REGION 2000 SERVICES AUTHORITY

LYNCHBURG, VIRGINIA

FINANCIAL REPORT
YEARS ENDED JUNE 30, 2020 AND 2019

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FINANCIAL REPORT
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BOARD MEMBERS

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City of Lynchburg

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EXECUTIVE DIRECTOR

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Region 2000 Service Authority, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Region 2000 Services Authority, as of June 30, 2020 and 2019, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 3-7 and 39-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Region 2000 Services Authority's basic financial statements. The statistical information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, on our consideration of Region 2000 Services Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Region 2000 Services Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Region 2000 Services Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 10, 2020

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

As management of the Region 2000 Services Authority, (the "Authority”), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements section of this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financials statements themselves.

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

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

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12-40 of this report.

Other information. In addition to the basic financial statements and accompanying notes, certain required supplementary information concerning the Authority's asset, liabilities and funding of its obligation to provide pension and other post-employment benefits to its employees is located immediately following the notes to financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $8,032,566 (net position). Of this amount unrestricted net position, which is available to pay for operations, was $1,949,157

- The Authority's total net position increased by $1,272,540.

- The Authority's total long-term obligations decreased by $2,285,808 during the current fiscal year. Additional analysis of the changes in long-term obligations is provided under the Long-Term Obligation section of the MD&A.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Services Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $8,032,566 at the close of the most recent fiscal year.

A portion of the Authority's net position, $6,083,409, reflects its net investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position		
	2020	**2019**	**2018**
Current and other assets	$ 12,527,311	$ 12,949,671	$ 14,653,185
Capital assets	13,567,960	14,630,179	15,354,754
Total assets	$ 26,095,271	$ 27,579,850	$ 30,007,939
Total deferred outflows of resources	$ 109,894	$ 62,457	$ 92,992
Long-term liabilities outstanding	$ 17,800,883	$ 20,086,690	$ 23,584,501
Other liabilities	234,804	668,750	1,488,480
Total liabilities	$ 18,035,687	$ 20,755,440	$ 25,072,981
Total deferred inflows of resources	$ 136,912	$ 126,841	$ 165,964
Net position:			
Net investment in capital assets	$ 6,083,409	$ 5,586,018	$ 4,798,038
Unrestricted	1,949,157	1,174,008	63,948
Total net position	$ 8,032,566	$ 6,760,026	$ 4,861,986

Financial Analysis: (Continued)

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

	Change in Net Position		
	2020	2019	2018
Revenues:			
Operating revenues	$ 6,954,377	$ 7,264,287	$ 7,103,452
Return of excess revenues to participating governments	-	-	(1,207,540)
Participating government contribution - City of Lynchburg	10,651	16,710	13,077
Other revenue	162,408	345,636	123,207
Total revenues	$ 7,127,436	$ 7,626,633	$ 6,032,196
Expenses:			
Operating expenses	$ 2,924,180	$ 2,852,998	$ 2,778,149
Landfill closure and post-closure expense	745,288	759,720	685,189
Depreciation and amortization expense	1,904,961	1,786,634	1,561,758
Interest expense	280,467	329,241	376,441
Total expenses	$ 5,854,896	$ 5,728,593	$ 5,401,537
Increase (decrease) in net position	$ 1,272,540	$ 1,898,040	$ 630,659
Net position—July 1	6,760,026	4,861,986	4,231,327
Net position—June 30	$ 8,032,566	$ 6,760,026	$ 4,861,986

The Authority's net position increased by $1,272,540 during the current fiscal year. Total revenues decreased by $499,197 while total expenses increased $126,303 from fiscal year 2019 levels. Included in the fiscal year 2020 total revenues is a gain on the disposal of capital assets in the amount of $18,600 (gain on disposal of assets in fiscal year 2019 was $133,600).

Additional analysis of the changes in revenues are provided under the heading “Review of Operations” below.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2020 amounts to $13,567,960 (net of accumulated depreciation). Below is a comparison of the capital asset costs as of June 30, 2020, June 30, 2019 and June 30, 2018.

