VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

FINANCIAL REPORT

JUNE 30, 2014

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VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

DIRECTORY OF PRINCIPAL OFFICIALS

BOARD OF DIRECTORS

Joan Foster, Chairman
City of Lynchburg, Virginia

Mike Mattox, Vice-Chairman
Town of Altavista, Virginia

Gary F. Christie, Secretary
Region 2000 Local Government Council

L. Kimball Payne, III, Treasurer
City of Lynchburg, Virginia

KEY EMPLOYEES

Gary F. Christie, Executive Director

Rosalie Majerus, Deputy Director of Finance

Bob White, Deputy Director of Planning and Core Services

Independent Auditors' Report

TO THE BOARD OF DIRECTORS
VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL
LYNCHBURG, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Virginia's Region 2000 Local Government Council as of and for the years ended June 30, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Virginia's Region 2000 Local Government Council, as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of pension and OPEB funding progress on pages 3-6 and pages 34-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Virginia's Region 2000 Local Government Council's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2014, on our consideration of the Virginia's Region 2000 Local Government Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Virginia's Region 2000 Local Government Council's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
August 22, 2014

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

As management of the Virginia’s Region 2000 Local Government Council, (the “Council”), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements section of this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council’s basic financial statements. The first two statements are condensed and present a government-wide view of the Council’s finances. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

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

Notes to financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 33 of this report.

Other information. In addition to the basic financial statements and accompanying notes, certain required supplementary information concerning the Council's funding of its obligation to provide Virginia Retirement System Benefits and other post-employment benefits to its employees is located immediately following the notes to financial statements.

Financial Highlights

- The assets of the Council exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $4,566,823 (net position). Of this amount $2,061,227 (unrestricted) may be used to meet the Council's ongoing obligations to customers and creditors.
- The Council's total net position increased by $1,433,494.

As noted earlier, net position may serve over time as a useful indicator of a Council's financial position. In the case of the Council, assets exceeded liabilities and deferred inflows of resources by $4,566,823 at the close of the most recent fiscal year.

	Net Position	
	2014	2013
Current and other assets	$ 9,391,401	$ 10,937,975
Capital assets	7,383,232	4,995,823
Total assets	$ 16,774,633	$ 15,933,798
Current liabilities	$ 1,215,356	$ 338,822
Long-term liabilities	10,992,454	12,450,594
Total liabilities	$ 12,207,810	$ 12,789,416
Deferred inflows of resources	$ -	$ 11,053
Net position:		
Invested in capital assets, net of related debt	$ 2,505,596	$ 1,916,130
Unrestricted	2,061,227	1,217,199
Total net position	$ 4,566,823	$ 3,133,329

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

	Change in Net Position	
	2014	2013
Revenues:		
Operating revenues	$ 3,202,637	$ 2,967,977
Participating government operating contributions (Dues)	151,413	149,775
Nonoperating Income	1,818,487	1,493,167
Total revenues	$ 5,172,537	$ 4,610,919
Expenses:		
Operating expenses	$ 3,365,807	$ 3,151,937
Interest expense	373,236	389,516
Total expenses	$ 3,739,043	$ 3,541,453
Change in net position	$ 1,433,494	$ 1,069,466
Net position - July 1	3,133,329	2,063,863
Net position - June 30	$ 4,566,823	$ 3,133,329

Total revenues increased by $561,618 while total expenses increased $197,590 from FY2013 levels.

Capital Asset Administration

The Council's investment in capital assets as of June 30, 2014 amounts to $7,383,232 (net of accumulated depreciation). Investment in capital assets increased 47.79% during the year. Below is a comparison of the items that makeup capital assets as of June 30, 2014 with that of June 30, 2013.

