VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

FINANCIAL REPORT

JUNE 30, 2018

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VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

DIRECTORY OF PRINCIPAL OFFICIALS

BOARD OF DIRECTORS

Joan Foster, Chair
City of Lynchburg, Virginia

Kenneth Campbell, Vice-Chair
Amherst County, Virginia

Gary F. Christie, Secretary
Region 2000 Local Government Council

Bonnie Svrcek, Treasurer
City of Lynchburg, Virginia

KEY EMPLOYEES

Ben Bowman, Workforce Development Director

Gary F. Christie, Executive Director

Kelly Hitchcock, Planning and Development Director

Rosalie Majerus, Deputy Director of Finance

Scott Smith, Transportation Planning Director

Independent Auditors' Report

To the Board of Directors
Virginia's Region 2000 Local Government Council
Lynchburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Virginia's Region 2000 Local Government Council, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Virginia's Region 2000 Local Government Council'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 respective financial position of the business-type activities of Virginia's Region 2000 Local Government Council, as of June 30, 2018 and 2017, and the respective changes in financial position, and, where applicable, 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 10 and 16 to the financial statements, in 2018, the Council adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017.* Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 16 to the financial statements, in 2018, the Council restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Comparative Information

As described in Note 16 to the financial statements, GASB Statement No. 75 was implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net OPEB liability and related information as computed under GASB 75 standards was unavailable. Therefore, the 2017 amounts related to other postemployment benefits have not been restated to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-7, 62-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters: (Continued)

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Virginia's Region 2000 Local Government Council's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2019, on our consideration of Virginia's Region 2000 Local Government Council'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 Virginia's Region 2000 Local Government Council'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 Virginia's Region 2000 Local Government Council's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
January 8, 2019

To the Board of Directors
Virginia's Region 2000 Local Government Council
Lynchburg, Virginia

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's annual financial report consists of three basic financial statements: a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. For ease of presentation, all statements are in a condensed format. This report also contains other required supplementary information in addition to the basic financial statements themselves.

The statement of net position presents information on the Council's assets, deferred outflows, deferred inflows and liabilities. Equity of the Council is reported as 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 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 Council'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 statement of cash flows indicates the net increase or decrease of cash resources for the Council during the year and the activities that produced the increase or decrease. The statement concludes with a reconciliation tying the beginning cash balance and results for the year to the ending balance.

Notes to financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 59 of this report.

Other information. In addition to the basic financial statements and accompanying notes, certain required supplementary information concerning the Council's funding of its obligation to provide Virginia Retirement System Benefits 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 Council exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $8,474,956 (net position). Of this amount $2,406,731 (unrestricted) may be used to meet the Council's ongoing obligations to customers and creditors.

  The Council's total net position increased by $848,109.

Financial Highlights: (Continued)

As noted earlier, net position may serve over time as a useful indicator of a Council's financial position. In the case of the Council, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $8,474,956 at the close of the most recent fiscal year.

	Net Position	
	2018	**2017**
Current and other assets	$ 2,952,008	$ 3,118,250
Capital assets	14,643,225	14,374,130
Total assets	$ 17,595,233	$ 17,492,380
Deferred outflows of resources	$ 54,140	$ 77,150
Current liabilities	$ 1,090,357	$ 1,107,014
Long-term liabilities	7,908,112	8,767,821
Total liabilities	$ 8,998,469	$ 9,874,835
Deferred inflows of resources	$ 175,948	$ 67,848
Net position:		
Net investment in capital assets	$ 6,068,225	$ 4,986,103
Unrestricted	2,406,731	2,640,744
Total net position	$ 8,474,956	$ 7,626,847

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

	Change in Net Position	
	2018	**2017**
Revenues:		
Operating revenues	$ 3,363,882	$ 3,292,786
Participating government operating contributions (Dues)	154,668	154,430
Nonoperating revenue	1,120,739	1,119,598
Total revenues	$ 4,639,289	$ 4,566,814
Expenses:		
Operating expenses	$ 3,435,535	$ 3,274,011
Interest expense	281,276	305,358
Loss on disposal of property and equipment	74,369	2,016
Total expenses	$ 3,791,180	$ 3,581,385
Change in net position	$ 848,109	$ 985,429
Net position - July 1	7,626,847	6,641,418
Net position - June 30	$ 8,474,956	$ 7,626,847

Total revenues increased by $72,475 while total expenses increased $209,795 from fiscal year 2017 levels.

Capital Asset Administration

The Council's investment in capital assets as of June 30, 2018 amounts to $14,643,225 (net of accumulated depreciation). Investment in capital assets increased 9.46% during the year. Below is a comparison of the items that makeup capital assets as of June 30, 2018 with that of June 30, 2017.

	Capital Assets	
	2018	2017
Leasehold Improvements	$ 2,938	$ 4,700
Furniture and equipment	24,283	29,361
Regional Radio	13,915,833	934,799
Land	700,171	74,328
Construction in Progress	-	13,330,942
Total Capital Assets	$ 14,643,225	$ 14,374,130

Review of Operations - FY18

The Region 2000 Local Government Council has served the local governments surrounding Lynchburg since 1969 with planning, grant writing and project management services.

