

**REGIONAL CENTER FOR ANIMAL CARE AND PROTECTION
ROANOKE, VIRGINIA**

**Financial Report
For The Year Ended June 30, 2019**

Prepared by:

Roanoke County Finance Department

REGIONAL CENTER FOR ANIMAL CARE AND PROTECTION
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2019

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Regional Center for Animal Care and Protection

Committee Members

Barry W. Thompson
Robert B. Townsend
Timothy S. Jones
Richard Caywood
Gary Larrowe

Officials

Michael Warner, Interim Director

FINANCIAL SECTION



Independent Auditors' Report

To the Members of the Executive Committee
Regional Center for Animal Care and Protection
Roanoke, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Regional Center for Animal Care and Protection, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Regional Center for Animal Care and Protection, as of June 30, 2019, and the respective changes in financial position, 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 11 to the financial statements, in 2019, the Center adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 39 and 40-48 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of the Regional Center for Animal Care and Protection'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 the Regional Center for Animal Care and Protection'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 the Regional Center for Animal Care and Protection's internal control over financial reporting and compliance.

Polina, Javer, LLP Associates

Blacksburg, Virginia
September 27, 2019

Basic Financial Statements

Regional Center for Animal Care and Protection
Statement of Net Position
At June 30, 2019

Exhibit 1

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 177,071
Inventory	28,289
Accounts receivable	4,775
Interest receivable	64
Due from other local governments	93,157
Total current assets	\$ 303,356
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Land	\$ 82,010
Buildings	1,867,833
Land improvements	7,643
Machinery and equipment	201,596
Total noncurrent assets	\$ 2,159,082
Total assets	\$ 2,462,438
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 74,819
OPEB related items	28,160
Total deferred outflows of resources	\$ 102,979
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 43,009
Accrued payroll	8,653
Due to Roanoke County	92,549
Compensated absences - current portion	28,313
General obligation bond - current portion	211,100
Total current liabilities	\$ 383,624
Noncurrent liabilities:	
Compensated absences - net current portion	\$ 36,313
General obligation bond - net current portion	496,300
Net pension liability	363,627
Net OPEB liabilities	70,684
Total noncurrent liabilities	\$ 966,924
Total liabilities	\$ 1,350,548
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 95,576
OPEB related items	100,856
Total deferred inflows of resources	\$ 196,432
NET POSITION	
Net investment in capital assets	\$ 1,451,682
Unrestricted	(433,245)
Total net position	\$ 1,018,437

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

Regional Center for Animal Care and Protection
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Functions/Programs			
Primary Governmental activities:			
Public safety	\$ 1,898,557	\$ 5,292	\$ 192,760
Interest on long-term debt	26,969	-	(26,969)
Total governmental activities	\$ 1,925,526	\$ 5,292	\$ 165,791
Total primary government	\$ 1,925,526	\$ 5,292	\$ 165,791
General revenues:			
Unrestricted revenues from use of money and property			\$ 3,836
Miscellaneous			85
Total general revenues			\$ 3,921
Change in net position			169,712
Net position - beginning			848,725
Net position - ending			\$ 1,018,437

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

Regional Center for Animal Care and Protection
Balance Sheet
Governmental Fund
At June 30, 2019

	General Fund
ASSETS	
Cash and cash equivalents	\$ 177,071
Inventory	28,289
Accounts receivable	4,775
Interest receivable	64
Due from other local governments	93,157
Total assets	\$ 303,356
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 43,009
Accrued payroll	8,653
Due to Roanoke County - Health Insurance	92,549
Total liabilities	\$ 144,211
FUND BALANCE	
Nonspendable	\$ 28,289
Unassigned	130,856
Total fund balance	\$ 159,145
Total liabilities and fund balance	\$ 303,356

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

Regional Center for Animal Care and Protection
 Reconciliation of the Balance Sheet of Governmental Fund
 To the Statement of Net Position
 At June 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet	\$	159,145
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	82,010
Buildings		1,867,833
Land Improvements		7,643
Machinery and equipment		<u>201,596</u>
		2,159,082
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	74,819
OPEB related items		<u>28,160</u>
		102,979
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bond	\$	(707,400)
Compensated absences		(64,626)
Net pension liability		(363,627)
Net OPEB liability		<u>(70,684)</u>
		(1,206,337)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(95,576)
OPEB related items		<u>(100,856)</u>
		<u>(196,432)</u>
Net position of governmental activities	\$	<u><u>1,018,437</u></u>

