VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

FINANCIAL REPORT

JUNE 30, 2015

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VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

DIRECTORY OF PRINCIPAL OFFICIALS

BOARD OF DIRECTORS

Mike Mattox, Chairman
Town of Altavista, Virginia

Gary Tanner, Vice-Chairman
County of Appomattox, Virginia

Gary F. Christie, Secretary
Region 2000 Local Government Council

Waverly Coggsdale, III, Treasurer
Town of Altavista, 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, 2015 and 2014, 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Virginia's Region 2000 Local Government Council, as of June 30, 2015 and 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 16 to the financial statements, in 2015, the Council adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Comparative Information

As described in Note 16 to the financial statements, GASB Statement Nos. 68 and 71 were implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net pension asset and related items was unavailable. Therefore, the 2014 amounts related to pensions have not been restated to reflect the requirements of GASB Statement Nos. 68 and 71. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules related to pension and OPEB funding on pages 4-7, and 42-45 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 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 also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 November 24, 2015, on our consideration of Virginia's Region 2000 Local Government Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
November 24, 2015

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, 2015. 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 11 through 41 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 $5,779,797 (net position). Of this amount $2,412,473 (unrestricted) may be used to meet the Council's ongoing obligations to customers and creditors.

- The Council's total net position increased by $980,266.

- The Council implemented Statement of Governmental Accounting Standards (GASB Statement) Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* Accordingly, the net pension asset and related information are reported on the statement of net position along with a more comprehensive measure of pension expense and enhanced, note disclosures and required supplementary information. The Council's net pension asset was $231,364 whereby the assets of the Council's pension plan exceeded the total pension liability.

Financial Highlights: (Continued)

As noted earlier, net position may serve over time as a useful indicator of a Council's financial position. In the case of the Council, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5,779,797 at the close of the most recent fiscal year.

	Net Position	
	2015	2014
Current and other assets	$ 5,720,564	$ 9,391,401
Capital assets	11,688,637	7,383,232
Total assets	$ 17,409,201	$ 16,774,633
Deferred outflows of resources	$ 46,854	$ -
Current liabilities	$ 1,379,082	$ 1,215,356
Long-term liabilities	10,254,768	10,992,454
Total liabilities	$ 11,633,850	$ 12,207,810
Deferred inflows of resources	$ 42,408	$ -
Net position:		
Invested in capital assets, net of related debt	$ 3,367,324	$ 2,505,596
Unrestricted	2,412,473	2,061,227
Total net position	$ 5,779,797	$ 4,566,823

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

	Change in Net Position	
	2015	2014
Revenues:		
Operating revenues	$ 3,541,166	$ 3,202,637
Participating government operating contributions (Dues)	152,287	151,413
Nonoperating Income	1,111,594	1,818,487
Total revenues	$ 4,805,047	$ 5,172,537
Expenses:		
Operating expenses	$ 3,473,458	$ 3,365,807
Interest expense	351,323	373,236
Total expenses	$ 3,824,781	$ 3,739,043
Change in net position	$ 980,266	$ 1,433,494
Net position - July 1, as restated	4,799,531	3,133,329
Net position - June 30	$ 5,779,797	$ 4,566,823

Total revenues decreased by $367,490 while total expenses increased $85,738 from fiscal year 2014 levels.

Capital Asset Administration

The Council's investment in capital assets as of June 30, 2015 amounts to $11,688,637 (net of accumulated depreciation). Investment in capital assets increased 58.31% during the year. Below is a comparison of the items that makeup capital assets as of June 30, 2015 with that of June 30, 2014.

	Capital Assets	
	2015	**2014**
Leasehold Improvements	$ 9,912	$ 16,904
Furniture and equipment	4,747	8,086
Regional Radio	1,039,756	1,151,727
Land	74,328	74,328
Construction in Progress	10,559,894	6,132,187
Total Capital Assets	$ 11,688,637	$ 7,383,232

Review of Operations

The Local Government Council has served the same Cities and Counties in the greater Lynchburg region for over 45 years. Since the transition from the Central Virginia Planning District Commission, the Council and staff have brought new energy and new focus to the regional and local work.

There are two overarching roles that the Council plays in the life of the governments in the Region 2000 Planning District.

First, the Council serves as a place where neighboring local government representatives can meet to discuss and plan topics of multi-jurisdictional significance. In August 2014 the Council held a retreat facilitated by DecideSmart of Richmond. Regional economic development, including job retention at the Central Virginia Training Center, was identified as a predominate role for the Council's future work plans. In November the Local Government Council approved an application for $100,000 to the federal Economic Development Administration to be matched by $100,000 in LGC reserves to update the Comprehensive Economic Development Strategy.