Staffing Services

The Local Government Council continues to provide staffing services to important regional organizations:

- Central Virginia Metropolitan Planning Organization (MPO)
- Region 2000 Radio Communications Board
- Region 2000 Services Authority
- Region 2000 Workforce Development Board and Workforce Council
- Ride Solutions
- Region 2000 Local Government Council

These organizations provide valuable services to the community and the Local Government Council framework allows for more cost effective, uniform, transparent, and responsive staffing delivery services.

Radio Board

Liberty University and the Central Virginia Community College were added to the system as customers. The addition of these schools significantly increases our interoperable capacity in the event of an on-campus incident requiring communication among the various fire and police departments.

Transportation

The MPO and the Local Government Council continued to provide transportation planning services in the region. We provided some technical assistance to successful Transportation Assistance Program Grants in the region.

Regional Economic Development Planning

Local Government Council staff continued work on implementation of the Comprehensive Economic Development Strategic Plan in coordination with the Lynchburg Regional Business Alliance. The Council places a high priority on the continued development and implementation of the regional economic development strategic plan.

Workforce Development

Workforce Development staff continue to shape the region's workforce development by coordinating with service providers. Over the past year the Workforce Board has elected to run the youth program directly and we have increased our staff to provide this service.

Transit Services

The Local Government Council and Central Virginia MPO continue to serve the Greater Lynchburg Transit Company with planning and support services. Work continued refining bus stop locations, ADA accessibility to sidewalks and signage.

Housing and Utilities

We continue to assist the Town of Appomattox and Amherst County with housing rehabilitation projects improving neighborhoods and sub-standard housing. We continue to work with Appomattox County repairing homes and infrastructure in the areas of the County impacted by a tornado in 2016. We also developed a business plan for the Town of Pamplin to meet requirements for funding to do needed improvements to the Town's water tank and chemical feed system.

Central Virginia Training Center

The Local government Council provided funding to work with the General Assembly to secure funding for environmental assessments on the Central Virginia Training Center properties.

Ride Solutions

We continue to work with the business community and carpoolers providing information about alternative transportation, including bicycle and walking opportunities.

Solid Waste Disposal

Now beginning its tenth year of operation, the Region 2000 Services Authority continues to handle the solid waste of four jurisdictions in an environmentally safe and cost effective way. Alternatives were presented to the Campbell County Board of Supervisors on waste disposal options for post 2029, when the current permitted area is filled.

Return on Investment

The Local Government Council generated $27.72 in outside revenues for each $1 in local government dues in FY 18.

Requests for Information

This financial report is designed to provide a general overview of the Council'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, VA 24504.

Basic Financial Statements

STATEMENTS OF NET POSITION
AT JUNE 30, 2018 AND 2017

	At June 30, 2018	At June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 2,077,133	$ 2,385,018
Restricted cash and cash equivalents:		
Unspent bond proceeds	-	(27)
Accounts/grants receivable/Due from other governments (Note 3)	367,727	418,947
Prepaid expenses	41,813	47,703
Total current assets	$ 2,486,673	$ 2,851,641
Long-term assets:		
Net pension asset (Note 5)	$ 465,335	$ 266,609
Capital assets, net (Note 4)	14,643,225	14,374,130
Total long-term assets	$ 15,108,560	$ 14,640,739
Total assets	$ 17,595,233	$ 17,492,380
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	$ 49,714	$ 74,262
OPEB related items	4,426	-
Total deferred outflows of resources	$ 54,140	$ 74,262
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	$ 154,116	$ 183,697
Accrued interest payable	43,447	47,566
Funds held for others	4,665	5,040
Compensated absences (Note 6)	50,129	57,711
Revenue bonds, current portion (Note 15)	838,000	813,000
Total current liabilities	$ 1,090,357	$ 1,107,014
Long-term liabilities:		
Revenue bonds, less current portion (Note 15)	$ 7,737,000	$ 8,575,000
Net OPEB liabilities	171,112	108,858
Total long-term liabilities	$ 7,908,112	$ 8,683,858
Total liabilities	$ 8,998,469	$ 9,790,872
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$ 160,238	$ 67,848
Opeb related items	15,710	-
Total deferred inflows of resources	$ 175,948	$ 67,848
NET POSITION		
Net investment in capital assets	$ 6,068,225	$ 4,986,103
Unrestricted	2,406,731	2,721,819
Total net position	$ 8,474,956	$ 7,707,922