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

Regional Center for Animal Care and Protection
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2019

		General Fund
Revenues:		
Local government contributions	\$	2,041,222
Charges for services		5,292
Other contributions		2,703
Unrestricted revenues from the use of money and property		3,836
Local grants		42,100
Miscellaneous		85
Total revenues	\$	2,095,238
Expenditures:		
Public safety:		
Personnel costs	\$	1,248,869
Operating expenses		550,015
Capital projects		183,695
Debt service:		
Principal retirement		206,000
Interest and other fiscal charges		26,969
Total expenditures	\$	2,215,548
Excess (deficiency) of revenues over (under) expenditures	\$	(120,310)
Fund balance, beginning of year		279,455
Fund balance, end of year	\$	159,145

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

Regional Center for Animal Care and Protection
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Fund
 To the Statement of Activities
 For the Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (120,310)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 177,667	
Depreciation expense	<u>(100,676)</u>	76,991

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments		206,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (983)	
Change in pension related items	(1,945)	
Change in OPEB related items	<u>9,959</u>	<u>7,031</u>

Change in net position of governmental activities \$ 169,712

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

REGIONAL CENTER FOR ANIMAL CARE AND PROTECTION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Regional Center for Animal Care and Protection (the Center) conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Center was created by concurrent resolutions of the Counties of Roanoke and Botetourt, the City of Roanoke, and the Town of Vinton. The Center was created under the provisions of Sections 3.2-6546 and 15.2-1300 of the *Code of Virginia*. The Center was created to purchase and operate an animal shelter for the participating jurisdictions.

The Center is a joint venture of the participating jurisdictions. Since none of the participating localities can impose their will on the Center, the Center is not considered a component unit of any of the participating localities. In addition, no other entities are considered component units of the Center.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Center (primary government). Governmental activities normally are supported by intergovernmental revenue.

The statement of net position is designed to display financial position of the primary government (governmental activities). Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The Center reports the following major governmental funds:

The General Fund is the Center's primary operating fund. It accounts for and reports all financial resources of the Center.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and Cash Equivalents*

The Center's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition. The Center reported no investments at June 30, 2019.

2. *Allowance for Uncollectible Accounts*

Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts has been recorded.

3. *Use of Estimates*

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

4. Investments

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

5. *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the Center are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-30
Land Improvements	20
Machinery and Equipment	5-10

6. *Inventories and Prepaid Items*

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Center accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide financial statements.

8. Long-Term Obligations

Long-term obligations are reported as liabilities in the statement of net position at face value, net of any applicable premiums and discounts.

9. Fund Balance

The Center evaluated its funds at June 30, 2019 and classified fund balance into the following five categories:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Center's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

9. Fund Equity (continued)

The Center establishes (and modifies or rescinds) fund balance commitments by passage of a Board resolution(s). This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

10. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets
- Restricted - consist of assets that are restricted by the Center's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues, by grantors (both federal and state), and by other contributors.
- Unrestricted - all other net position is reported in this category.

11. Net Position Flow Assumption

Sometimes the Center 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 government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Center's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

12. Deferred Outflows/Inflows of Resources

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

12. Deferred Outflows/Inflows of Resources (continued)

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

13. Pensions

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

14. Other Postemployment Benefits (OPEB)

The Center participates in the County of Roanoke Postretirement Benefits Plan which is a stand-alone OPEB plan. The Center participates in Roanoke County's OPEB plan on a cost-sharing basis. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Roanoke County's OPEB Plan and additions to/deductions from County's fiduciary net position have been determined on the same basis as they are reported by the County. For this purpose, the County recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 2-Deposits and Investments:

Deposits - The County of Roanoke maintains a cash and investment pool that is available for use by all County funds, component units and entities for which the County is fiscal agent. The Center does participate in this pool; however, no investments are allocated directly to the Center. not participate in this pool. Deposits with banks are covered by the Federal Depository Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits 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 Center 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, bankers’ acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Information relative to the County of Roanoke pooled account is presented in the audited financial statements of the County of Roanoke and can be obtained from the Director of Finance, County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or by visiting the County’s web site at www.roanokecountyva.gov.

