Analysis: (Continued)

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

	Change in Net Position		
	2019	2018	2017
Revenues:			
Operating revenues	\$ 7,264,287	\$ 7,103,452	\$ 6,822,137
Return of excess revenues to participating governments	-	(1,207,540)	(953,793)
Participating government contribution - City of Lynchburg	16,710	13,077	726,508
Other revenue	345,636	123,207	59,120
Total revenues	<u>\$ 7,626,633</u>	<u>\$ 6,032,196</u>	<u>\$ 6,653,972</u>
Expenses:			
Operating expenses	\$ 2,852,998	\$ 2,778,149	\$ 2,990,983
Landfill closure and post-closure expense	759,720	685,189	1,529,617
Depreciation and amortization expense	1,786,634	1,561,758	1,730,949
Nonoperating expenses	-	-	10,274
Interest expense	329,241	376,441	422,115
Total expenses	<u>\$ 5,728,593</u>	<u>\$ 5,401,537</u>	<u>\$ 6,683,938</u>
Increase (decrease) in net position	\$ 1,898,040	\$ 630,659	\$ (29,966)
Net position—July 1	<u>4,861,986</u>	<u>4,231,327</u>	<u>4,336,239</u>
Net position—June 30	<u>\$ 6,760,026</u>	<u>\$ 4,861,986</u>	<u>\$ 4,306,273</u>

The Authority's net position increased by \$1,898,040 during the current fiscal year. Total revenues increased by \$386,897, excluding excess revenues returned to participating governments, while total expenses increased \$327,056 from fiscal year 2018 levels. Included in the fiscal year 2019 total revenues is a gain on the disposal of capital assets in the amount of \$133,600 (gain on disposal of assets in fiscal year 2018 was \$607).

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, 2019 amounts to \$14,630,179 (net of accumulated depreciation). Below is a comparison of the capital asset costs as of June 30, 2019, June 30, 2018 and June 30, 2017.

	2019	2018	2017
Buildings and fixtures	\$ 3,152,767	\$ 3,152,767	\$ 3,152,767
Other site improvements	5,847,433	5,793,663	5,269,369
Landfill site	17,784,084	17,784,084	10,675,424
Equipment and vehicles	5,640,970	5,540,309	5,081,562
Less accumulated depreciation	<u>(17,928,570)</u>	<u>(16,916,069)</u>	<u>(15,357,099)</u>
Construction in progress	<u>\$ 133,495</u>	<u>\$ -</u>	<u>\$ 7,108,660</u>
Total capital assets, net	<u>\$ 14,630,179</u>	<u>\$ 15,354,754</u>	<u>\$ 15,930,683</u>

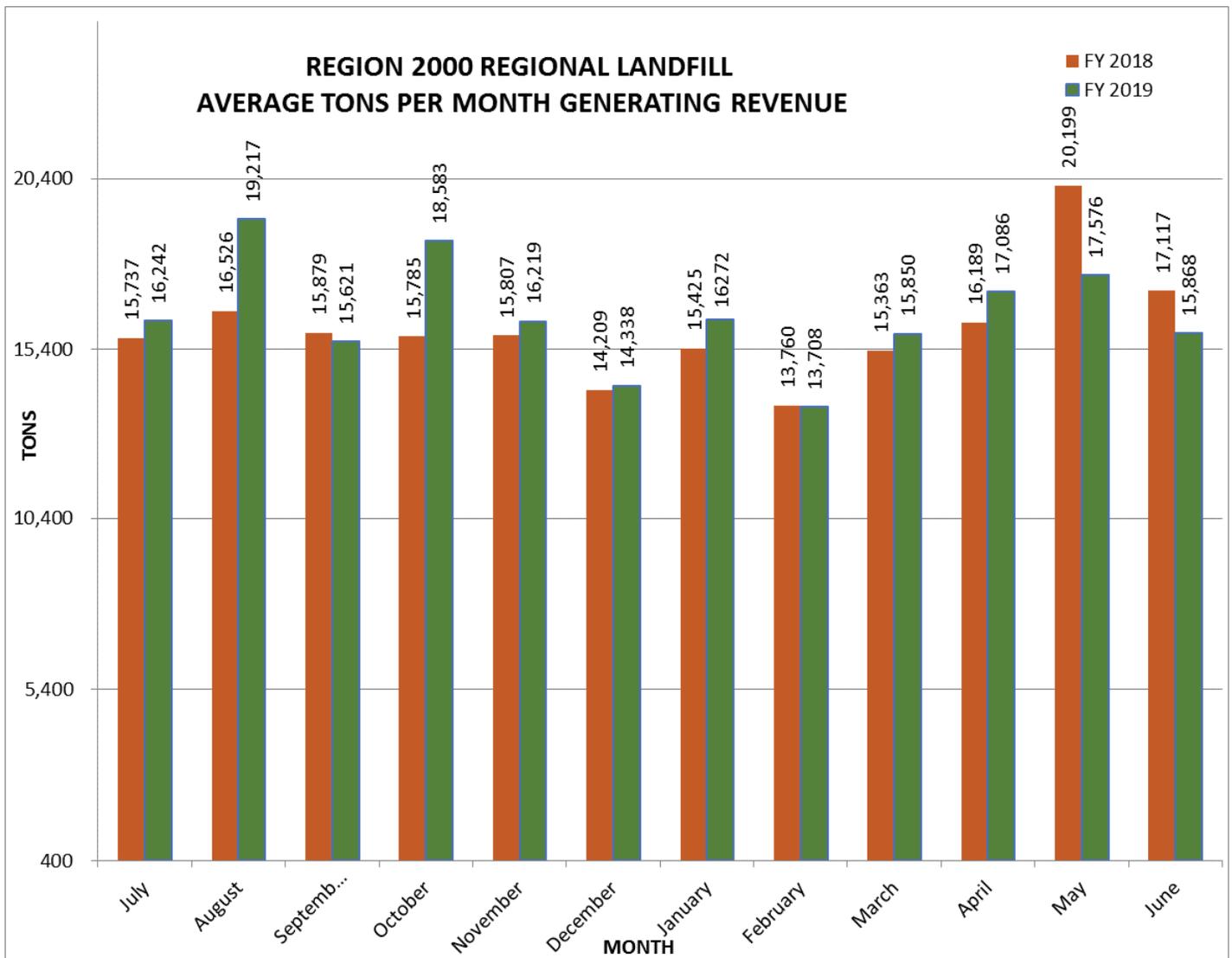
**Capital Asset and Debt Administration: (Continued)**