	Capital Assets	
	2014	2013
Leasehold Improvements	$ 16,904	$ 23,896
Furniture and equipment	8,086	11,413
Regional Radio	1,151,727	1,242,059
Land	74,328	74,328
Construction in Progress	6,132,187	3,644,127
Total Capital Assets	$ 7,383,232	$ 4,995,823

Review of Operations

- FY 14 was an excellent year for completing projects and bringing grant money to the region. Staff of the Local Government Council assisted with projects that generated over $30 for each $1 paid in local dues. These projects included:

    - Assistance to Firefighter grant funds for mobile and portable radios for Firefighters in Lynchburg, Amherst and Bedford
    - Enhancement funds in Brookneal and Appomattox County
    - Safe Routes to School funds in Lynchburg
    - Virginia Housing and Community Development funds in Madison Heights in Amherst County
    - Tobacco Commission funds, Small Business Development Center funds, Agriculture, and stormwater funds.

- In May of each year RIDE Solutions hosts the Lynchburg Area Bike Month and Clean Commute Challenge – a month-long event to challenge area citizens and businesses to access work, one or more days in the month by carpooling, walking, biking, or taking the bus. This year saw the first Clean Commute Convoy on Bike to Work Day, and Free Fare Day by Greater Lynchburg Transit Company (GLTC) and Altavista Community Transit System (ACTS) in May. As part of this activity, the Local Government Council staff continued to update a comprehensive alternative transportation website, www.lynchburgbikemonth.com. The site included detailed bicycle commuter use, planning and route information. All elements of this site have been incorporated in the RIDESolutions.org and the pending Local Government Council updated website.

- We continued to expand the RIDE Solutions program which matches commuters who are traveling to the same general work area whether going to Roanoke or Lynchburg.

- We are working with the Region 2000 Counties to develop a uniform stormwater management program that will have a consistent set of regulations.

- The Local Government Council continues to work with the Virginia's Region 2000 Business and Economic Development Alliance to maintain the Regional Comprehensive Economic Development Strategy which was approved this year by the U.S. Economic Development Administration. We developed a dashboard of economic statistics for the region which will be housed on the Local Government Council's website.

Review of Operations: (Continued)

- The Local Government Council continued discussions with the region's librarians and administration regarding opportunities for cost and service improvements to the public library system. Project lead, Bob White, Director of Planning, continues these meetings with a focus on coordinating the regionalization of library services.

- Since 1995 Lynchburg has shared a radio system with Amherst and Bedford. Public safety responders can travel throughout these jurisdictions and stay linked with interoperable communications for police, sheriff, fire or rescue services. We are working with these localities to replace this equipment with an $11.2 million contract with Harris Corporation.

- We helped the Town of Amherst with Davis-Bacon Act wage monitoring as part of a Health Department funded extension of water lines along Route 60 to the west part of town.

- We had excellent community input on our safety study for the Route 221 corridor connecting Lynchburg and Bedford. A strong corridor study resulted from the work.

- We've selected vendors for an update to the Long Range Transportation Plan which occurs every five years. It is expected that much of the work on this project will be done in FY 15 and completed in FY 16.

- The Virginia's Region 2000 Local Government Council continued to serve as the fiscal agent for multiple regional entities within the Region 2000 Partnership, including the Virginia's Region 2000 Business and Economic Development Alliance, the Young Professionals of Central Virginia, and the Workforce Investment Board. Not only are we the fiscal agent for the Region 2000 Services Authority, but we also provide staffing for the Region 2000 Services Authority which deposits over 210,000 tons of solid waste annually from five communities in our region. This one-shop financial arrangement results in considerable costs savings for each agency and participating localities. We continue to fine tune our human resources work managing the HR services for over 40 employees from the six Partner organizations, including administrative staffing to the Region 2000 Workforce Investment Board.

- In partnership with the Region 2000 Partnership agencies, we contribute to a monthly web-based Region 2000 Partnership Newsletter. This web-based newsletter provides information on local, regional, and specific state initiatives which have bearing and relevance to area stakeholders.