The Center did not have any investments for fiscal year ending June 30, 2019.

Note 3-Long-Term Obligations:

Changes in long-term obligations for the year are as follows:

	Balance July 1, 2018	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2019	Amount Due Within One Year
General obligation bond (1)	\$ 913,400	\$ -	\$ (206,000)	\$ 707,400	\$ 211,100
Compensated absences	63,643	30,232	(29,249)	64,626	28,313
Net OPEB liabilities	179,765	32,180	(141,261)	70,684	-
Net pension liability	487,341	240,499	(364,213)	363,627	-
Total	\$ 1,644,149	\$ 302,911	\$ (740,723)	\$ 1,206,337	\$ 239,413

(1) The issuer of this bond is the City of Roanoke. The Center makes payments to the City to satisfy the debt service. For more information regarding GASB 88 see the City's CAFR.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 3-Long-Term Obligations: (continued)

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

<u>Year Ending June 30,</u>	<u>General Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 211,100	\$ 18,482
2021	216,300	12,219
2022	221,700	5,800
2023	58,300	428
Totals	<u>\$ 707,400</u>	<u>\$ 36,929</u>

Details of long-term indebtedness:

	<u>Total Amount</u>
General Obligation Bond:	
\$1,829,500 bond issued November 1, 2013 through the City of Roanoke. Principal and interest payments began on December 31, 2013 and continue quarterly until September 30, 2022, with interest accruing at 2.94% and principal payments varying from \$45,700 to \$58,300.	\$ <u>707,400</u>
Other Liabilities:	
Net pension liability	\$ 363,627
Net OPEB liabilities	70,684
Compensated absences	<u>64,626</u>
Total Other Liabilities	\$ <u>498,937</u>
Total Long-term Obligations	\$ <u><u>1,206,337</u></u>

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 4-Capital Assets:

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 82,010	\$ -	\$ -	\$ 82,010
Total capital assets not being depreciated	<u>\$ 82,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,010</u>
Capital assets, being depreciated:				
Buildings	\$ 2,269,920	\$ -	\$ -	\$ 2,269,920
Land Improvements	9,757	-	-	9,757
Machinery and equipment	94,133	177,667	-	271,800
Total capital assets being depreciated	<u>\$ 2,373,810</u>	<u>\$ 177,667</u>	<u>\$ -</u>	<u>\$ 2,551,477</u>
Accumulated depreciation:				
Buildings	\$ (323,215)	\$ (78,872)	\$ -	\$ (402,087)
Land Improvements	(1,139)	(975)	-	(2,114)
Machinery and equipment	(49,375)	(20,829)	-	(70,204)
Total accumulated depreciation	<u>\$ (373,729)</u>	<u>\$ (100,676)</u>	<u>\$ -</u>	<u>\$ (474,405)</u>
Total capital assets being depreciated, net	<u>\$ 2,000,081</u>	<u>\$ 76,991</u>	<u>\$ -</u>	<u>\$ 2,077,072</u>
Capital assets, net of depreciation	<u>\$ 2,082,091</u>	<u>\$ 76,991</u>	<u>\$ -</u>	<u>\$ 2,159,082</u>

Note 5-Fiscal Agent:

The County of Roanoke, Virginia serves as the Center's fiscal agent; therefore all assets, liabilities, receipts, and disbursements of the Center are accounted for separately through the County's accounting and financial systems. Employees of the Center are eligible to participate in programs offered by the County.

Note 6-Arbitrage Rebate Liability:

The Internal Revenue Code of 1986 (the Code) establishes rules and regulations for arbitrage rebates which are applicable to the Center. At present, the Center has no arbitrage rebate liability.

Note 7-Risk Management:

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Center participates with other Centers in the Virginia Association of Counties public entity risk pool. Each member of the risk pool jointly and severally agrees to assume, pay and discharge any liability. The Center pays the risk pool contributions and assessments based upon classifications and rates into designated cash reserve funds out of which expenses of the pools, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Center carries insurance coverage for all other risk of loss. Settled claims have not exceeded coverage in the current or prior two fiscal years.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 8-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Regional Center for Animal Care and Protection are automatically covered by a VRS Retirement Plan upon employment, through the County of Roanoke, Virginia. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities participate in the VRS plan through the County of Roanoke, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pays 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.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 8-Pension Plan: (continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Center's contractually required employer contribution rate for the year ended June 30, 2019 was 12.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Center were \$72,604 and \$57,366 for the years ended June 30, 2019 and June 30, 2018, respectively.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 8-Pension Plan: (continued)