Long-Term Obligations - At the end of the fiscal year, the Authority had \$20,086,690 in total long-term obligations in comparison to \$23,584,501 reported in the prior year, a net decrease of \$3,497,811. 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 2019 the Authority repaid principal in the amount of \$1,597,000. The Authority’s estimated landfill closure and post-closure care liability decreased \$1,949,094.

**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 2018 was 38%

## **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 total capacity landfill gas compressor and flare, sized for full development of the landfill. The landfill gas collection system was expanded into the currently active Phase IV Landfill cell by connecting the underdrains (leachate collection pipes). The Landfill Gas recovery and destruction by flare has increased to approximately 1000 cfm. A request for proposal for the beneficial uses of the gas will be issued in the fall of 2019.

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**

The partial permanent closure cap for Phase III is complete.

## **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.

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## Financial Statements

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Statements of Net Position  
At June 30, 2019 and 2018

	At June 30,	
	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 3,541,314	\$ 3,304,907
Cash and cash equivalents - closure/post-closure reserve accounts	5,849,011	7,603,693
Restricted cash and cash equivalents:		
Unspent bond proceeds	237,254	350,725
Cash held with trustee for debt service	1,371,585	1,342,559
Accounts receivable (Note 2)	599,313	732,368
Due from participating government	743,218	739,585
Prepaid items	55,513	83,242
 Total current assets	 \$ 12,397,208	 \$ 14,157,079
Noncurrent assets:		
Other Assets:		
Net pension asset	\$ 552,463	\$ 496,106
Capital assets (Note 4):		
Buildings and fixtures	\$ 3,152,767	\$ 3,152,767
Landfill site	17,784,084	17,784,084
Equipment and vehicles	5,640,970	5,540,309
Other site improvements	5,847,433	5,793,663
Accumulated depreciation	(17,928,570)	(16,916,069)
 Sub-total net capital assets	 \$ 14,496,684	 \$ 15,354,754
Construction work in progress	\$ 133,495	\$ -
 Total net capital assets	 \$ 14,630,179	 \$ 15,354,754
 Total noncurrent assets	 \$ 15,182,642	 \$ 15,850,860
 Total assets	 \$ 27,579,850	 \$ 30,007,939
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
OPEB related items	\$ 19,240	\$ 4,768
Pension related items	43,217	88,224
 Total deferred outflows of resources	 \$ 62,457	 \$ 92,992

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

Statements of Net Position  
At June 30, 2019 and 2018 (Continued)

	At June 30,	
	2019	2018
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 569,142	\$ 166,774
Due to participating governments	-	1,207,540
Compensated absences (Note 5)	75,074	74,405
Total current liabilities	<u>\$ 644,216</u>	<u>\$ 1,448,719</u>
Current liabilities payable from restricted assets:		
Current maturities of long-term debt (Note 6)	\$ 1,645,000	\$ 1,597,000
Accrued interest	99,608	114,166
Total current liabilities payable from restricted assets	<u>\$ 1,744,608</u>	<u>\$ 1,711,166</u>
Noncurrent liabilities:		
Accrued landfill closure and post-closure costs (Note 8)	\$ 5,849,011	\$ 7,603,693
Accrued landfill closure and post-closure costs - unfunded portion	3,059,505	3,253,917
Net OPEB liabilities (Note 10)	450,100	402,486
Revenue bonds - net of current portion (Note 6)	9,008,000	10,653,000
Total noncurrent liabilities	<u>\$ 18,366,616</u>	<u>\$ 21,913,096</u>
Total liabilities	<u>\$ 20,755,440</u>	<u>\$ 25,072,981</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related items	\$ 112,417	\$ 141,016
OPEB related items	14,424	24,948
Total deferred inflows of resources	<u>\$ 126,841</u>	<u>\$ 165,964</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 5,586,018	\$ 4,798,038
Unrestricted	1,174,008	63,948
Total net position	<u>\$ 6,760,026</u>	<u>\$ 4,861,986</u>

Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended June 30, 2019 and 2018

	Year Ended June 30,	
	2019	2018
Operating revenues:		
Tipping fees	\$ 7,187,563	\$ 7,009,684
Recycling revenues	1,975	28,849
Penalties and interest	27,774	14,618
Other revenue	46,975	50,301
Total operating revenues	\$ 7,264,287	\$ 7,103,452
Return of excess revenues to participating governments	\$ -	\$ (1,207,540)
Total operating revenues (net of reimbursement)	\$ 7,264,287	\$ 5,895,912
Operating expenses:		
Personnel costs	\$ 1,312,278	\$ 1,247,360
Contractual, legal and professional	404,826	373,761
Other operating costs	1,135,894	1,157,028
Landfill closure and post-closure expense	759,720	685,189
Depreciation	1,786,634	1,561,758
Total operating expenses	\$ 5,399,352	\$ 5,025,096
Operating income (loss)	\$ 1,864,935	\$ 870,816
Nonoperating revenues (expenses):		
Interest income	\$ 212,036	\$ 122,600
Participating government contribution - City of Lynchburg	16,710	13,077
Gain (loss) on disposal of assets	133,600	607
Interest expense	(329,241)	(376,441)
Total nonoperating revenues (expenses)	\$ 33,105	\$ (240,157)
Change in net position	\$ 1,898,040	\$ 630,659
Net position, beginning of year	4,861,986	4,231,327
Net position, end of year	\$ 6,760,026	\$ 4,861,986

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

Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	Year Ended June 30,	
	2019	2018
Cash from operating activities:		
Receipts from customers and users	\$ 6,189,802	\$ 6,029,886
Payments to suppliers and other vendors	(3,843,916)	(1,666,297)
Payments to and on behalf of employees	(1,328,940)	(1,312,380)
Net cash provided by (used for) operating activities	<u>\$ 1,016,946</u>	<u>\$ 3,051,209</u>
Cash from noncapital financing activities:		
Participating government contribution for closure and post-closure costs	\$ 13,077	-
Net cash provided by (used for) noncapital financing activities	<u>\$ 13,077</u>	<u>\$ -</u>
Cash from capital and related financing activities:		
Purchases of capital assets	\$ (1,037,580)	\$ (1,007,192)
Proceeds from the disposal of assets	133,600	607
Principal payments on bonds	(1,597,000)	(1,550,000)
Interest payments	(343,799)	(390,472)
Net cash provided by (used for) capital and related financing activities	<u>\$ (2,844,779)</u>	<u>\$ (2,947,057)</u>
Cash from investing activities:		
Interest income	\$ 212,036	\$ 122,600
Net cash provided by (used for) investing activities	<u>\$ 212,036</u>	<u>\$ 122,600</u>
Increase (decrease) in cash and cash equivalents	\$ (1,602,720)	\$ 226,752
Cash and cash equivalents at beginning of year (including \$1,693,284 and \$1,900,109, respectively reported in restricted accounts)	<u>12,601,884</u>	<u>12,375,132</u>
Cash and cash equivalents at end of year (including \$1,608,639 and \$1,693,284, respectively reported in restricted accounts)	<u>\$ 10,999,164</u>	<u>\$ 12,601,884</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,864,935	\$ 870,816
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,786,634	1,561,758
Changes in operating assets and liabilities and deferred inflows/outflows:		
(Increase) decrease in accounts receivable	133,055	(119,773)
(Increase) decrease in prepaid items	27,729	(40,123)
(Increase) decrease in net pension asset	(56,357)	(138,336)
(Increase) decrease in deferred outflows - net pension asset related	45,007	14,473
(Increase) decrease in deferred outflows - OPEB related items	(14,472)	(4,768)
Increase (decrease) in compensated absences	669	(8,134)
Increase (decrease) in net OPEB liabilities	47,614	(1,488)
Increase (decrease) in deferred inflows - OPEB related items	(10,524)	24,948
Increase (decrease) in deferred inflows - net pension asset related	(28,599)	48,285
Increase (decrease) in accounts payable - operating	377,889	111,209
Increase (decrease) in due to participating governments	(1,207,540)	253,747
Increase (decrease) in accrued landfill costs	(1,949,094)	478,595
Net cash provided by (used for) operating activities	<u>\$ 1,016,946</u>	<u>\$ 3,051,209</u>
Noncash investing, capital and financing activities:		
(Increase) decrease in accounts/retainage payable for capital activities	<u>\$ (24,479)</u>	<u>\$ 21,363</u>

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

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018

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

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

#### Financial Reporting Entity

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

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

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

For purposes of reporting entity disclosure, it should be noted that a separate entity, the Central Virginia Planning District Commission, provides administrative support services; however, each entity is operationally and legally independent.

### NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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#### A. Basic Financial Statements

The Management's Discussion and Analysis (MD&A) section provides an analysis of the Authority's overall financial position and results of operations.