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	Year Ended June 30, 2018	Year Ended June 30, 2017
Operating Revenues		
Grants		
Commonwealth of Virginia		
Department of Housing and Community Development	$ 122,171	$ 75,971
Department of Transportation	60,210	73,188
Federal		
Department of Transportation - Highway Planning and Construction	218,876	197,503
Department of Transportation - Highway Research and Development Program	-	86,510
Department of Transportation - Planning	88,872	83,578
Environmental Protection Agency		
Performance Partnership Grants	-	4,000
Workforce Investment Act		
Adult Programs	461,846	469,247
Youth Programs	549,391	467,129
Dislocated Worker Program	370,676	246,145
Commerce Department Economic Development	12,207	40,862
Other Revenue		
Regional Radio Board	1,284,945	1,303,665
Dues and matching funds - participating localities	154,668	154,430
Grant management and other fees	186,796	242,940
Miscellaneous	7,892	2,048
Total operating revenues	$ 3,518,550	$ 3,447,216
Operating Expenses		
Administrative		
Salaries	$ 69,218	$ 74,772
Fringe benefits	38,468	41,238
Other unallocated overhead	136,798	141,759
Program		
Allocated administrative salaries	778,411	557,263
Allocated fringe benefits	249,040	140,218
Direct program	2,163,600	2,318,761
Total operating expenses	$ 3,435,535	$ 3,274,011
Operating income (loss)	$ 83,015	$ 173,205
Nonoperating Revenues (Expenses)		
Interest Income	$ 14,728	$ 13,520
Interest expense	(281,276)	(305,358)
Loss on disposal of property and equipment	(74,369)	(2,016)
Member jurisdiction payments	1,106,011	1,106,078
Total nonoperating revenues (expenses)	$ 765,094	$ 812,224
Change in net position	$ 848,109	$ 985,429
Net position - beginning at July 1, as restated	7,626,847	6,722,493
Net position - ending at June 30	$ 8,474,956	$ 7,707,922

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

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	Year Ended June 30, 2018	Year Ended June 30, 2017
Cash Flow From Operating Activities		
Receipts from granting agencies and participating localities	$ 3,569,770	$ 3,532,725
Payments to suppliers	(1,495,905)	(2,362,718)
Payments to and on behalf of employees	(1,232,044)	(814,747)
Net cash provided by (used for) operating activities	$ 841,821	$ 355,260
Cash Flow From Capital and Related Financing Activities		
Purchase of capital assets	$ (1,172,023)	$ (1,307,829)
Member jurisdiction payments	1,106,011	1,106,078
Principal payments on bond	(813,000)	(788,000)
Interest paid on bond	(285,395)	(309,350)
Net cash provided by (used for) capital and related financing activities	$ (1,164,407)	$ (1,299,101)
Cash Flow From Investing Activities		
Interest income	$ 14,728	$ 13,520
Net increase (decrease) in cash and cash equivalents	$ (307,858)	$ (930,321)
Cash and cash equivalents at beginning of year (including ($27) and $893,872, respectively reported in restricted accounts)	2,384,991	3,315,312
Cash and cash equivalents at end of year (including $0 and ($27) respectively reported in restricted accounts)	$ 2,077,133	$ 2,384,991
Reconciliation of Operating income (loss) to Net Cash provided by (used for) operating activities		
Operating income (loss)	$ 83,015	$ 173,205
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	902,928	64,582
Loss on disposal of property and equipment	(74,369)	(879)
Accounts and grants receivable	51,220	85,509
Prepaid expenses	5,890	68,179
Accounts payable	(29,581)	(34,427)
Funds held for others	(375)	347
Compensated absences	(7,582)	1,591
Net OBEB liabilities	(18,821)	12,866
Deferred outflows - net pension asset related	24,548	(21,774)
Deferred outflows - net opeb group life related	(4,426)	-
Deferred inflows - pension related	92,390	(21,846)
Deferred inflows - OPEB related	15,710	-
Net pension asset	(198,726)	27,907
Net cash provided by (used for) operating activities	$ 841,821	$ 355,260

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting entity:

The Virginia's Region 2000 Local Government Council (the "Council") is a political subdivision of the Commonwealth of Virginia. It was established pursuant to the Virginia Area Development Act and by joint resolution of the governing bodies of its constituent jurisdictions. Those jurisdictions comprising the Council's regional area are the counties of Amherst, Appomattox, Bedford, and Campbell; the City of Lynchburg; and the towns of Altavista, Amherst, Appomattox, Bedford, and Brookneal. The purpose of the Council is to promote the orderly and efficient development of the physical, social, and economic elements of the region by means of regional planning and fostering regional cooperation among the several region governments.

Measurement focus and basis of accounting:

The Council's financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Council distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Council's principal ongoing operations. The principal operating revenues of the Council are grants received from state and federal agencies and operating contributions from member jurisdictions. Operating expenses include program and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and cash equivalents:

For purposes of the statement of cash flows, cash and cash equivalents are defined as short-term, highly liquid investments with an original maturity of three months or less from the date of acquisition.

Valuation of receivables:

Receivables are stated at face amount with no allowance for doubtful accounts because probable uncollectible accounts are immaterial.