Requests for Information

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

Basic Financial Statements

STATEMENTS OF NET POSITION
AT JUNE 30, 2014 AND 2013

	At June 30, 2014	At June 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 1,961,967	$ 1,134,901
Restricted cash and cash equivalents:		
Unspent bond proceeds	6,802,364	9,317,307
Accounts and grants receivable (Note 3)	600,208	452,521
Prepaid expenses	26,862	33,246
Total current assets	$ 9,391,401	$ 10,937,975
Capital assets, net (Note 4):	$ 7,383,232	$ 4,995,823
Total assets	$ 16,774,633	$ 15,933,798
LIABILITIES		
Current liabilities:		
Accounts payable	$ 353,300	$ 215,196
Accrued interest payable	59,179	62,811
Funds held for others	4,990	5,492
Compensated absences (Note 6)	57,887	55,323
Revenue bonds, current portion (Note 15)	740,000	717,000
Total current liabilities	$ 1,215,356	$ 1,055,822
Long-term liabilities:		
Revenue bonds, less current portion (Note 15)	$ 10,940,000	$ 11,680,000
Net OPEB obligation (Note 15)	52,454	53,594
Total long-term liabilities	$ 10,992,454	$ 11,733,594
Total liabilities	$ 12,207,810	$ 12,789,416
DEFERRED INFLOWS OF RESOURCES		
Unearned Revenue	$ -	$ 11,053
NET POSITION		
Net Investment in capital assets	$ 2,505,596	$ 1,916,130
Unrestricted	2,061,227	1,217,199
Total net position	$ 4,566,823	$ 3,133,329

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	Year Ended June 30,	
	2014	2013
Operating Revenues		
Grants		
Commonwealth of Virginia		
Department of Housing and Community Development	$ 75,971	$ 75,971
Department of Agriculture	31,349	-
Department of Transportation	71,216	63,430
Federal		
Department of Transportation - Highway Planning and Construction	270,013	204,131
Department of Transportation - Planning	88,937	73,663
Department of Health and Human Services		
ARRA Prevention and Wellness	-	7,000
Department of Homeland Security - Pre-Disaster Mitigation	-	19,146
Environmental Protection Agency		
Chesapeake Bay Program	49,258	31,627
Workforce Investment Act		
Adult Programs	349,290	477,514
Youth Programs	484,945	479,059
Dislocated Worker Program	459,091	316,292
Commerce Department Economic Development	18,510	16,989
Department of Housing and Urban Development Community Development Block Grant	20,707	20,945
Other Revenue		
Regional Radio Board	953,934	945,547
Dues and matching funds - participating localities	151,413	149,775
Grant management and other fees	303,960	216,707
Miscellaneous	25,456	19,956
Total Operating Revenues	$ 3,354,050	$ 3,117,752
Operating Expenses		
Administrative		
Salaries	$ 91,367	$ 101,210
Fringe benefits	48,433	54,678
Other unallocated overhead	128,874	102,956
Program		
Allocated administrative salaries	414,672	404,406
Allocated fringe benefits	225,646	218,341
Direct program	2,456,815	2,270,346
Total operating expenses	$ 3,365,807	$ 3,151,937
Operating income (loss)	$ (11,757)	$ (34,185)
Nonoperating Income (Expense)		
Interest Income	$ 12,755	$ 26,277
Interest expense	(373,236)	(389,516)
Member jurisdiction payments	1,805,732	1,108,890
Total nonoperating income (expense)	$ 1,445,251	$ 745,651
Income (loss) before contributions	$ 1,433,494	$ 711,466
Capital contributions	$ -	$ 358,000
Change in net position	$ 1,433,494	$ 1,069,466
Net position - beginning at July 1	$ 3,133,329	$ 2,063,863
Net position - ending at June 30	$ 4,566,823	$ 3,133,329