Net Pension Liability

At June 30, 2019 the Center reported a liability of \$363,627 for its proportionate share of the net pension liability. The Center’s net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. The Center’s proportionate share of the same was calculated using contributions to the pension plan. At June 30, 2018 and 2017, the Center’s proportion was 1.0778% and 1.3135%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for employees in the Center’s Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 8-Pension Plan: (continued)

Actuarial Assumptions - General Employees (Continued)

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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%

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 8-Pension Plan: (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Regional Center for Animal Care and Protection was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue 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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 8-Pension Plan: (continued)

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

The following presents the Center's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Center'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:

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Center's Proportionate Share of the Roanoke County Retirement Plan Net Pension Liability (Asset)	\$ 715,663	\$ 363,627	\$ 70,992

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

For the year ended June 30, 2019, the Center recognized pension expense of \$19,278. 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, 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 2,215	\$ 22,691
Change in assumptions	-	3,111
Change in proportion and differences between employer contributions and proportionate share of contributions	-	43,045
Net difference between projected and actual earnings on pension plan investments	-	26,729
Employer contributions subsequent to the measurement date	<u>72,604</u>	<u>-</u>
Total	<u>\$ 74,819</u>	<u>\$ 95,576</u>

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 8-Pension Plan: (continued)

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

\$72,604 reported as deferred outflows of resources related to pensions resulting from the Center’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2020	\$	(15,331)
2021		(21,975)
2022		(54,070)
2023		(1,985)
Thereafter		-
Total	\$	<u>(93,361)</u>

Pension Plan Data

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

Note 9—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members’ paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 9—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$3,063 and \$6,708 for the years ended June 30, 2019 and June 30, 2018, respectively.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 9—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

At June 30, 2019, the entity reported a liability of \$40,895 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer’s proportion was 0.00269% as compared to 0.00298% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$375. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,001	\$ 738
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,327
Change in assumptions	-	1,701
Changes in proportion	385	-
Employer contributions subsequent to the measurement date	<u>3,063</u>	<u>-</u>
Total	<u>\$ 5,449</u>	<u>\$ 3,766</u>

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 9—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

\$3,063 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ (514)
2021	(514)
2022	(514)
2023	(139)
2024	171
Thereafter	130
Total	<u>\$ (1,380)</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

**Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)**

Note 9—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 9—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NET GLI OPEB Liability

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

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

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 9—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 9—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Center’s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 53,447	\$ 40,895	\$ 30,709

GLI Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10 - Other Postemployment Benefits (OPEB) - Medical:

Plan Description

In addition to the pension benefits described in Note 8 and other postemployment benefits described in Note 9, the Center participates in a cost-sharing employer defined benefit healthcare plan through the County of Roanoke’s Postretirement Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County’s plan. The plan does not issue a publicly available financial report.

Benefits Provided

A full-time employee who retires directly from the Center and is eligible to receive an early or regular retirement benefit from the Virginia Retirement System is eligible for post-retirement medical coverage. In addition, the retiree must have 10 years of continuous full-time service through the date of retirement and have 5 years of enrollment in the County sponsored medical plan.

Eligible dependents on the employee’s health insurance may continue to receive the Center’s contribution toward the health plan.

Retirees contribute to the plan at the rates stated in the Summary of Actuarial Assumptions section.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 10 - Other Postemployment Benefits (OPEB) - Medical: (continued)

Contributions

The Center's contractually required contribution rate for the year ended June 30, 2019, was 2.4% of covered-employee payroll, actuarially determined as an amount that is 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 OPEB plan from the Center were \$8,702 for the year ended June 30, 2019. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2019, the Center reported a liability of \$29,789 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The Center's proportion of the net OPEB liability was based on a projection of the Center's long-term share of contributions to the OPEB plan relative to the projected contributions of all County departments, actuarially determined. At June 30, 2019, the Center's proportion was 0.46%.