Capital assets:

Capital assets are stated at cost or estimated cost. Donated property is recorded at acquisition value prevailing at date of donation. Capital assets are defined as land, buildings and other improvements, furnishings and equipment with an initial individual cost of more than $2,000 and an estimated useful life of more than one year. Depreciation for capital assets has been provided over the following estimated useful lives using the straight-line method:

Buildings and other improvements	15-39 years
Furnishings and leasehold improvements	3-7 years
Equipment	5 years

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital assets: (Continued)

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during year ended June 30, 2018.

Compensated absences:

Each year employees accumulate a specified number of days of leave with pay based on years of service. The liability for compensated absences reflects unused leave as of June 30, including applicable employer taxes.

Funds Held for Others:

Funds held for others include funds that have been collected, but are not for the Council's use. They include WIA Train-It funds.

Use of Estimates:

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

Reclassifications:

Certain amounts in the prior year's financial statement have been reclassified to conform to the current year's presentation.

Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) 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.

Net Position Flow Assumption:

Sometimes the Council 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 Council's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Deferred Inflows/Outflows 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) until then. The Council only 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 liability or contributions to the pension and OPEB plan(s) made during the current and subsequent to the net pension asset and net OPEB liability 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 Council has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension asset and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on this item, reference the related notes.

Pensions

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

Other Postemployment Benefits - 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.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

The Council does not have a formal investment policy.

Credit Risk of Debt Securities

The Council's rated debt investments as of June 30, 2018 were rated by Standard & Poor's, and or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

Council's Rated Debt Investments' Values

		Fair Quality Ratings
		AAAm
Local Government Investment Pool	$	993,432
Total	$	993,432

Interest Rate Risk

Investment Maturities (in years)

		Fair Value		Less Than 1 Year
Local Government Investment Pool	$	993,432	$	993,432
	$	993,432	$	993,432

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools

The value of the positions in the external investment pools (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 Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 3—ACCOUNTS AND GRANTS RECEIVABLE:

Accounts and grants receivable are as follows:

	2018	2017
Virginia Department of Transportation	$ 78,469	$ 65,124
Virginia Department of Rail and Public Transportation	17,084	39,411
VCCS for Workforce Investment Opportunity Act	144,400	187,448
Department of Commerce	12,207	-
Town of Amherst	1,132	2,047
Amherst County	373	12,700
Roanoke Valley Regional Commission	14,455	27,614
Radio Board	9,235	9,672
Liberty University	-	6,780
Region 2000 Partners	26,544	18,569
Bedford County	5,000	-
Appomattox Town	1,132	4,238
Appomattox County	10,349	-
Others	47,347	45,344
	$ 367,727	$ 418,947

NOTE 4—CAPITAL ASSETS:

Capital asset activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2018				
Capital assets not being depreciated:				
Land	$ 74,328	$ 625,843	$ -	$ 700,171
Construction in progress	13,330,942	1,205,776	14,536,718	-
Total capital assets not being depreciated	$ 13,405,270	$ 1,831,619	$ 14,536,718	$ 700,171
Other capital assets:				
Leasehold improvements	$ 19,660	$ -	$ -	$ 19,660
Regional radio	1,374,078	13,948,595	95,027	15,227,646
Furniture and equipment	66,894	2,896	-	69,790
Subtotal other capital assets	$ 1,460,632	$ 13,951,491	$ 95,027	$ 15,317,096
Accumulated depreciation				
Leasehold improvements	$ 14,960	$ 1,762	$ -	$ 16,722
Regional radio	439,279	893,192	20,658	1,311,813
Furniture and equipment	37,533	7,974	-	45,507
Subtotal accumulated depreciation	$ 491,772	$ 902,928	$ 20,658	$ 1,374,042
Other capital assets, net	$ 968,860	$ 13,048,563	$ 74,369	$ 13,943,054
Total capital assets, net	$ 14,374,130	$ 14,880,182	$ 14,611,087	$ 14,643,225
2017				
Capital assets not being depreciated:				
Land	$ 74,328	$ -	$ -	$ 74,328
Construction in progress	12,039,637	1,291,305	-	13,330,942
Total capital assets not being depreciated	$ 12,113,965	$ 1,291,305	$ -	$ 13,405,270
Other capital assets:				
Leasehold improvements	$ 14,373	$ 5,287	$ -	$ 19,660
Regional radio	1,374,078	-	-	1,374,078
Furniture and equipment	61,975	11,237	6,318	66,894
Subtotal other capital assets	$ 1,450,426	$ 16,524	$ 6,318	$ 1,460,632
Accumulated depreciation				
Leasehold improvements	$ 10,432	$ 807	$ -	$ 11,239
Regional radio	383,325	55,954	-	439,279
Furniture and equipment	38,614	7,821	5,181	41,254
Subtotal accumulated depreciation	$ 432,371	$ 64,582	$ 5,181	$ 491,772
Other capital assets, net	$ 1,018,055	$ (48,058)	$ 1,137	$ 968,860
Total capital assets, net	$ 13,132,020	$ 1,243,247	$ 1,137	$ 14,374,130