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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

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#### A. Basic Financial Statements (Continued)

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

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

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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

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E. Capital Assets

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Depreciation of landfill cell development and site costs is recorded based on remaining units of capacity. Total depreciation for the periods ended June 30, 2019 and 2018 was \$1,786,634 and \$1,561,758, respectively.

F. Accounts Receivable

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

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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

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#### G. Use of Estimates

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

#### H. Closure and Post-Closure Obligations

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

#### I. Net Position:

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

#### J. Net Position Flow Assumption

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

#### K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has 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 this item, reference the related notes.

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 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.

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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

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#### 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:

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#### Deposits

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

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

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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).

<u>Authority's Rated Debt Investments' Values</u>	
	<u>Fair Quality Ratings</u>
<u>Rated Debt Investments</u>	<u>AAAm</u>
Local Government Investment Pool	\$ 6,206,508
U.S. Treasury Obligation Money Market Fund	<u>1,371,585</u>
Total	<u>\$ 7,578,093</u>

Interest Rate Risk

	<u>Investment Maturities (in years)</u>	
	<u>Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 6,206,508	\$ 6,206,508
U.S. Treasury Obligation Money Market Fund	<u>1,371,585</u>	<u>1,371,585</u>
	<u>\$ 7,578,093</u>	<u>\$ 7,578,093</u>

External Investment Pools

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

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measures

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

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

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

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Total</u>	<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>
	<u>June 30,</u>	<u>in Active</u>	<u>Other</u>	<u>Unobservable</u>
	<u>2019</u>	<u>Markets for</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Identical</u>	<u>Inputs</u>	<u>(Level 3)</u>
		<u>Assets</u>	<u>(Level 2)</u>	
		<u>(Level 1)</u>		
U.S. Treasury & Agency Money Market Funds	\$ <u>1,371,585</u>	\$ <u>1,371,585</u>	\$ <u>-</u>	\$ <u>-</u>
Total by fair value level	\$ <u><u>1,371,585</u></u>	\$ <u><u>1,371,585</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

NOTE 4—CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2019 follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ -	\$ 133,495	\$ -	\$ 133,495
Total capital assets not being depreciated	\$ -	\$ 133,495	\$ -	\$ 133,495
<b>Other Capital Assets:</b>				
Buildings and fixtures	\$ 3,152,767	\$ -	\$ -	\$ 3,152,767
Accumulated depreciation	(1,579,546)	(262,203)	-	(1,841,749)
Other site improvements	5,793,663	53,770	-	5,847,433
Accumulated depreciation	(2,741,573)	(394,690)	-	(3,136,263)
Landfill site	17,784,084	-	-	17,784,084
Accumulated depreciation	(8,140,773)	(745,125)	-	(8,885,898)
Equipment and vehicles	5,540,309	874,794	774,133	5,640,970
Accumulated depreciation	(4,454,177)	(384,616)	(774,133)	(4,064,660)
Other capital assets, net	\$ 15,354,754	\$ (858,070)	\$ -	\$ 14,496,684
Capital assets, net	\$ 15,354,754	\$ (724,575)	\$ -	\$ 14,630,179

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ 7,108,660	\$ -	\$ 7,108,660	\$ -
Total capital assets not being depreciated	\$ 7,108,660	\$ -	\$ 7,108,660	\$ -
<b>Other Capital Assets:</b>				
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 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 \$75,074 and \$74,405, respectively.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

**NOTE 6—LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligation transactions for the year ended June 30, 2019:

	Balance July 1, 2018	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2019	Due Within One Year
Landfill closure/post-closure	\$ 10,857,610	\$ 769,803	\$ 2,718,897	\$ 8,908,516	\$ -
Revenue bonds:					
Direct borrowings and direct placements	12,250,000	-	1,597,000	10,653,000	1,645,000
Net OPEB liability - group life insurance	63,269	28,005	18,670	72,604	-
Net OPEB liability - health insurance	339,217	39,835	1,556	377,496	-
Compensated absences	74,405	669	-	75,074	75,074
<b>Totals</b>	<b>\$ 23,584,501</b>	<b>\$ 838,312</b>	<b>\$ 4,336,123</b>	<b>\$ 20,086,690</b>	<b>\$ 1,720,074</b>

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:						
Direct borrowings and direct placements	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
<b>Totals</b>	<b>\$ 24,590,582</b>	<b>\$ 74,946</b>	<b>\$ 640,139</b>	<b>\$ 1,721,166</b>	<b>\$ 23,584,501</b>	<b>\$ 1,671,405</b>

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
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	1,855,000	85,886
2025	1,912,000	28,947
<b>Total</b>	<b>\$ 10,653,000</b>	<b>\$ 991,290</b>