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

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	Year Ended June 30, 2014	Year Ended June 30, 2013
Cash Flow From Operating Activities		
Receipts from granting agencies and participating localities	$ 3,195,310	$ 3,037,302
Payments to suppliers	(2,319,236)	(2,061,867)
Payments to employees	(778,694)	(759,322)
Net cash provided by (used for) operating activities	$ 97,380	$ 216,113
Cash Flow From Capital and Related Financing Activities		
Purchase of capital assets	$ (2,509,876)	$ (1,323,839)
Capital contributions	-	358,000
Member jurisdiction payments	1,805,732	1,108,890
Principal payments on bond	(717,000)	(703,000)
Interest paid on bond	(376,868)	(390,497)
Net cash provided by (used for) capital and related financing activities	$ (1,798,012)	$ (950,446)
Cash Flow From Investing Activities		
Interest income	$ 12,755	$ 26,277
Net increase (decrease) in cash and cash equivalents	(1,687,877)	(708,056)
Cash and cash equivalents at beginning of year (including $9,317,307 and $10,523,788, respectively reported in restricted accounts)	$ 10,452,208	$ 11,160,264
Cash and cash equivalents at end of year (including $6,802,364 and $9,317,307, respectively reported in restricted accounts)	$ 8,764,331	$ 10,452,208
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities		
Operating income (loss)	$ (11,757)	$ (34,185)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	122,467	120,764
Loss on disposal	-	1,285
Accounts and grants receivable	(147,687)	(73,773)
Prepaid expenses	6,384	67,484
Accounts payable	138,104	123,733
Funds held for others	(502)	(1,831)
Compensated absences	2,564	6,111
Net OBEB obligation	(1,140)	13,202
Unearned Revenue	(11,053)	(6,677)
Net cash provided by (used for) operating activities	$ 97,380	$ 216,113

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

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting entity:

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

Measurement focus and basis of accounting:

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

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

Cash and cash equivalents:

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

Valuation of receivables:

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

Capital assets:

Capital assets are stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Depreciation for capital assets has been provided over the following estimated useful lives using the straight-line method:

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

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

Compensated absences:

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

Funds Held for Others:

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

Use of Estimates:

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

Reclassifications:

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

Net Position:

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

Net Position Flow Assumption:

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

Deferred Inflows/Outflows of Resources

In addition to assets, 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 future periods and so will not be recognized as an inflow a resources (revenue) until then. The Council does not have any deferred inflows of resources as of June 30, 2014.

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

Deferred Inflows/Outflows of Resources: (Continued)

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 and so will not be recognized as an outflow of resources (expense) until then. The Council does not have any deferred outflows of resources as of June 30, 2014.

NOTE 2-DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

The Council does not have a formal investment policy.

Credit Risk of Debt Securities

The Council's rated debt investments as of June 30, 2014 were rated by Standard & Poor's, and or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

Council's Rated Debt Investments' Values

	Fair Quality Ratings AAAm
Local Government Investment Pool	$ 470,866
State Non-Arbitrage Pool (SNAP)	6,802,364
Total	$ 7,273,230

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

NOTE 3-ACCOUNTS AND GRANTS RECEIVABLE:

Accounts and grants receivable are as follows:

	2014	2013
Virginia Department of Transportation	$ 131,410	$ 83,421
Virginia Department of Rail and Public Transportation	30,125	22,325
Virginia Department of Agriculture and Consumer Services	5,099	-
Workforce Investment Act	216,525	154,703
Department of Commerce	6,486	6,159
Department of Conservation and Recreation	4,680	12,419
Town of Amherst	2,750	2,435
Department of Emergency Management	-	8,829
Roanoke Valley Regional Commission	16,127	15,635
Town of Brookneal	6,000	-
Town of Pamplin	3,751	-
Radio Board	21,804	8,944
Radio Board members	59,179	62,811
Department of Rehabilitative Services	1,436	1,404
Region 2000 Partners	90,564	70,242
Goodwill Industries of the Valley	2,007	2,054
Others	2,265	1,140
	$ 600,208	$ 452,521

NOTE 4-CAPITAL ASSETS:

Capital asset activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2014				
Capital assets not being depreciated:				
Land	$ 74,328	$ -	$ -	$ 74,328
Construction in progress	3,644,127	2,488,060	-	6,132,187
Total capital assets not being depreciated	$ 3,718,455	$ 2,488,060	$ -	$ 6,206,515
Other capital assets:				
Leasehold improvements	$ 90,305	$ -	$ -	$ 90,305
Regional radio	1,348,578	19,000	-	1,367,578
Furniture and equipment	80,768	2,816	-	83,584
Subtotal other capital assets	$ 1,519,651	$ 21,816	$ -	$ 1,541,467
Accumulated depreciation				
Leasehold improvements	$ 66,409	$ 6,992	$ -	$ 73,401
Regional radio	106,519	109,332	-	215,851
Furniture and equipment	69,355	6,143	-	75,498
Subtotal accumulated depreciation	$ 242,283	$ 122,467	$ -	$ 364,750
Other capital assets, net	$ 1,277,368	$ (100,651)	$ -	$ 1,176,717
Total capital assets, net	$ 4,995,823	$ 2,387,409	$ -	$ 7,383,232
2013				
Capital assets not being depreciated:				
Land	$ 74,328	$ -	$ -	$ 74,328
Construction in progress	2,389,846	1,254,281	-	3,644,127
Total capital assets not being depreciated	$ 2,464,174	$ 1,254,281	$ -	$ 3,718,455
Other capital assets:				
Leasehold improvements	$ 90,305	$ -	$ -	$ 90,305
Regional radio	1,283,195	65,383	-	1,348,578
Furniture and equipment	82,555	4,175	5,962	80,768
Subtotal other capital assets	$ 1,456,055	$ 69,558	$ 5,962	$ 1,519,651
Accumulated depreciation				
Leasehold improvements	$ 59,417	$ 6,992	$ -	$ 66,409
Regional radio	-	106,519	-	106,519
Furniture and equipment	66,779	7,253	4,677	69,355
Subtotal accumulated depreciation	$ 126,196	$ 120,764	$ 4,677	$ 242,283
Other capital assets, net	$ 1,329,859	$ (51,206)	$ 1,285	$ 1,277,368
Total capital assets, net	$ 3,794,033	$ 1,203,075	$ 1,285	$ 4,995,823

NOTE 5-PENSION PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

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

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

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

NOTE 5-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

   Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

   An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

NOTE 5-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. **Eligibility -** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

    For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

NOTE 5-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

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

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

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

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

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** – Same as VRS Plan 1–Refer to Section 4.

5. **Creditable Service** – Same as VRS Plan 1– Refer to Section 5.

6. **Vesting** – Same as VRS Plan 1–Refer to Section 6.

7. **Calculating the Benefit** – Same as VRS Plan 1–Refer to Section 7.

NOTE 5-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

10. **Normal Retirement Age** - Normal Social Security retirement age.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. **Eligibility** – Same as VRS Plan 1–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1–Refer to Section 15.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** – Same as VRS Plan 1–Refer to Section 17.

NOTE 5-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

   - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
   - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
   - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

   - State employees*
   - School division employees
   - Political subdivision employees*
   - Judges appointed or elected to an original term on or after January 1, 2014
   - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

   - Members of the State Police Officers' Retirement System (SPORS)
   - Members of the Virginia Law Officers' Retirement System (VaLORS)
   - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

NOTE 5-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

3. ***Non-Eligible Members (Continued)**

   Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

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

5. **Creditable Service**

   Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

   Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **Vesting**

   Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

   Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

   Members are always 100% vested in the contributions that they make.

NOTE 5-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

6. Vesting (Continued)

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation – Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 5-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

12. **Earliest Reduced Retirement Eligibility**

    Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

    Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. **Cost-of-Living Adjustment (COLA) in Retirement**

    Defined Benefit Component – Same as VRS Plan 2–Refer to Section 13.

    Defined Contribution Component – Not Applicable.

14. **Eligibility** – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. **Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

    State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service**

    Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

    Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 5-PENSION PLAN: (CONTINUED)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Council is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Council's contribution rate for the fiscal year ended 2014 was 10.92% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, Council's annual pension cost of $64,918 equal to the Council's required and actual contributions.

**Three-Year Trend Information for
Virginia's Region 2000 Local Government Council**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	$ 58,736	100%	$ -
June 30, 2013	64,113	100%	-
June 30, 2014	64,918	100%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Council's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Council's plan was 136.19% funded. The actuarial accrued liability for benefits was $196,848, and the actuarial value of assets was $268,084, resulting in an unfunded actuarial accrued liability (UAAL) of ($71,236). The covered payroll (annual payroll of active employees covered by the plan) was $367,068 and ratio of the UAAL to the covered payroll was -19.41%.