NOTE 5—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Council are automatically covered by VRS Retirement Plan upon employment. 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, one other entity whose financial information is not included in this report, Region 2000 Services Authority, participates in the VRS plan and reports 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.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1 (Cont.)</td><td>About Plan 2 (Cont.)</td><td>About the Hybrid Retirement Plan (Cont.)
• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td></tr>
</table>

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contribution Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **<u>Defined Contribution Component:</u> (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of creditable service.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **<u>Eligibility:</u>** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **<u>Eligibility:</u>** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

NOTE 5—PENSION PLAN: (CONTINUED)

Pension Plan Data

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

Contributions

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

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

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Council were $49,714 and $39,903 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Council reported an asset of $465,335 for its proportionate share of the net pension asset. The Council's net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The Council's proportionate share of the same was calculated using creditable compensation as of June 30, 2017 and 2016 as a basis for allocation. At June 30, 2017 and 2016, the Council's proportion was 48.14% and 42.70% respectively.

NOTE 5—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Council'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 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 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.

NOTE 5—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%

NOTE 5—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Virginia Region 2000 Local Government Council'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% – 4.75%
Investment rate of return	7.0%, net of pension plan 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 pension liabilities.

Mortality rates:

Largest 10 – Hazardous Duty: 70% 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 90% of rates; females set forward 1 year.

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – Hazardous Duty: 45% 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 90% of rates; females set forward 1 year.

Post-Retirement:

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

NOTE 5—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty benefits (Continued)

Mortality rates: (Continued)

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

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

Largest 10 – 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
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) – 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	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NOTE 5—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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Council Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5—PENSION PLAN: (CONTINUED)

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Virginia's Region 2000 Local Government Council Net Pension Liability (Asset)	$ (316,249)	$ (465,335)	$ (583,269)

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

For the year ended June 30, 2018, the Council recognized pension expense of ($32,074). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the Council 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	$ -	$ 79,288
Change in assumptions	-	24,345
Change in proportionate employer share	-	29,171
Net difference between projected and actual earnings on pension plan investments	-	27,434
Employer contributions subsequent to the measurement date	49,714	-
Total	$ 49,714	$ 160,238

NOTE 5—PENSION PLAN: (CONTINUED)

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

$49,714 reported as deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30		
2019	$	(51,207)
2020		(38,749)
2021		(42,868)
2022		(27,414)

NOTE 6—COMPENSATED ABSENCES:

Following is a summary of changes in compensated absences:

		2018		2017
Balance, July 1	$	57,711	$	56,120
Increase (decrease)		(7,582)		1,591
Balance, June 30	$	50,129	$	57,711

NOTE 7—OPERATING LEASE:

In May 2016 the Council entered into a non-binding three-year lease agreement for office space. The Council entered into an agreement with the Region 2000 Workforce Investment Board to share this office space under a sublease arrangement. Net rental expense was approximately $98,396 and $86,979 for 2018 and 2017, respectively. Future minimum lease payments under non-binding leases are as follows:

	Main Office		
Year Ending June 30,	Minimum Lease Payments	Minimum Sublease Payments	Total
2019	$ 68,147	$ (11,408)	$ 56,739
2020	68,527	(11,471)	57,056
2021	70,583	(11,816)	58,767
2022	72,700	(12,170)	60,530
2023	74,881	(12,535)	62,346
2024	6,255	(1,047)	5,208
	$ 361,094	$ (60,447)	$ 300,647

NOTE 8—RISK MANAGEMENT:

The Council 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 Council joined together with other local governments in the Commonwealth to form the Virginia Association of Counties Group Self-Insurance Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Council pays an annual premium to the pool for its workers compensation coverage, property and liability insurance. The Agreement for Formation of the association provides that the association will be self-sustaining through member premiums. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

NOTE 9—REGION 2000 SERVICES AUTHORITY:

In June 2008, the Council entered into an agreement with the Region 2000 Services Authority to provide management and operations services for the Services Authority. The Council is responsible for all of the financial operations and day to day operation of the landfills owned by the Authority. The Authority shall pay the Council for the actual cost of the employees at the Council who provide administrative support for the Authority’s operations plus an administrative overhead rate.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS:

Health Insurance:

The Council 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 5, the Council 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 Council's pension plans. The plan does not issue a publicly available financial report. Similar to all other payroll items, benefits and functions, the Council employees are under the auspice of the Region 2000 Local Government Council.

Benefits Provided

Participants in Virginia's Region 2000 Local Government Council 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 Council before July 1, 2006:** Attain the age of 50 with at least 10 years of consecutive service with the COUNCIL.
- **Participants Hired by the Council 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 Council.
- **Participants Hired by the Council on or after April 17, 2009:** Not eligible to continue medical coverage into retirement.

Plan Membership

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

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

Contributions

The Council 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 Council. The amount paid by the Council for OPEB as the benefits came due during the year ended June 30, 2018 was $13,178.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Health Insurance: (Continued)

Total OPEB Liability

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

Actuarial Assumptions

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

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

Mortality Rates

The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table fully generational using scale BB to 2020. The mortality rates for disabled retirees was calculated using the RP-2014 Disabled Mortality Table projected with Scale BB to 2020.