	2020	2019	2018
Buildings and fixtures	$ 3,329,305	$ 3,152,767	$ 3,152,767
Other site improvements	5,847,433	5,847,433	5,793,663
Landfill site	17,784,084	17,784,084	17,784,084
Equipment and vehicles	6,364,669	5,640,970	5,540,309
Less accumulated depreciation	(19,757,531)	(17,928,570)	(16,916,069)
Construction in progress	$ -	$ 133,495	$ -
Total capital assets, net	$ 13,567,960	$ 14,630,179	$ 15,354,754

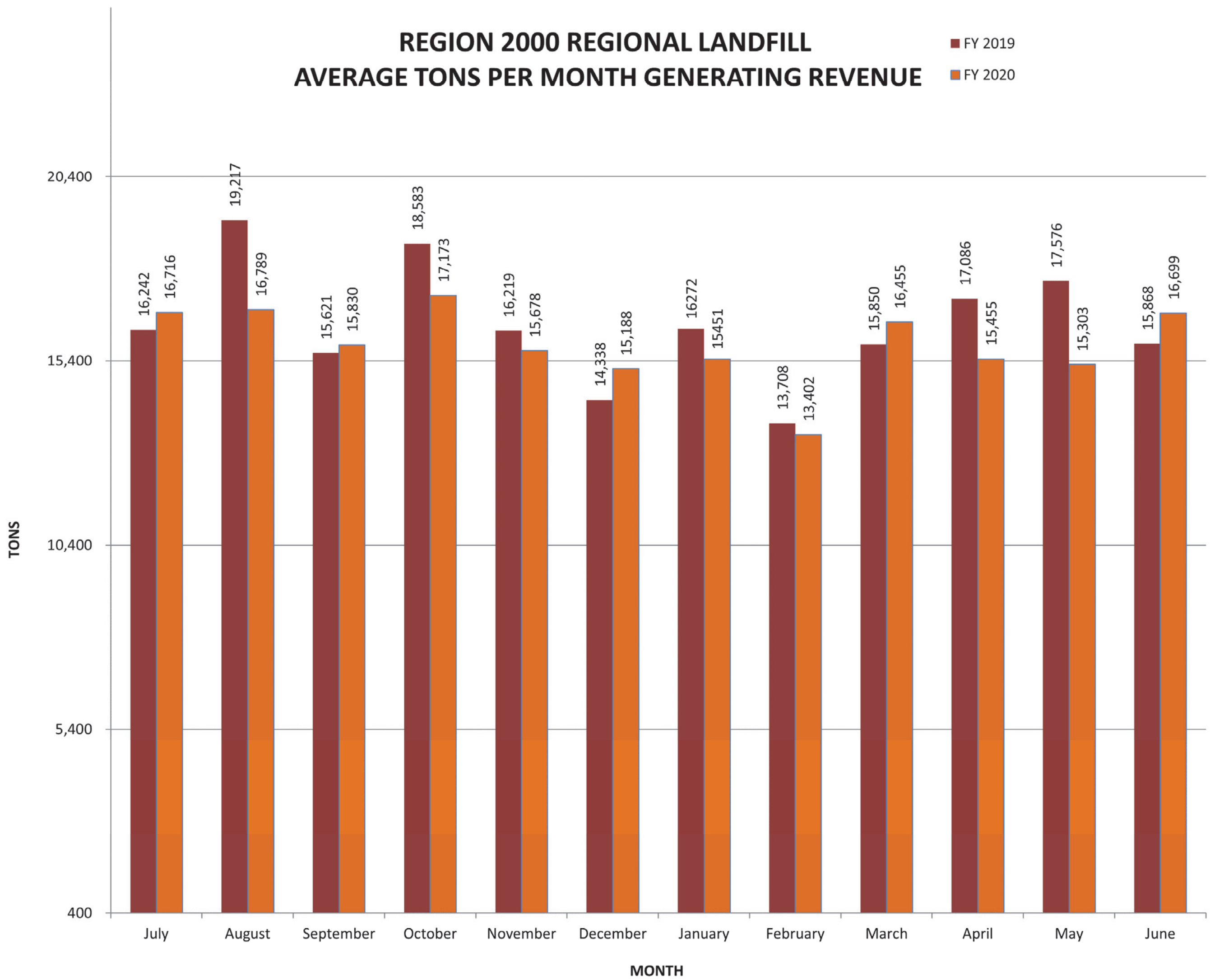
Capital Asset and Debt Administration: (Continued)

Long-Term Obligations - At the end of the fiscal year, the Authority had $17,800,883 in total long-term obligations in comparison to $20,086,690 reported in the prior year, a net decrease of $2,287,815. Long-term obligations are composed of various types of obligations including revenue bonds, landfill closure and post-closure care liability, compensated absences and other postemployment benefit liabilities. During fiscal year 2020 the Authority repaid principal in the amount of $1,645,000. The Authority's estimated landfill closure and post-closure care liability decreased $684,508.