NOTE 5-PENSION PLAN: (CONTINUED)

D. Funding Status and Progress (Continued)

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Virginia's Region 2000 Local Government Council acts as the employer for purposes of the retirement plan administered by the Virginia Retirement System for all Region 2000 partners. The amount allocable to the Council as opposed to all other organizations is 18.94%.

NOTE 6-COMPENSATED ABSENCES:

Following is a summary of changes in compensated absences:

	2014	2013
Balance, July 1	$ 55,323	$ 49,212
Increase	2,564	6,111
Balance, June 30	$ 57,887	$ 55,323

NOTE 7-OPERATING LEASE:

In January 2012 the Council entered into a five-year lease agreement for office space. The Council entered into an agreement with the Virginia's Region 2000 Business and Economic Development Alliance and the Region 2000 Workforce Investment Board to share this office space under a sublease arrangement. Net rental expense was approximately $101,886 and $101,882 for 2014 and 2013, respectively. Future minimum lease payments are as follows:

	Main Office		
Year Ending June 30,	Minimum Lease Payments	Minimum Sublease Payments	Total
2015	$ 102,100	$ (41,861)	$ 60,239
2016	104,142	(42,698)	61,444
2017	79,272	(32,502)	46,770
	$ 285,514	$ (117,061)	$ 168,453

NOTE 8-RISK MANAGEMENT:

The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council joined together with other local governments in the Commonwealth to form the Virginia Municipal League, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Council pays an annual premium to the pool for its liability, property and workers compensation coverages.

NOTE 9-RELATED PARTIES:

The Virginia's Region 2000 Business and Economic Development Alliance (the "Alliance") works closely with the Council to encourage economic development in the region. The Council and the Alliance are considered related parties in that they share resources, information, and in some cases, employees. The Council provides accounting services for the Alliance as well as other assistance such as grant writing. The Council received $6,000 from the Alliance in both 2014 and 2013, which is included in grant management and other fees. In fiscal year 2012, the Council and the Alliance entered into a sublease agreement as disclosed in Note 7.

NOTE 10-REGION 2000 SERVICES AUTHORITY:

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

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS PROGRAM-HEALTH INSURANCE:

A. Background

Beginning in fiscal year 2010, the Council implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how governmental entities should account for and report their costs related to post-employment health-care and non-pension benefits, such as the Council's retiree health benefit subsidy. Historically, the Council's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the Council accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of postemployment benefits and the financial impact on the Council. This funding methodology mirrors the funding approach used for pension benefits.

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS PROGRAM-HEALTH INSURANCE: (CONTINUED)

B. Plan Description

Virginia's Region 2000 Local Government Council offers eligible retirees post employment medical coverage if they meet required eligibility criteria. Retirees hired prior to July 1, 2006 are eligible at age 50 provided they have a minimum of ten years of consecutive service at the Council. Retirees hired between July 1, 2006 and April 16, 2009 are eligible at age 50 with a minimum of 20 consecutive years of service. Any retirees hired after April 16, 2009 are not eligible for benefits.

C. Funding Policy

The Council determines how the liability will be funded each year, whether it will partially or fully fund the liability. The Council pays a portion of the retirees' monthly premium, including dependents, ranging from $448.53 to $769.23. Upon reaching Medicare eligibility, retirees are responsible for 100% of the medical premiums.

D. Annual OPEB Cost and Net OPEB Obligation

The Council's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Council has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table depicts the components of the Council's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the Council's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	$	12,178
Interest on OPEB obligation		1,477
Adjustment to annual required contribution		(13,015)
Annual OPEB cost (expense)	$	640
Contributions made		(1,780)
Increase in net OPEB obligation	$	(1,140)
Net OPEB obligation - beginning of year		53,594
Net OPEB obligation - end of year	$	52,454

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS PROGRAM-HEALTH INSURANCE: (CONTINUED)

D. Annual OPEB Cost and Net OPEB Obligation (Continued)

For 2014, the Council's expected cash payment of $1,780 was $1,140 more than the OPEB cost. The Council's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two fiscal years were as follows:

Fiscal Year Ended		Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2012	$	15,079	$	13%	$	40,392
June 30, 2013		13,924		5%		55,594
June 30, 2014		640		278%		52,454

The allocation OPEB cost and net OPEB obligation between the Council and other related entities was adjusted as of July 1, 2013.