Discount Rate

The discount rate is based on the Bond Buyer 20-year Bond Go index as of the respective measurement dates. This rate was 3.50% as of June 30, 2017 and 3.87% as of June 30, 2018.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2017	$ 115,798
Changes for the year:	
Service cost	7,185
Interest	4,076
Changes in assumptions	(1,499)
Benefit payments	(13,178)
Net changes	(3,416)
Balances at June 30, 2018	$ 112,382

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Health Insurance: (Continued)

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

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

1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
$ 116,403	$ 112,382	$ 108,307

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

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

1% Decrease in Trend Rate	Healthcare Cost Current Trend Rate	1% Increase in Trend Rate
$ 102,726	$ 112,382	$ 123,506

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

For the year ended June 30, 2018, the Council recognized OPEB expense in the amount of $11,030. At June 30, 2018, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 1,268
Total	$ -	$ 1,268

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Health Insurance: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

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

Year Ended June 30		
2019	$	(231)
2020		(231)
2021		(231)
2022		(231)
2023		(231)
Thereafter		(113)

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

Group Life Insurance

Plan Description

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

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Plan Description: (Continued)

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. • **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were $4,426 and $2,888 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entity reported a liability of $58,730 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .00809% as compared to .00917% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of ($963). 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.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,444
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,407
Change in assumptions	-	2,888
Changes in proportion	-	7,703
Employer contributions subsequent to the measurement date	4,426	-
Total	$ 4,426	$ 14,442

$4,426 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (2,888)
2020	(2,888)
2021	(2,888)
2022	(2,888)
2023	(2,407)
Thereafter	(483)

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality Rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – General State 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:

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

Mortality Rates – Teachers

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

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

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (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:

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

Mortality Rates – SPORS Employees

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

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

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS 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:

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

Mortality Rates – VaLORS Employees

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

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

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS 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:

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

Mortality Rates – JRS Employees

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

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

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – JRS 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:

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

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.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – 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:

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.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - 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:

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%

Mortality Rates -Largest Ten Locality Employers - Hazardous Duty Employees:

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

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

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Mortality Rates -Largest Ten Locality Employers - Hazardous Duty 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:

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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
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 service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

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

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

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.

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:

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

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Discount Rate

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

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

The 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%)
Council's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 76,061	$ 58,730	$ 44,770

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance: (Continued)

Group Life Insurance Program Fiduciary Net Position

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

NOTE 11—INDIRECT COST ALLOCATIONS:

Fringe Benefits

Fringe benefit expense is allocated using the percentage of benefit to total labor costs. The fringe benefit rate developed and used by the Council for the fiscal year ended June 30, 2018 was 55.56% and was calculated as follows:

Release time salaries	$	130,724		
Payroll taxes		62,205		
Insurance		144,783		
Retirement		55,624		
Other benefits		4,979		
Total fringe benefit expense	$	398,315		
Fringe benefit expenses	$	398,315	=	55.58%
Total labor costs	$	716,690		

Indirect Costs

Indirect costs which support all projects, are allocated to the various projects based on the allocation rate applied to the projects direct labor and fringe benefit charges. The indirect cost rate developed and used by the Council for the fiscal year ended June 30, 2018 was 24.27% and was calculated as follows:

Total indirect costs	$	244,484	=	24.27%
Direct labor and fringes	$	1,007,535		

NOTE 11—INDIRECT COST ALLOCATIONS: (CONTINUED)

The following items are included in the indirect costs allocated to projects:

Indirect Personnel Costs		
Indirect Chargeable Salary	$	69,218
Employee Benefit Rate		38,468
Total Indirect Personnel Costs	$	107,686
Office Expenses		
Auditing Services	$	5,050
Payroll Accounting Services		5,904
Legal Services		1,716
Liability Insurance (General Liability Insurance)		910
Contractual Services (Management Consulting Services)		19,510
Postage		590
Telephone		5,242
Internet Services		138
Office Supplies		3,597
Travel		4,060
Education & Training (Travel - Convention & Education)		1,861
Dues, Subscriptions (Dues & Association Memberships)		7,767
Publications (Books & Subscriptions)		242
Miscellaneous Expenses (Miscellaneous Administrative Expenses)		906
Furniture & Fixtures		5,461
Rental Office Equipment (Lease/Rent - Equipment)		2,634
Office Rent/(Lease/Rent - Buildings)		67,660
Computer Equipment/Software (EDP Equipment)		3,550
Total Office Expenses	$	136,798
Total Indirect Costs	$	244,484

DIRECT CHARGEABLE PERSONNEL COSTS		
DIRECT CHARGEABLE SALARIES	$	647,688
EMPLOYEE BENEFIT RATE		359,847
TOTAL DIRECT CHARGEABLE PERSONNEL COSTS	$	1,007,535

CALCULATION OF INDIRECT COST ALLOCATION RATE		
TOTAL INDIRECT COSTS	$	244,484
TOTAL DIRECT CHARGEABLE PERSONNEL COSTS	$	1,007,535

NOTE 12—CONTINGENT LIABILITIES:

Federal programs in which the organization participates were audited in accordance with the provisions of the Uniform Guidance (*Audits of States, Local Governments, and Non-Profit Organizations*). Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 13—JOINT VENTURE:

Region 2000 Radio Communications Board, established as a committee of Virginia's Region 2000 Local Government Council, is a joint venture formed in 1996, by a cooperative agreement between the County of Amherst, Virginia, the County of Bedford, Virginia, and the City of Lynchburg, Virginia, collectively the Member Jurisdictions, and Virginia's Region 2000 Local Government Council. The Board consists of representatives from each of the Member Jurisdictions.