For the year ended June 30, 2019, the Center recognized OPEB expense in the amount of \$5,456. At June 30, 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 21,183
Changes in assumptions	14,009	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,210
Change in proportionate share	-	74,697
Employer contributions subsequent to the measurement date	8,702	-
Total	\$ <u>22,711</u>	\$ <u>97,090</u>

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 10 - Other Postemployment Benefits (OPEB) - Medical: (continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (continued)

\$8,702 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2020	\$ (26,302)
2021	(26,302)
2022	(26,302)
2023	(1,144)
2024	(1,036)
Thereafter	(1,995)

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal
Amortization Method/Period	Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 8 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working l
Asset Valuation Method	Market value of assets
Medical Trend Rate	Graded down from 7.5% to 5% over 10 years beginning in 2018
Salary Increases	2.00% per annum
Long-Term Expected Rate of Return	7.50% per annum
Retirement Age	The average age at retirement is 62
Mortality Rates	Pre-retirement: RP-2000, Males set forward 2 years, Females set back 3 years, projected to 2020 with Scale AA; Post-retirement: RP-2000, Females setback 1 year (no setback for Males), projected to 2020 with Scale AA; Disability: RP-2000, Males setback 3 years

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 10 - Other Postemployment Benefits (OPEB) - Medical: (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from the Center will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods on projected benefit payments to determine the total OPEB liability.

Sensitivity of the Center's Proportionate share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Center's proportionate share of the net OPEB Liability, as well as what the Center's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current discount rate:

Rate		
1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
\$ 39,386	\$ 29,789	\$ 21,711

Sensitivity of the Center's Proportionate share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Center's proportionate share of the net OPEB Liability, as well as what the Center's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the assumed trend rate:

Rates		
Healthcare Cost Trend		
1% Decrease (6.50% decreasing to 4.00%)	Current (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
\$ 19,937	\$ 29,789	\$ 41,981

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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2019 (continued)

Note 11 - Summary of Center's OPEB Plans:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Program (Note 9):	\$ 5,449	\$ 3,766	\$ 40,895	\$ 375
Center's Stand-Alone Plan (Note 10)	<u>22,711</u>	<u>97,090</u>	<u>29,789</u>	<u>5,456</u>
Totals	<u>\$ 28,160</u>	<u>\$ 100,856</u>	<u>\$ 70,684</u>	<u>\$ 5,831</u>

Note 12 - Adoption of Accounting Principles:

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

Note 13-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Required Supplementary Information

Regional Center for Animal Care and Protection
 Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
 Budget and Actual
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local government contributions	\$ 1,356,457	\$ 2,018,408	\$ 2,041,222	\$ 22,814
Charges for services	18,000	20,000	5,292	(14,708)
Other contributions	-	5,000	2,703	(2,297)
Unrestricted revenues from the use of money and property	1,500	2,500	3,836	1,336
Local grants	4,500	-	42,100	42,100
Miscellaneous	500	500	85	(415)
Total revenues	\$ 1,380,957	\$ 2,046,408	\$ 2,095,238	\$ 48,830
Expenditures:				
Public safety:				
Personnel costs	\$ 913,477	\$ 1,184,628	\$ 1,248,869	\$ (64,241)
Operating expenses	466,980	527,700	550,015	(22,315)
Capital projects	500	107,500	183,695	(76,195)
Debt service:				
Principal retirement	-	206,000	206,000	-
Interest and other fiscal charges	-	20,580	26,969	(6,389)
Total expenditures	\$ 1,380,957	\$ 2,046,408	\$ 2,215,548	\$ (169,140)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (120,310)	\$ (120,310)
Fund balance, beginning of year	\$ -	\$ -	\$ 279,455	\$ 279,455
Fund balance, end of year	\$ -	\$ -	\$ 159,145	\$ 159,145

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

Regional Center for Animal Care and Protection
 Schedule of the Center's Proportionate Share of the Net Pension Liability
 For the Measurement Dates of June 30, 2014 through June 30, 2018

Date	Proportion of the Net Pension Liability (NPL)	Proportionate Share of the NPL	Covered Payroll	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
(1)	(2)	(3)	(4)	(5)	(6)
2018	1.0778%	\$ 363,627	\$ 519,454	70.00%	86.53%
2017	1.3135%	487,341	607,017	80.28%	84.76%
2016	1.1960%	546,802	512,956	106.60%	80.43%
2015	1.2453%	436,136	525,310	83.02%	84.31%
2014	1.1612%	386,611	489,185	79.03%	84.61%