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements - 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.	\$ 4,459,000	\$ 668,000
\$9,000,000 Revenue Bonds Series 2015 dated May 28, 2015 with principal payable annually starting November 1, 2016 in installments ranging from \$915,000 to \$1,089,000 and interest payable semi-annually at 2.18% ranging from \$11,870 to \$98,100, maturing November 1, 2024.	<u>6,194,000</u>	<u>977,000</u>
Total revenue bonds	\$ 10,653,000	\$ 1,645,000
Compensated absences	<u>75,074</u>	<u>75,074</u>
Net OPEB liability - health insurance	<u>377,496</u>	<u>-</u>
Net OPEB liability - group life insurance	<u>72,604</u>	<u>-</u>
Landfill closure and post-closure costs	<u>8,908,516</u>	<u>-</u>
Total long-term debt obligations	<u><u>\$ 20,086,690</u></u>	<u><u>\$ 1,720,074</u></u>

NOTE 7—PENSION PLAN:

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment, through the Central Virginia Planning District Commission. 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 Central Virginia Planning District Commission and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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### NOTE 7—PENSION PLAN: (CONTINUED)

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#### *Benefit Structures*

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

#### *Average Final Compensation and Service Retirement Multiplier*

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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### NOTE 7—PENSION PLAN: (CONTINUED)

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#### *Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits*

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

#### *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.

The Authority's contractually required contribution rate for the year ended June 30, 2019 was 4.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$43,217 and \$59,053 for the years ended June 30, 2019 and June 30, 2018, respectively.

#### *Net Pension Asset*

At June 30, 2019, the Authority reported an asset of \$552,463 for its proportionate share of the net pension asset. The Authority's net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The Authority's proportionate share of the same was calculated using contributions paid to the plan during June 30, 2019 as a basis for allocation. At June 30, 2019 and 2018 the Authority's proportionate share was 51.86% and 51.86%, respectively.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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NOTE 7—PENSION PLAN: (CONTINUED)

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*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.

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.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Actuarial Assumptions - General Employees: (Continued)*

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%

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%

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
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%.

*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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*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)	\$ (374,151)	\$ (552,463)	\$ (699,081)

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

For the year ended June 30, 2019, the Authority recognized pension expense of (\$25,903). 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, 2019, 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	\$ -	\$ 75,710
Change in assumptions	-	17,978
Net difference between projected and actual earnings on pension plan investments	-	18,728
Employer contributions subsequent to the measurement date	43,217	-
Total	\$ 43,217	\$ 112,416

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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NOTE 7—PENSION PLAN: (CONTINUED)

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*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)*

\$43,217 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, 2020. 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

2020	\$	(39,121)
2021		(44,172)
2022		(27,800)
2023		(1,323)

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 8—CLOSURE AND POST-CLOSURE CARE COSTS:

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

The Authority purchased the "Concord" landfill site from the City of Lynchburg in fiscal year 2009. As part of the purchase agreement the Authority assumed the landfill closure and post-closure liability and received cash reserves equal to the liability less current costs paid. The amount recorded as post-closure care costs is \$2,950,813 at June 30, 2019. The post-closure care costs for the Concord site is based on the use of 100% of the landfill capacity at June 30, 2019. The Authority will recognize any remaining costs of closure and post-closure care and post-closure monitoring as the closure is completed.

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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

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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 2019. The amount recorded as accrued landfill closure and post-closure care costs is \$2,381,073 and \$3,576,630, respectively, at June 30, 2019. The total closure and post-closure care costs reported in the amount of \$5,957,703 for the Livestock Road site is based on the use of 94% of the open and permitted landfill capacity at June 30, 2019 of Phase III and 25% 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, 2019 was \$2,381,073 and \$6,527,443, 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 \$5,849,011 at June 30, 2019 to meet future closure and post-closure care costs.

### NOTE 9—RISK MANAGEMENT:

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The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority 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:

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#### 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 Central Virginia Planning District Commission.

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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### NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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#### HEALTH INSURANCE: (CONTINUED)

##### 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, 2019 (measurement date), the following employees were covered by the benefit terms (includes Region 2000 Services Authority and Central Virginia Planning District Commission employees):

Total active employees with coverage	15
Total retirees with coverage	<u>1</u>
Total	<u><u>16</u></u>

##### 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, 2019 was \$1,556.

##### Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

HEALTH INSURANCE: (CONTINUED)

**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, 2019; 2.50% per year as of June 30, 2018
Salary Increases	Graded scale
Discount Rate	3.50% as of June 30, 2019; 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, 2019 and 3.87% as of June 30, 2018.

**Changes in Total OPEB Liability**

Balances at June 30, 2018	\$	339,217
Changes for the year:		
Service cost		14,931
Interest		13,676
Changes in assumptions		11,228
Benefit payments		(1,556)
Net changes		<u>38,279</u>
Balances at June 30, 2019	\$	<u><u>377,496</u></u>

**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 (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$ 402,949	\$ 377,496	\$ 352,631

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

HEALTH INSURANCE: (CONTINUED)

**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:

<u>1% Decrease in Trend Rate</u>	<u>Healthcare Cost Current Trend Rate</u>	<u>1% Increase in Trend Rate</u>
\$ 331,492	\$ 377,496	\$ 431,305

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

For the year ended June 30, 2019 and 2018, the Authority recognized OPEB expense in the amounts of \$28,942 and \$25,563. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 9,186	\$ 7,683
Total	<u>\$ 9,186</u>	<u>\$ 7,683</u>

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

<u>Year Ended June 30</u>		
2020	\$	335
2021		335
2022		335
2023		335
2024		163
Thereafter		-

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.