Review of Operations

The Region 2000 Services Authority now operates the second largest publicly operated regional landfill in the Commonwealth disposing of over 200,000 tons of trash annually for Appomattox, Campbell and Nelson Counties and the City of Lynchburg. Our staffing levels have remained constant over the nine years of operations at about 20 full time staff at our Livestock Road operations outside of Rustburg, Virginia.

The Concord Turnpike Regional Landfill is closed, and the closure cap is complete. This facility has entered the thirty-year post closure monitoring period. The Lynchburg Residential Convenience Center is located on site and continues to operate for City residents. Waste from the convenience center is transported to the Livestock Road Facility.



Recycling

The regional recycling rate for Calendar Year 2019 was 43.6%

Landfill Gas

The Landfill gas collection system includes 23 vertical landfill gas wells and a 2500 cfm total capacity landfill gas compressor and flare, sized for full development of the landfill. The landfill gas collection system was expanded into the currently active Phase IV Landfill cell by connecting the underdrains (leachate collection pipes) and adding horizontal collection pipes in the second lift of Phase IV. The Landfill Gas recovery and destruction by flare has increased to approximately 1000 cfm. A proposal for LFG to energy is under consideration. This project has the potential to generate over $100,000 in annual revenue.

These measures have reduced odor complaints from nearby residents by 98% when comparing the same number of days before and after the systems were placed in service.

Reimbursable Expenses

The Authority continues to provide numerous services to its member jurisdictions where the individual member jurisdiction reimburses the Authority. For example, household hazardous waste collection events, environmental compliance service, labor and equipment use.

Phase IV Landfill Cell

Phase IV landfill cell was completed in the fall of 2016 and is currently in use. It is estimated that Phase IV and future Phase V will provide regional landfill capacity through 2030.

Phase III Partial Closure

The partial permanent closure cap for Phase III is complete.

Future Planning

A strategic planning process to determine landfill disposal options beyond 2030 was completed several years ago. The working group met regularly to evaluate the options and receive public input on these options. The final report was presented to the Board during the spring of 2017. No action has been taken. Information on this future planning process can be found at http://www.solidwastemanagement2030.org/.

Requests for Information

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

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Financial Statements

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Statements of Net Position
At June 30, 2020 and 2019

	At June 30,	
	2020	**2019**
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	$ 4,501,070	$ 3,541,314
Cash and cash equivalents - closure/post-closure reserve accounts	4,576,673	5,849,011
Restricted cash and cash equivalents:		
Unspent bond proceeds	125,397	237,254
Cash held with trustee for debt service	1,398,052	1,371,585
Accounts receivable	667,075	599,313
Due from participating government	637,159	743,218
Prepaid items	49,158	55,513
Total current assets	$ 11,954,584	$ 12,397,208
Noncurrent assets:		
Other Assets:		
Net pension asset (Note 7)	$ 572,727	$ 552,463
Capital assets (Note 4):		
Buildings and fixtures	$ 3,329,305	$ 3,152,767
Landfill site	17,784,084	17,784,084
Equipment and vehicles	6,364,669	5,640,970
Other site improvements	5,847,433	5,847,433
Accumulated depreciation	(19,757,531)	(17,928,570)
Sub-total net capital assets	$ 13,567,960	$ 14,496,684
Construction work in progress	$ -	$ 133,495
Net capital assets	$ 13,567,960	$ 14,630,179
Total noncurrent assets	$ 14,140,687	$ 15,182,642
Total assets	$ 26,095,271	$ 27,579,850
DEFERRED OUTFLOW OF RESOURCES		
OPEB related items	$ 34,638	$ 19,240
Pension related items	75,256	43,217
Total deferred outflows of resources	$ 109,894	$ 62,457