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

Regional Center for Animal Care and Protection
 Schedule of Employer Contributions - Pension
 For the Years Ended June 30, 2014 through June 30, 2019

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)
2019	\$ 72,604	\$ 72,604	\$ -	\$ 607,907	11.94%
2018	57,366	57,366	-	519,454	11.04%
2017	67,516	67,516	-	607,017	11.12%
2016	59,186	59,186	-	512,956	11.54%
2015	59,441	59,441	-	525,310	11.32%
2014	49,259	49,259	-	489,185	10.07%

Schedule is intended to show information for 10 years. Because the Center participates in the County of Roanoke, Virginia's retirement plan, prior to 2014 the Center's information was included in the County's schedules. Therefore, no additional data is currently available. Additional years will be included as they become available.

Regional Center for Animal Care and Protection
 Notes to Required Supplementary Information - Pension
 For the Year Ended June 30, 2019

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

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

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%

Regional Center for Animal Care and Protection
 Schedule of Center's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2017 and 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)
2018	0.00269%	\$ 40,895	\$ 519,454	7.87%	51.22%
2017	0.00298%	44,893	607,017	7.40%	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.

Regional Center for Animal Care and Protection
 Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2017 through June 30, 2019

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)
2019	\$ 3,063	\$ 3,063	\$ -	\$ 521,199	0.59%
2018	6,708	6,708	-	519,454	1.29%
2017	7,208	7,208	-	607,017	1.19%

Schedule is intended to show information for 10 years. Because the Center participates in the County of Roanoke, Virginia's OPEB plan, prior to 2017 the Center's information was included in the County's schedules. Therefore, no additional data is currently available. Additional years will be included as they become available.

Regional Center for Animal Care and Protection
 Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2019

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

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

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%

Regional Center for Animal Care and Protection
 Schedule of Center's Proportionate Share of the Net OPEB Liability
 Group Medical Plan
 For the Measurement Dates of June 30, 2017 and June 30, 2018

Date (1)	Center's Proportion of the Net OPEB Liability (2)	Center's Proportionate Share of the Net OPEB Liability (3)	Center's Covered- Employee Payroll (4)	Center's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2018	0.4600%	\$ 29,789	\$ 721,101	4.131%	50.400%
2017	1.7700%	137,323	706,961	19.424%	43.500%

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.

Regional Center for Animal Care and Protection
 Schedule of Employer Contributions
 Group Medical Plan
 For the Years Ended June 30, 2017 through June 30, 2019

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)
2019	\$ 8,702	\$ 8,702	\$ -	\$ 613,976	1.41732%
2018	29,148	29,148	-	721,101	4.04215%
2017	21,614	21,614	-	706,961	3.05731%

Schedule is intended to show information for 10 years. Because the Center participates in the County of Roanoke, Virginia's OPEB plan, prior to 2017 the Center's information was included in the County's schedules. Therefore, no additional data is currently available. Additional years will be included as they become available.

Regional Center for Animal Care and Protection
 Notes to Required Supplementary Information - Group Medical Plan
 For the Year Ended June 30, 2019

Valuation Date: 6/30/2018

Actuarially determined contribution rates are calculated as of July 1, 2017, prior to the fiscal year in which they are reported, and have been projected to June 30, 2018 on a "no gain/no loss" basis.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal
Amortization Method/Period	Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 8 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants. Contribution calculations 20 years closed.
Asset Valuation Method	Market value of assets
Medical Trend Rate	Graded down from 7.5% to 5% over 10 years beginning in 2018
Salary Increases	2.00% per annum
Long-Term Expected Rate of Return	7.50% per annum
Retirement Age	The average age at retirement is 62
Mortality Rates	Pre-retirement: RP-2000, Males set forward 2 years, Females set back 3 years, projected to 2020 with Scale AA; Post-retirement: RP-2000, Females setback 1 year (no setback for Males), projected to 2020 with Scale AA; Disability: RP-2000, Males setback 3 years, no future mortality improvements.

COMPLIANCE SECTION



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 Members of the Executive Committee
Regional Center for Animal Care and Protection
Roanoke, 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 governmental activities and each major fund of the Regional Center for Animal Care and Protection as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Regional Center for Animal Care and Protection's basic financial statements and have issued our report thereon dated September 27, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Center for Animal Care and Protection'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, Fawcett, Cox Associates

Blacksburg, Virginia
September 27, 2019