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013 is as follows:

Actuarial accrued liability (AAL)	$	89,207
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability (UAAL)	$	89,207
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	$	279,801
UAAL as a percentage of covered payroll		31.88%

F. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Projected Unit Credit (PUC) Actuarial Cost Method was used in determining the liability. A PUC accrued benefit is determined for each active member in the Plan on the basis of the member's benefit projected to the assumed date of retirement and member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS PROGRAM-HEALTH INSURANCE: (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

The actuarial liability and normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's benefit to each assumed date of determination, disablement, or death. The actuarial liability and normal cost for the benefits are based upon the present value of the benefit expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the benefits expected to be paid.

Assumptions

Discount rate (unfunded)	3.50%
Amortization period	30 years
Healthcare trend rate	7.70%
Payroll growth rate	3.00%

NOTE 12-INDIRECT COST ALLOCATIONS:

Fringe Benefits

Fringe benefit expense is allocated using the percentage of benefit to total labor costs. The fringe benefit rate developed and used by the Council for the fiscal year ending June 30, 2014 was 54.31% and was calculated as follows:

Release time salaries	$	94,341		
Payroll taxes		44,180		
Insurance		66,356		
Retirement		64,918		
Other benefits		4,285		
Total fringe benefit expense	$	274,080		
Fringe benefit expenses	$	274,080	=	54.31%
Total labor costs	$	504,618		

Indirect Costs

Indirect costs which support all projects, are allocated to the various projects based on the allocation rate applied to the projects direct labor and fringe benefit charges. The indirect cost rate developed and used by the Council for the fiscal year ending June 30, 2014 was 42.05% and was calculated as follows:

Total indirect costs	$	268,674	=	42.05%
DIrect labor and fringes	$	638,897		

NOTE 12-INDIRECT COST ALLOCATIONS: (CONTINUED)

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

Indirect Personnel Costs		
Indirect Chargeable Salary	$	91,367
Employee Benefit Rate		48,433
Total Indirect Personnel Costs	$	139,800
Office Expenses		
Auditing Services	$	4,900
Payroll Accounting Services		8,337
Legal Services		825
Liability Insurance (General Liability Insurance)		1,036
Contractual Services (Management Consulting Services)		18,725
Advertising (Job Postings and Procurement)		1,547
Postage		802
Telephone		4,757
Internet Services		284
Office Supplies		3,678
Travel		4,013
Special Meetings		8,767
Education & Training (Travel - Convention & Education)		3,370
Dues, Subscriptions (Dues & Association Memberships)		8,099
Publications (Books & Subscriptions)		181
Miscellaneous Expenses (Miscellaneous Administrative Expenses)		659
Furniture & Fixtures		2,777
Rental Office Equipment (Lease/Rent - Equipment)		2,940
Office Rent/(Lease/Rent - Buildings)		48,573
Computer Equipment/Software (EDP Equipment)		4,604
Total Office Expenses	$	128,874
Total Indirect Costs	$	268,674

DIRECT CHARGEABLE PERSONNEL COSTS	
DIRECT CHARGEABLE SALARIES	413,251
EMPLOYEE BENEFIT RATE	225,646
TOTAL DIRECT CHARGEABLE PERSONNEL COSTS	638,897

CALCULATION OF INDIRECT COST ALLOCATION RATE	
TOTAL INDIRECT COSTS	268,674
TOTAL DIRECT CHARGEABLE PERSONNEL COSTS	638,897

NOTE 13-CONTINGENT LIABILITIES:

Federal programs in which the organization participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 14-JOINT VENTURE:

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

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

Capital Costs:

- Amherst County – 28.0%
- Bedford County – 36.8%
- Town of Bedford – 5.1%
- City of Lynchburg – 30.1%

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

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

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

NOTE 15-LONG-TERM OBLIGATIONS:

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

A summary of long-term obligations is presented below:

	Balance July 1, 2013	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2014	Due Within One Year
Revenue bonds	$ 12,397,000	$ -	$ 717,000	$ 11,680,000	$ 740,000
Compensated absences	55,323	2,564	-	57,887	57,887
Net OPEB obligation	53,594	640	1,780	52,454	-
Totals	$ 12,505,917	$ 3,204	$ 718,780	$ 11,790,341	$ 797,887

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

Fiscal Year Ended June 30	Revenue Bonds Principal	Revenue Bonds Interest
2015	$ 740,000	$ 355,072
2016	764,000	332,576
2017	788,000	309,350
2018	813,000	285,395
2019	838,000	260,680
2020	865,000	235,205
2021	892,000	208,909
2022	920,000	181,792
2023	950,000	153,824
2024	980,000	124,944
2025	1,011,000	95,152
2026	1,043,000	64,418
2027	1,076,000	32,710
Total	$ 11,680,000	$ 2,640,027
Less current portion:	740,000	355,072
Total Long-term Obligations	$ 10,940,000	$ 2,284,955

NOTE 16-FUTURE GASB STANDARDS:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions and to better report pension expense and pension liabilities. This statement is effective for periods beginning after June 15, 2014.

Required Supplementary Information

Schedule of Pension Funding Progress
As of June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
06/30/11	$ 187,140	$ 141,547	$ (45,593)	132.21%	$ 425,518	-10.71%
06/30/12	256,727	192,155	(64,572)	133.60%	439,030	-14.71%
06/30/13	268,084	196,848	(71,236)	136.19%	367,068	-19.41%

Schedule of OPEB Funding Progress
As of June 30, 2014

Other Post Employment Benefits - Health Insurance

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as % of Covered Payroll (c/e)
	(a)	(b)	(c)	(d)	(e)	(f)
01/01/10	$ -	$ 81,559	$ 81,559	0.0%	$ 448,279	$ 18.19%
01/01/13		89,207	89,207	0.0%	279,801	31.88%

(1) Valuations performed every three years.

Compliance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Virginia's Region 2000 Local Government Council as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Virginia's Region 2000 Local Government Council and have issued our report thereon dated August 22, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
August 22, 2014

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Virginia's Region 2000 Local Government Council's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Virginia's Region 2000 Local Government Council's major federal programs for the year ended June 30, 2014. Virginia's Region 2000 Local Government Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Virginia's Region 2000 Local Government Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Virginia's Region 2000 Local Government Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Virginia's Region 2000 Local Government Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Virginia's Region 2000 Local Government Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Virginia's Region 2000 Local Government Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Virginia's Region 2000 Local Government Council's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
August 22, 2014

VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Department of Commerce				
Direct payment:				
Economic Development Technical Assistance	11.303	N/A	$	18,510
Department of Housing and Urban Development				
Pass-through payments:				
Department of Housing and Community Development:				
Community Development Block Grants/ States' Program And Non-Entitlement Grants in Hawaii	14.228	Various	$	20,707
Environmental Protection Agency				
Pass-through payment:				
Virginia Department of Environmental Quality				
Chesapeake Bay Program	66.466	SWM-2012-P-26	$	49,258
Department of Labor				
Pass-through payments:				
Virginia Community College System:				
City of Lynchburg, Virginia:				
Workforce Investment Act Cluster:				
WIA Adult Program	17.258	LWA 7	$	349,290
WIA Youth Activities	17.259	LWA 7		484,945
WIA Dislocated Workers Formula Grants	17.278	LWA 7		459,091
Total Department of Labor			$	1,293,326
Department of Transportation				
Pass-through payments:				
Virginia Department of Transportation:				
Highway Planning and Construction	20.205	FY-14	$	270,013
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	46014-06		88,937
Total Department of Transportation			$	358,950
Total expenditures of federal awards			$	1,740,751

VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Note 1- Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Virginia's Region 2000 Local Government Council under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with reporting requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of operations of Virginia's Region 2000 Local Government Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of Virginia's Region 2000 Local Government Council.

Note 2 – Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers were not available for presentation.

Note 3 – Relationship to Financial Statements

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

Primary government:	
Operating activities	$ 1,740,751
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 1,740,751

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
Workforce Investment Act Cluster	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.278	WIA Dislocated Workers Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Audit Findings

There were no prior year audit findings.