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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### NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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#### GROUP LIFE INSURANCE

##### *Plan Description*

The Group Life Insurance (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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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 GLI Program OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

##### *Eligible Employees*

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

##### *Benefit Amounts*

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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**GROUP LIFE INSURANCE: (CONTINUED)**

*Contributions*

The contribution requirements for the GLI 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 GLI 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 GLI Program from the entity were \$4,868 and \$4,768 for the years ended June 30, 2019 and June 30, 2018, respectively.

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB*

At June 30, 2019, the entity reported a liability of \$72,604 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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 GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .00927% as compared to .00809% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$518. 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.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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 GLI Program OPEB: (Continued)*

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,630	\$ 1,037
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,593
Change in assumptions	-	3,112
Changes in proportion	1,556	-
Employer contributions subsequent to the measurement date	<u>4,868</u>	<u>-</u>
Total	<u>\$ 10,054</u>	<u>\$ 6,742</u>

\$4,868 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, 2020. 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:

<u>Year Ended June 30</u>	
2020	\$ (1,037)
2021	(1,037)
2022	(1,037)
2023	(519)
2023	1,037
Thereafter	1,037

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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GROUP LIFE INSURANCE: (CONTINUED)

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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.

**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.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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**GROUP LIFE INSURANCE: (CONTINUED)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Largest Ten Locality Employers - General Employees**

The actuarial assumptions used in the June 30, 2017 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%

**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.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

**GROUP LIFE INSURANCE: (CONTINUED)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)**

The actuarial assumptions used in the June 30, 2017 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 GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		<b>Group Life Insurance OPEB Program</b>
		<hr/>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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.

REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

*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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

\*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%.

*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 ended June 30, 2018, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue 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.

## REGION 2000 SERVICES AUTHORITY

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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### NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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#### GROUP LIFE INSURANCE: (CONTINUED)

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

The following 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	\$ 94,904	\$ 72,604	\$ 54,453

##### *GLI Program Fiduciary Net Position*

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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:

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Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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

**REGION 2000 SERVICES AUTHORITY**

Notes to Financial Statements  
As of June 30, 2019 and 2018 (Continued)

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**NOTE 12—ADOPTION OF ACCOUNTING PRINCIPLES:**

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The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

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## Required Supplementary Information

Schedule of Authority's Proportionate Share of the Net Pension Asset  
For the Measurement Dates of June 30, 2014 through June 30, 2018

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Measurement Date (1)	Proportion of the Net Pension Asset (NPA) (2)	Proportionate Share of the NPA (3)	Covered Payroll (4)	Proportionate Share of the NPA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2014	48.00%	\$ 308,487	\$ 866,039	35.62%	146.20%
2015	57.30%	395,219	961,770	41.09%	141.90%
2016	57.30%	357,770	944,388	37.88%	131.99%
2017	51.86%	496,106	877,040	56.57%	146.06%
2018	51.86%	552,463	909,920	60.72%	145.61%

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, 2019

Fiscal Year	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2015	\$ 62,251	\$ 62,251	\$ -	\$ 835,852	7.52%
2016	70,434	70,434	-	944,388	7.46%
2017	56,591	56,591	-	877,040	6.45%
2018	59,053	59,053	-	909,920	6.49%
2019	43,217	43,217	-	942,065	4.59%

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

Notes to Required Supplementary Information - Pension  
 For the Year Ended June 30, 2019

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

**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, 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%
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%
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Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Health Insurance  
 For the Years Ended June 30, 2018 through June 30, 2019

	<u>2018</u>	<u>2019</u>
<b>Total OPEB liability</b>		
Service cost	\$ 15,407	\$ 14,931
Interest	11,864	13,676
Changes in assumptions	(11,097)	11,228
Differences between expected and actual experience	-	-
Benefit payments	(1,066)	(1,556)
<b>Net change in total OPEB liability</b>	<b>\$ 15,108</b>	<b>\$ 38,279</b>
<b>Total OPEB liability - beginning</b>	<b>324,109</b>	<b>339,217</b>
<b>Total OPEB liability - ending</b>	<b>\$ <u>339,217</u></b>	<b>\$ <u>377,496</u></b>
Covered payroll	\$ 697,782	\$ 725,314
Authority's total OPEB liability (asset) as a percentage of covered payroll	48.61%	52.05%

Notes to Required Supplementary Information - OPEB - Health Insurance  
 For the Year Ended June 30, 2019

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Valuation Date: January 1, 2018  
 Measurement Date: June 30, 2019

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, 2019;
Inflation	2.50% per year as of June 30, 2019
Healthcare Trend Rate	3.70% - 4.20% over 76 years
Salary Increase Rates	Graded Scale
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 Measurement Dates of June 30, 2018 and 2017

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 Total GLI OPEB Liability (6)
2017	0.00809%	\$ 63,269	\$ 877,040	7.21%	48.86%
2018	0.00927%	72,604	909,920	7.98%	51.22%