These opportunities to meet together and discuss matters of regional interest have produced projects which include regional solid waste management, regional water planning, regional public safety communications infrastructure and regional hazard mitigation planning.

In FY 15 the LGC staff worked on regional projects which included:

- Central Virginia's Long Range Transportation Plan
- Regional Tourism initiative
- Regional Food Hub Study
- Services to commuters and alternative transportation
- Workforce Development
- Library administrative services.

Review of Operations: (Continued)

Next is the role that Council plays in providing high quality, lower cost governmental services to member jurisdictions. In FY 15 such projects included:

- Grant assistance to the Town of Amherst resulting in a $2.9 million low interest loan from the Virginia Department of Health for water main replacement
- Grant assistance to the Town of Appomattox for the CDBG Planning Grant for the Meadowlark neighborhood
- Local road studies on Atlanta Avenue and Simon's Run in Campbell County and Lynchburg
- Comprehensive plan development for the Town of Appomattox
- Grant management assistance in the Stumps Hill area of Madison Heights in Amherst County.

Requests for Information

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

Basic Financial Statements

STATEMENTS OF NET POSITION
AT JUNE 30, 2015 AND 2014

	At June 30, 2015	At June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 2,072,515	$ 1,961,967
Restricted cash and cash equivalents:		
Unspent bond proceeds	2,618,687	6,802,364
Accounts/grants receivable/Due from other governments (Note 3)	700,411	600,208
Prepaid expenses	97,587	26,862
Total current assets	$ 5,489,200	$ 9,391,401
Long-term assets:		
Net pension asset (Note 5)	$ 231,364	$ -
Capital assets, net (Note 4)	11,688,637	7,383,232
Total long-term assets	$ 11,920,001	$ 7,383,232
Total assets	$ 17,409,201	$ 16,774,633
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to measurement date	$ 46,854	$ -
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	$ 491,723	$ 353,300
Accrued interest payable	55,429	59,179
Funds held for others	4,748	4,990
Compensated absences (Note 6)	63,182	57,887
Revenue bonds, current portion (Note 15)	764,000	740,000
Total current liabilities	$ 1,379,082	$ 1,215,356
Long-term liabilities:		
Revenue bonds, less current portion (Note 15)	$ 10,176,000	$ 10,940,000
Net OPEB obligation (Note 15)	78,768	52,454
Total long-term liabilities	$ 10,254,768	$ 10,992,454
Total liabilities	$ 11,633,850	$ 12,207,810
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual earnings on plan investments	$ 42,408	$ -
NET POSITION		
Net Investment in capital assets	$ 3,367,324	$ 2,505,596
Unrestricted	2,412,473	2,061,227
Total net position	$ 5,779,797	$ 4,566,823

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, 2015 AND 2014

	Year Ended June 30, 2015	Year Ended June 30, 2014
Operating Revenues		
Grants		
Commonwealth of Virginia		
Department of Housing and Community Development	$ 75,971	$ 75,971
Department of Agriculture	3,325	31,349
Department of Transportation	80,997	71,216
Federal		
Department of Transportation - Highway Planning and Construction	278,792	270,013
Department of Transportation - Planning	96,288	88,937
Environmental Protection Agency		
Chesapeake Bay Program	-	49,258
Workforce Investment Act		
Adult Programs	589,602	349,290
Youth Programs	494,638	484,945
Dislocated Worker Program	408,392	459,091
Commerce Department Economic Development	10,587	18,510
Other Revenue		
Regional Radio Board	1,285,869	953,934
Dues and matching funds - participating localities	152,287	151,413
Grant management and other fees	201,599	324,667
Miscellaneous	15,106	25,456
Total Operating Revenues	$ 3,693,453	$ 3,354,050
Operating Expenses		
Administrative		
Salaries	$ 78,385	$ 91,367
Fringe benefits	41,163	48,433
Other unallocated overhead	131,541	128,874
Program		
Allocated administrative salaries	550,586	414,672
Allocated fringe benefits	150,051	225,646
Direct program	2,521,732	2,456,815
Total operating expenses	$ 3,473,458	$ 3,365,807
Operating income (loss)	$ 219,995	$ (11,757)
Nonoperating Income (Expense)		
Interest Income	$ 5,671	$ 12,755
Interest expense	(351,323)	(373,236)
Member jurisdiction payments	1,105,923	1,805,732
Total nonoperating income (expense)	$ 760,271	$ 1,445,251
Income (loss) before contributions	$ 980,266	$ 1,433,494
Change in net position	$ 980,266	$ 1,433,494
Net position - beginning at July 1, as restated	$ 4,799,531	$ 3,133,329
Net position - ending at June 30	$ 5,779,797	$ 4,566,823