The purpose of the Board is to operate the regional emergency communications system and to manage the project operations and maintenance in an efficient and cost effective manner. The system is in need of significant upgrades or replacement to maintain or improve the level of emergency services currently provided by the Member Jurisdictions. On May 8, 2012, the Council, as fiscal agent, issued a bond in the amount of $13,100,000 to finance the equipping of a new emergency communications system. The allocation of payments made to reimburse operational costs, capital costs, and any annual deficit associated with the project and system was determined pursuant to the following cost allocation methodology:

Capital Costs:

- Amherst County – 28.00%
- Bedford County – 41.90%
- City of Lynchburg – 30.10%

Operating Costs: Each Member Jurisdiction's share of annual operating costs shall be based on the number of radios on the System attributable to the Member Jurisdiction as a percentage of total Member Jurisdiction radios on the System.

Annual Deficit: Each Member Jurisdiction's share of any Annual Deficit shall be based on the formulas for determining its share of Capital Costs or Operating Costs, or a combination of both formulas as appropriate, depending on the type of costs constituting the Annual Deficit. Any unforeseen Operating Costs not included in the Annual Budget shall be treated as part of the Annual Deficit.

The payments made by Member Jurisdictions to the Council as described above are recorded as non-operating revenue with the exception of payments received for project costs, which are recorded as contributed capital.

NOTE 14—LONG-TERM OBLIGATIONS:

On May 8, 2012, the Virginia's Region 2000 Local Government Council issued a Series 2012 Public Facilities Revenue bond in the amount of $13,100,000 to finance the equipping of a new emergency communications system. Annual principal payments ranging from $703,000 to $1,076,000 are due annually on May 1, commencing May 1, 2013 through May 1, 2027. Interest at 3.04% is payable semi-annually commencing November 1, 2012, and on every May 1 and November 1 thereafter, until May 1, 2027. The Council is responsible for making debt service payments from payments received from each Member Jurisdiction.

A summary of long-term obligations is presented below:

	Restated Balance July 1, 2017	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2018	Due Within One Year
Revenue bonds	$ 9,388,000	$ -	$ 813,000	$ 8,575,000	$ 838,000
Compensated absences	57,711	-	7,582	50,129	50,129
Net OPEB liabilities	192,822	11,261	32,971	171,112	-
Totals	$ 9,638,533	$ 11,261	$ 853,553	$ 8,796,241	$ 888,129

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

Fiscal Year Ended June 30	Revenue Bonds Principal	Revenue Bonds Interest
2019	$ 838,000	$ 260,680
2020	865,000	235,205
2021	892,000	208,909
2022	920,000	181,792
2023	950,000	153,824
2024	980,000	124,944
2025	1,011,000	95,152
2026	1,043,000	64,418
2027	1,076,000	32,710
Total	$ 8,575,000	$ 1,357,634
Less current portion:	838,000	260,680
Total Long-term Obligations	$ 7,737,000	$ 1,096,954

NOTE 15—UPCOMING PRONOUNCEMENTS:

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

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

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

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

NOTE 15—UPCOMING PRONOUNCEMENTS:

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

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

NOTE 16—ADOPTION OF ACCOUNTING PRINCIPLES:

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

	Amount
Net Position as of July 1, 2017, previously reported	$ 7,707,922
To remove OPEB health insurance obligation as reported under GASB 45	108,858
OPEB liability restated as of July 1, 2017 - health insurance	(115,798)
OPEB liability restated as of July 1, 2017 - group life insurance	(74,135)
Net Position as of July 1, 2017, as restated	$ 7,626,847

Required Supplementary Information

SCHEDULE OF COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION ASSET
FOR THE YEARS ENDED JUNE 30, 2015 THROUGH JUNE 30, 2018

Measurement Date (1)	Proportion of the Net Pension Asset (NPA) (2)	Proportionate Share of the NPA (3)	Covered Payroll (4)	Proportionate Share of the NPA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Asset (6)
2017	48.1400%	$ 465,335	$ 718,162	64.80%	146.06%
2016	42.7000%	266,609	703,759	37.88%	131.99%
2015	42.7000%	294,516	743,560	39.61%	141.90%
2014	52.0000%	231,364	601,223	38.48%	146.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
FOR THE YEARS ENDED JUNE 30, 2009 THROUGH JUNE 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 49,714	$ 49,714	$ -	$ 844,650	5.89%
2017	39,903	39,903	-	637,007	6.26%
2016	52,488	52,488	-	703,759	7.46%
2015	46,854	46,854	-	626,889	7.47%
2014	52,488	52,488	-	703,759	7.46%
2013	64,918	64,918	-	367,068	17.69%
2012	64,113	64,113	-	439,030	14.60%
2011	58,736	58,736	-	425,518	13.80%
2010	44,313	44,313	-	440,220	10.07%
2009	46,160	46,160	-	466,451	9.90%

Current year contributions are from Council records and prior year contributions are from the VRS actuarial valuation performed each year.