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, 2019

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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)
2017	\$ 4,595	\$ 4,595	\$ -	\$ 877,040	0.52%
2018	4,768	4,768	-	909,920	0.52%
2019	4,868	4,868	-	942,065	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, 2019

**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%		

Notes to Required Supplementary Information - Group life insurance  
For the Year Ended June 30, 2019 (Continued)

**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

	<u>2019</u>	<u>2018 (4)</u>	<u>2017</u>	<u>2016</u>
Net investment in capital assets	\$ 5,586,018	\$ 4,798,038	\$ 4,030,792	\$ 5,707,701
Unrestricted	<u>1,174,008</u>	<u>63,948</u>	<u>275,481</u>	<u>(1,371,462)</u>
Total net position	<u>\$ 6,760,026</u>	<u>\$ 4,861,986</u>	<u>\$ 4,306,273</u>	<u>\$ 4,336,239</u>

- (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

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<u>2015 (3)</u>	<u>2014</u>	<u>2013 (2)</u>	<u>2012 (1)</u>	<u>2011</u>	<u>2010</u>
\$ 4,032,786	\$ 2,644,436	\$ 2,411,016	\$ 692,880	\$ 305,090	\$ (203,719)
317,527	2,048,139	2,815,294	2,765,630	2,402,097	2,684,154
<u>\$ 4,350,313</u>	<u>\$ 4,692,575</u>	<u>\$ 5,226,310</u>	<u>\$ 3,458,510</u>	<u>\$ 2,707,187</u>	<u>\$ 2,480,435</u>

REGION 2000 SERVICES AUTHORITY

Changes in Net Position  
Last Ten Fiscal Years

	2019	2018	2017	2016
Operating revenues:				
Tipping fees	\$ 7,187,563	\$ 7,009,684	\$ 6,699,464	\$ 7,049,449
Recycling revenues	1,975	28,849	55,682	54,003
Penalties & interest	27,774	14,618	18,483	9,014
Other revenue	46,975	50,301	48,508	50,777
Total operating revenues	<u>\$ 7,264,287</u>	<u>\$ 7,103,452</u>	<u>\$ 6,822,137</u>	<u>\$ 7,163,243</u>
Return of excess revenues to participating localities	<u>\$ -</u>	<u>\$ (1,207,540)</u>	<u>\$ (953,793)</u>	<u>\$ (1,159,630)</u>
Total operating revenue (net of reimbursement)	<u>\$ 7,264,287</u>	<u>\$ 5,895,912</u>	<u>\$ 5,868,344</u>	<u>\$ 6,003,613</u>
Operating expenses:				
Personnel costs	\$ 1,312,278	\$ 1,247,360	\$ 1,247,160	\$ 1,189,343
Contractual, legal and professional	404,826	373,761	411,900	402,665
Other operating costs	1,135,894	1,157,028	1,331,923	1,606,437
Landfill closure and post-closure expense	759,720	685,189	1,529,617	877,011
Depreciation and amortization	1,786,634	1,561,758	1,730,949	1,681,567
Total operating expenses	<u>\$ 5,399,352</u>	<u>\$ 5,025,096</u>	<u>\$ 6,251,549</u>	<u>\$ 5,757,023</u>
Operating income (loss)	<u>\$ 1,864,935</u>	<u>\$ 870,816</u>	<u>\$ (383,205)</u>	<u>\$ 246,590</u>
Nonoperating revenues (expenses):				
Interest earned	\$ 212,036	\$ 122,600	\$ 50,159	\$ 13,171
Participating governments contributions	16,710	13,077	726,508	34,341
Gain (loss) on sale of assets	133,600	607	8,961	152,100
Insurance recovery	-	-	-	-
Return of equity to participating governments	-	-	-	-
Other nonoperating revenues (expenses)	-	-	(10,274)	5,000
Interest expense	(329,241)	(376,441)	(422,115)	(465,276)
Total nonoperating revenues (expenses)	<u>\$ 33,105</u>	<u>\$ (240,157)</u>	<u>\$ 353,239</u>	<u>\$ (260,664)</u>
Income (loss) before capital contributions	<u>\$ 1,898,040</u>	<u>\$ 630,659</u>	<u>\$ (29,966)</u>	<u>\$ (14,074)</u>
Change in net position	<u><u>\$ 1,898,040</u></u>	<u><u>\$ 630,659</u></u>	<u><u>\$ (29,966)</u></u>	<u><u>\$ (14,074)</u></u>