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

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	Year Ended June 30, 2015	Year Ended June 30, 2014
Cash Flow From Operating Activities		
Receipts from granting agencies and participating localities	$ 3,593,250	$ 3,195,310
Payments to suppliers	(2,460,965)	(2,319,236)
Payments to employees	(791,678)	(778,694)
Net cash provided by (used for) operating activities	$ 340,607	$ 97,380
Cash Flow From Capital and Related Financing Activities		
Purchase of capital assets	$ (4,430,257)	$ (2,509,876)
Member jurisdiction payments	1,105,923	1,805,732
Principal payments on bond	(740,000)	(717,000)
Interest paid on bond	(355,073)	(376,868)
Net cash provided by (used for) capital and related financing activities	$ (4,419,407)	$ (1,798,012)
Cash Flow From Investing Activities		
Interest income	$ 5,671	$ 12,755
Net increase (decrease) in cash and cash equivalents	(4,073,129)	(1,687,877)
Cash and cash equivalents at beginning of year (including $6,802,364 and $9,317,307, respectively reported in restricted accounts)	$ 8,764,331	$ 10,452,208
Cash and cash equivalents at end of year (including $2,618,687 and $6,802,364, respectively reported in restricted accounts)	$ 4,691,202	$ 8,764,331
Reconciliation of Operating income (loss) to Net Cash provided by (used for) operating activities		
Operating income (loss)	$ 219,995	$ (11,757)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	124,852	122,467
Accounts and grants receivable	(100,203)	(147,687)
Prepaid expenses	(70,725)	6,384
Accounts payable	138,423	138,104
Funds held for others	(242)	(502)
Compensated absences	5,295	2,564
Net OBEB obligation	26,314	(1,140)
Deferred outflows - net pension asset related	24,075	-
Deferred inflows - net pension asset related	42,408	-
Net pension asset	(69,585)	-
Unearned Revenue	-	(11,053)
Net cash provided by (used for) operating activities	$ 340,607	$ 97,380

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. Capital assets are defined as land, buildings and other improvements, furnishings and equipment with an initial individual cost of more than $2,000 and an estimated useful life of more than one year. Depreciation for capital assets has been provided over the following estimated useful lives using the straight-line method:

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

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

Compensated absences:

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

Funds Held for Others:

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

Use of Estimates:

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

Reclassifications:

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

Net Position:

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

Net Position Flow Assumption:

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

Deferred Inflows/Outflows of Resources

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

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

Deferred Inflows/Outflows 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 Council has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension asset are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions on pension plan investments. For more detailed information on these items, reference the pension note.

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, 2015 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	$	471,393
State Non-Arbitrage Pool (SNAP)		2,618,687
Total	$	3,090,080

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:

	2015	2014
Virginia Department of Transportation	$ 68,608	$ 131,410
Virginia Department of Rail and Public Transportation	25,470	30,125
Virginia Department of Agriculture and Consumer Services	-	5,099
Workforce Investment Act	195,298	216,525
Department of Commerce	-	6,486
Department of Conservation and Recreation	-	4,680
Town of Amherst	2,863	2,750
Roanoke Valley Regional Commission	12,998	16,127
Town of Brookneal	-	6,000
Town of Pamplin	-	3,751
Radio Board	293,901	21,804
Radio Board members	55,429	59,179
Department of Rehabilitative Services	1,530	1,436
Region 2000 Partners	5,392	90,564
Goodwill Industries of the Valley	429	2,007
Others	38,493	2,265
	$ 700,411	$ 600,208

NOTE 4—CAPITAL ASSETS:

Capital asset activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2015				
Capital assets not being depreciated:				
Land	$ 74,328	$ -	$ -	$ 74,328
Construction in progress	6,132,187	4,427,707	-	10,559,894
Total capital assets not being depreciated	$ 6,206,515	$ 4,427,707	$ -	$ 10,634,222
Other capital assets:				
Leasehold improvements	$ 90,305	$ -	$ -	$ 90,305
Regional radio	1,367,578	-	-	1,367,578
Furniture and equipment	83,584	2,550	2,438	83,696
Subtotal other capital assets	$ 1,541,467	$ 2,550	$ 2,438	$ 1,541,579
Accumulated depreciation				
Leasehold improvements	$ 73,401	$ 6,992	$ -	$ 80,393
Regional radio	215,851	111,971	-	327,822
Furniture and equipment	75,498	5,889	2,438	78,949
Subtotal accumulated depreciation	$ 364,750	$ 124,852	$ 2,438	$ 487,164
Other capital assets, net	$ 1,176,717	$ (122,302)	$ -	$ 1,054,415
Total capital assets, net	$ 7,383,232	$ 4,305,405	$ -	$ 11,688,637
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