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

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

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, 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%

Largest 10 – 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
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:

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
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%

All Others (Non 10 Largest) – 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	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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

		2018
Total OPEB liability		
Service cost	$	7,185
Interest		4,076
Changes in assumptions		(1,499)
Benefit payments		(13,178)
Net change in total OPEB liability	$	(3,416)
Total OPEB liability - beginning		115,798
Total OPEB liability - ending	$	112,382
Covered payroll	$	231,174
Council's total OPEB liability (asset) as a percentage of covered payroll		48.61%

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

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal cost method
Discount Rate	3.50% as of June 30, 2017; 3.87% as of June 30, 2018
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	8.10% in 2017, 5.10% in 2018, then grading to an ultimate rate of 4.50% in 2073 to 3.70% in 2018, 7.60% in 2019, 4.90% in 2020, then grading to an ultimate rate of 4.20% in 2094.
Salary Increase Rates	Salary increase rates of 3.5% - 5.35% including inflation
Demographic Assumptions	Assumed 90% of future retirees under normal retirement will elect to continue medical coverage and 60% under normal retirement that will also elect to cover their spouse. Assumed 30% of participants retiring due to disability before normal retirement eligibility will elect coverage and include their spouse.
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table fully generational using scale BB to 2020. The mortality rates for disabled retirees was calculated using the RP-2014 Disabled Mortality Table projected with Scale BB to 2020.

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.00809%	$ 58,730	$ 637,007	9.22%	48.86%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 4,426	$ 4,426	$ -	$ 844,650	0.52%
2017	2,888	2,888	-	637,007	0.45%

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

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better 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, 2018 (Continued)

JRS Employees

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

Largest Ten Locality Employers - General Employees

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%

Non-Largest Ten Locality Employers - General Employees

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%

Largest Ten Locality Employers - Hazardous Duty Employees

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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
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, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
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 service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Compliance

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY *CERTIFIED PUBLIC ACCOUNTANTS*

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

To the Board of Directors
Virginia's Region 2000 Local Government Council
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 Virginia's Region 2000 Local Government Council as of and for the year ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Virginia's Region 2000 Local Government Council's basic financial statements and have issued our report thereon dated January 8, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia's Region 2000 Local Government Council'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 Virginia's Region 2000 Local Government Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia's Region 2000 Local Government Council'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 Virginia's Region 2000 Local Government Council'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
January 8, 2019

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Virginia's Region 2000 Local Government Council
Lynchburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited Virginia's Region 2000 Local Government Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Virginia's Region 2000 Local Government Council's major federal programs for the year ended June 30, 2018. Virginia's Region 2000 Local Government Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Virginia's Region 2000 Local Government Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Virginia's Region 2000 Local Government Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Virginia's Region 2000 Local Government Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Virginia's Region 2000 Local Government Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Virginia's Region 2000 Local Government Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Virginia's Region 2000 Local Government Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Virginia's Region 2000 Local Government Council's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
January 8, 2019

VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Department of Commerce				
Direct payments:				
Economic Development Technical Assistance	11.303	N/A	$	12,207
Department of Labor				
Pass-through payments:				
Virginia Community College System:				
City of Lynchburg, Virginia:				
Workforce Innovation and Opportunity Act Cluster:				
WIOA Adult Program	17.258	LWA 8	$	461,846
WIOA Youth Activities	17.259	LWA 8		549,391
WIOA Dislocated Worker Formula Grants	17.278	LWA 8		370,676
Total Department of Labor			$	1,381,913
Department of Transportation				
Pass-through payments:				
Virginia Department of Transportation:				
Highway Planning and Construction	20.205	FY-18	$	218,876
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	unavailable		88,872
Total Department of Transportation			$	307,748
Total expenditures of federal awards			$	1,701,868

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Note 1- Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Virginia's Region 2000 Local Government Council under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Virginia's Region 2000 Local Government Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of Virginia's Region 2000 Local Government Council.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The Council did not have any loans or loan guarantees which are subject to reporting requirements for the year.

Note 3 - Subrecipients

No awards were passed through to subreceipients.

Note 4 - Indirect Cost Rate

The Council did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 5 – Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Council's financial statements as follows:

Primary government:	
Operating activities	$ 1,701,868
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 1,701,868

VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
Workforce Innovation and Opportunity Act Cluster	
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Audit Findings

There were no prior year audit findings.