Table 2

	2015	2014	2013	2012	2011	2010
\$	7,162,811	\$ 6,905,345	\$ 8,226,940	\$ 7,125,023	\$ 6,485,910	\$ 7,084,438
	55,161	58,931	59,769	58,824	69,327	65,882
	5,559	7,917	26,294	8,034	10,762	21,309
	37,298	71,225	80,969	8,411	10,627	41,324
\$	<u>7,260,829</u>	<u>\$ 7,043,418</u>	<u>\$ 8,393,972</u>	<u>\$ 7,200,292</u>	<u>\$ 6,576,626</u>	<u>\$ 7,212,953</u>
\$	<u>(1,301,797)</u>	<u>(1,157,129)</u>	<u>(1,187,310)</u>	<u>(945,418)</u>	<u>(989,145)</u>	<u>(1,598,636)</u>
\$	<u>5,959,032</u>	<u>5,886,289</u>	<u>7,206,662</u>	<u>6,254,874</u>	<u>5,587,481</u>	<u>5,614,317</u>
\$	1,208,718	\$ 1,217,501	\$ 1,169,169	\$ 1,080,480	\$ 1,080,356	\$ 1,065,860
	541,585	401,322	332,210	280,804	250,001	259,994
	987,945	1,083,962	1,212,013	1,078,164	1,018,136	864,736
	1,101,840	2,362,121	1,065,485	637,852	607,595	1,826,644
	2,561,931	2,108,922	1,472,821	1,907,046	1,949,825	1,384,231
\$	<u>6,402,019</u>	<u>\$ 7,173,828</u>	<u>\$ 5,251,698</u>	<u>\$ 4,984,346</u>	<u>\$ 4,905,913</u>	<u>\$ 5,401,465</u>
\$	<u>(442,987)</u>	<u>(1,287,539)</u>	<u>1,954,964</u>	<u>1,270,528</u>	<u>681,568</u>	<u>212,852</u>
\$	11,336	\$ 18,663	\$ 27,729	\$ 37,987	\$ 41,271	\$ 12,475
	17,645	1,031,277	-	-	-	-
	-	60,000	64,793	-	63,401	111,469
	-	-	207,221	6,107	-	-
	-	-	-	-	-	(353,613)
	118,993	50,000	-	-	-	-
	<u>(357,527)</u>	<u>(406,136)</u>	<u>(486,907)</u>	<u>(563,299)</u>	<u>(312,680)</u>	<u>(313,209)</u>
\$	<u>(209,553)</u>	<u>753,804</u>	<u>(187,164)</u>	<u>(519,205)</u>	<u>(208,008)</u>	<u>(542,878)</u>
\$	<u>(652,540)</u>	<u>(533,735)</u>	<u>1,767,800</u>	<u>751,323</u>	<u>473,560</u>	<u>(330,026)</u>
\$	<u><u>(652,540)</u></u>	<u><u>(533,735)</u></u>	<u><u>1,767,800</u></u>	<u><u>751,323</u></u>	<u><u>473,560</u></u>	<u><u>(330,026)</u></u>

Revenues by Source (Operating Revenues)  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Tipping Fees</u>	<u>Recycling</u>	<u>Penalties &amp; Interest</u>	<u>Other</u>	<u>Total</u>
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
2019	7,187,563	1,975	27,774	46,975	7,264,287

Expenses by Type  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Personnel Costs</u>	<u>Contractual Legal and Professional</u>	<u>Other Operating Costs</u>	<u>Closure and Post-Closure</u>	<u>Depreciation</u>	<u>Total</u>
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
2019	1,312,278	404,826	1,135,894	759,720	1,786,634	5,399,352

REGION 2000 SERVICES AUTHORITY

Outstanding Debt by Type  
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenue bonds	\$ 10,653,000	\$ 12,250,000	\$ 13,800,000	\$ 15,305,000
Net/total OPEB obligation/liability	450,100	402,486	329,028	290,140
Compensated absences	75,074	74,405	82,539	97,479
Landfill closure and postclosure care costs	<u>8,908,516</u>	<u>10,857,610</u>	<u>10,379,015</u>	<u>9,190,104</u>
Total outstanding obligation	<u>\$ 20,086,690</u>	<u>\$ 23,584,501</u>	<u>\$ 24,590,582</u>	<u>\$ 24,882,723</u>

Table 5

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<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 17,072,000	\$ 9,767,000	\$ 10,000,000	\$ 14,120,000	\$ 16,130,000	\$ 8,075,000
250,181	202,669	146,792	109,445	72,824	36,047
95,161	95,453	89,585	78,079	71,854	66,124
<u>10,107,590</u>	<u>12,317,808</u>	<u>10,052,622</u>	<u>8,987,137</u>	<u>5,760,797</u>	<u>5,289,479</u>
<u>\$ 27,524,932</u>	<u>\$ 22,382,930</u>	<u>\$ 20,288,999</u>	<u>\$ 23,294,661</u>	<u>\$ 22,035,475</u>	<u>\$ 13,466,650</u>

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## **Compliance**





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Region 2000 Services Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Region 2000 Services Authority's basic financial statements and have issued our report thereon dated November 13, 2019.

#### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

### Purpose of this Report

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

*Robinson, Farmer, Cox Associates*  
(Charlottesville, Virginia  
November 13, 2019



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Communication with Those Charged with Governance

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To the Board of Directors  
Region 2000 Services Authority

We have audited the financial statements of the business-type activities of Region 2000 Services Authority for the years ended June 30, 2019 and 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 19, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. As described in Note 12 to the financial statements, Region 2000 Services Authority changed accounting policies by adopting Statement of Governmental Accounting Standard (GASB Statement) No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of depreciable assets is based on industry standards. Pension and OPEB estimates were determined by valuations performed by actuaries. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 13, 2019.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to management's discussion and analysis and the schedules related to pension and OPEB, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Region 2000 Services Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

November 13, 2019