NOTE 5—PENSION PLAN:

Plan Description

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

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

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>About Plan 1
Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</td>
<td>About Plan 2
Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for 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.</td>
<td>About the Hybrid Retirement Plan
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 Plan 1 and 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.</td>
</tr>
</table>

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Cont.)	**About Plan 2 (Cont.)**	**About the Hybrid Plan (Cont.)** • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but 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.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

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

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

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

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

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

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

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

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

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

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

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

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

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

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

NOTE 5—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annualreport.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Contributions

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

The Council's contractually required contribution rate for the year ended June 30, 2015 was 7.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Council were $46,854 and $70,929 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the Council reported an asset of $231,364 for its proportionate share of the net pension asset. The Council's net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. The Council's proportionate share of the same was calculated using creditable compensation as of June 30, 2015 as a basis for allocation. At June 30, 2015 the Council's proportionate share was 36.00%.

NOTE 5—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Council's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

NOTE 5—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

All Others (Non 10 Largest) – Non-LEOS: (Continued)

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NOTE 5—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTE 5—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Virginia's Region 2000 Local Government Council Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	(6.00%)	**(7.00%)**	**(8.00%)**
Net Pension Liability (Asset)	$ (154,974)	$ (231,364)	$ (293,733)

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

For the year ended June 30, 2015, the Council recognized pension expense of $43,753. At June 30, 2015, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 42,408
Employer contributions subsequent to the measurement date	46,854	-
Total	$ 46,854	$ 42,408

NOTE 5—PENSION PLAN: (CONTINUED)

$46,854 reported as deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2016	$	(10,602)
2017		(10,602)
2018		(10,602)
2019		(10,602)
Thereafter		-

NOTE 6—COMPENSATED ABSENCES:

Following is a summary of changes in compensated absences:

		2015		2014
Balance, July 1	$	57,887	$	55,323
Increase		5,295		2,564
Balance, June 30	$	63,182	$	57,887

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 $100,089 and $101,886 for 2015 and 2014, respectively. Future minimum lease payments under noncancelable leases are as follows:

		Main Office				
Year Ending June 30,		Minimum Lease Payments		Minimum Sublease Payments		Total
2016	$	104,142	$	(42,698)	$	61,444
2017		79,272		(32,502)		46,770
	$	183,414	$	(75,200)	$	108,214

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 2015 and 2014, 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 $479.53 to $852.23. 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	$	16,533
Interest on OPEB obligation		2,336
Adjustment to annual required contribution		10,988
Annual OPEB cost (expense)	$	29,857
Contributions made		(3,543)
Increase in net OPEB obligation	$	26,314
Net OPEB obligation - beginning of year		52,454
Net OPEB obligation - end of year	$	78,768

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 $3,543 was $26,314 less 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 2015 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, 2013	$	13,924	$	5%	$	55,594
June 30, 2014		640		278%		52,454
June 30, 2015		29,857		12%		78,768

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, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	$	118,221
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability (UAAL)	$	118,221
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	$	370,802
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, 2015 was 52.43% and was calculated as follows:

Release time salaries	$	98,811		
Payroll taxes		45,816		
Insurance		82,584		
Retirement		46,854		
Other benefits		3,900		
Total fringe benefit expense	$	277,965		
Fringe benefit expenses	$	277,965	=	52.43%
Total labor costs	$	530,160		

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, 2015 was 36.46% and was calculated as follows:

Total indirect costs	$	251,089	=	36.46%
Direct labor and fringes	$	688,578		

NOTE 12—INDIRECT COST ALLOCATIONS: (CONTINUED)

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

Indirect Personnel Costs		
Indirect Chargeable Salary	$	78,385
Employee Benefit Rate		41,163
Total Indirect Personnel Costs	$	119,548
Office Expenses		
Auditing Services	$	4,950
Payroll Accounting Services		7,995
Legal Services		242
Liability Insurance (General Liability Insurance)		1,017
Contractual Services (Management Consulting Services)		17,524
Postage		754
Telephone		4,866
Internet Services		699
Office Supplies		4,558
Printing & Binding		1,001
Travel		5,034
Special Meetings		7,160
Education & Training (Travel - Convention & Education)		2,500
Dues, Subscriptions (Dues & Association Memberships)		9,926
Publications (Books & Subscriptions)		270
Miscellaneous Expenses (Miscellaneous Administrative Expenses)		992
Furniture & Fixtures		3,371
Rental Office Equipment (Lease/Rent - Equipment)		3,148
Office Rent/(Lease/Rent - Buildings)		49,609
Computer Equipment/Software (EDP Equipment)		5,925
Total Office Expenses	$	131,541
Total Indirect Costs	$	251,089

DIRECT CHARGEABLE PERSONNEL COSTS

DIRECT CHARGEABLE SALARIES	451,776
EMPLOYEE BENEFIT RATE	236,802
TOTAL DIRECT CHARGEABLE PERSONNEL COSTS	688,578

CALCULATION OF INDIRECT COST ALLOCATION RATE

TOTAL INDIRECT COSTS	251,089
TOTAL DIRECT CHARGEABLE PERSONNEL COSTS	688,578

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, 2014	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2015	Due Within One Year
Revenue bonds	$ 11,680,000	$ -	$ 740,000	$ 10,940,000	$ 764,000
Compensated absences	57,887	5,295	-	63,182	63,182
Net OPEB obligation	52,454	29,857	3,543	78,768	-
Totals	$ 11,790,341	$ 35,152	$ 743,543	$ 11,081,950	$ 827,182

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

Fiscal Year Ended June 30	Revenue Bonds Principal	Revenue Bonds Interest
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	$ 10,940,000	$ 2,284,955
Less current portion:	764,000	332,576
Total Long-term Obligations	$ 10,176,000	$ 1,952,379

NOTE 16—ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* **and Statement No. 71,** *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68***:**

The Council implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing assets, liabilities, deferred outflows of resources, and deferred inflows of resources, and expense related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

Net Position as reported at June 30, 2014	$	4,566,823
Implementation of GASB Statement No. 68		232,708
Net Position as restated at June 30, 2014	$	4,799,531

In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirements of GASB 68 and 71.

In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirements of GASB 68 and 71. In addition, pension information as required by GASB 27 was reported in the June 30, 2014 and 2013 financial report. As this information is no longer significant, it was not reported herein to avoid confusion and duplication. For details related to the 2014 pension information, the prior year financial report should be referenced.

NOTE 17—UPCOMING PRONOUNCEMENTS:

Statement No. 72, *Fair Value Measurement and Application,* amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement.* This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

NOTE 17—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension,* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Required Supplementary Information

SCHEDULE OF COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION ASSET
JUNE 30, 2015

Date (1)	Proportionate of the Net Pension Asset (NPA) (2)	Proportionate Share of the NPA (3)	Covered Employee Payroll (4)	Proportionate Share of the NPA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2014	36.0000%	$ 231,364	$ 601,223	38.48%	146.20%

This schedule is intended to report information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included when available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	$ 46,854	$ 46,854	$ -	$ 626,889	7.47%

This schedule is intended to report information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included when available.

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

SCHEDULE OF OPEB FUNDING PROGRESS
AS OF JUNE 30, 2015

Other Post Employment Benefits - Health Insurance

Actuarial Valuation Date (1)		Actuarial Value of Assets (AVA) (a)		Actuarial Accrued Liability (AAL) (b)		Unfunded Actuarial Accrued Liability (UAAL) (b-a) (c)	Funded Ratio (a/b) (d)		Covered Payroll (e)		UAAL as % of Covered Payroll (c/e) (f)
01/01/10	$	-	$	81,559	$	81,559	0.0%	$	448,279	$	18.19%
01/01/13		-		118,221		118,221	0.0%		370,802		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, 2015 and 2014, 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 November 24, 2015.

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
November 24, 2015

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, 2015. 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, 2015.

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
November 24, 2015

VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

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	$	10,587
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	$	589,602
WIA Youth Activities	17.259	LWA 7		494,638
WIA Dislocated Workers Formula Grants	17.278	LWA 7		408,392
Total Department of Labor			$	1,492,632
Department of Transportation				
Pass-through payments:				
Virginia Department of Transportation:				
Highway Planning and Construction	20.205	FY-15	$	278,792
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	46014-06		96,288
Total Department of Transportation			$	375,080
Total expenditures of federal awards			$	1,878,299

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

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, 2015. 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 are presented where available.

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	$ 1,878,299
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 1,878,299

VIRGINIA'S REGION 2000 LOCAL GOVERNMENT COUNCIL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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.