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

Statements of Net Position
At June 30, 2020 and 2019 (Continued)

	At June 30,	
	2020	2019
LIABILITIES		
Current liabilities:		
Accounts payable	$ 150,296	$ 569,142
Compensated absences (Note 5)	89,901	75,074
Total current liabilities	$ 240,197	$ 644,216
Current liabilities payable from restricted assets:		
Current maturities of long-term debt (Note 6)	$ 1,695,000	$ 1,645,000
Accrued interest	84,508	99,608
Total current liabilities payable from restricted assets	$ 1,779,508	$ 1,744,608
Noncurrent liabilities:		
Accrued landfill closure and post-closure costs (Note 8)	$ 4,576,673	$ 5,849,011
Accrued landfill closure and post-closure costs - unfunded portion	3,647,335	3,059,505
Net OPEB liabilities (Note 10)	478,974	450,100
Revenue bonds - net of current portion (Note 6)	7,313,000	9,008,000
Total noncurrent liabilities	$ 16,015,982	$ 18,366,616
Total liabilities	$ 18,035,687	$ 20,755,440
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$ 112,014	$ 112,417
OPEB related items	24,898	14,424
Total deferred inflows of resources	$ 136,912	$ 126,841
NET POSITION		
Net investment in capital assets	$ 6,083,409	$ 5,586,018
Unrestricted	1,949,157	1,174,008
Total net position	$ 8,032,566	$ 6,760,026

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	Year Ended June 30, 2020	Year Ended June 30, 2019
Operating revenues:		
Tipping fees	$ 6,877,971	$ 7,187,563
Recycling revenues	1,302	1,975
Penalties and interest	23,729	27,774
Other revenue	51,375	46,975
Total operating revenues	$ 6,954,377	$ 7,264,287
Operating expenses:		
Personnel costs	$ 1,321,648	$ 1,312,278
Contractual, legal and professional	454,194	404,826
Other operating costs	1,148,338	1,135,894
Landfill closure and post-closure expense	745,288	759,720
Depreciation	1,904,961	1,786,634
Total operating expenses	$ 5,574,429	$ 5,399,352
Operating income (loss)	$ 1,379,948	$ 1,864,935
Nonoperating revenues (expenses):		
Interest income	$ 143,808	$ 212,036
Participating government contribution - City of Lynchburg	10,651	16,710
Gain (loss) on disposal of assets	18,600	133,600
Interest expense	(280,467)	(329,241)
Total nonoperating revenues (expenses)	$ (107,408)	$ 33,105
Change in net position	$ 1,272,540	$ 1,898,040
Net position, beginning of year	6,760,026	4,861,986
Net position, end of year	$ 8,032,566	$ 6,760,026

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

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	Year Ended June 30, 2020	Year Ended June 30, 2019
Cash from operating activities:		
Receipts from customers and users	$ 6,886,615	$ 6,189,802
Payments to suppliers and other vendors	(3,420,340)	(3,843,916)
Payments to and on behalf of employees	(1,335,577)	(1,328,940)
Net cash provided by (used for) operating activities	$ 2,130,698	$ 1,016,946
Cash from noncapital financing activities:		
Participating government contribution for closure and post-closure costs	$ 116,710	$ 13,077
Net cash provided by (used for) noncapital financing activities	$ 116,710	$ 13,077
Cash from capital and related financing activities:		
Purchases of capital assets	$ (867,221)	$ (1,037,580)
Proceeds from the disposal of assets	18,600	133,600
Principal payments on bonds	(1,645,000)	(1,597,000)
Interest payments	(295,567)	(343,799)
Net cash provided by (used for) capital and related financing activities	$ (2,789,188)	$ (2,844,779)
Cash from investing activities:		
Interest income	$ 143,808	$ 212,036
Net cash provided by (used for) investing activities	$ 143,808	$ 212,036
Increase (decrease) in cash and cash equivalents	$ (397,972)	$ (1,602,720)
Cash and cash equivalents at beginning of year (including $1,608,639 and $1,693,284, respectively reported in restricted accounts)	10,999,164	12,601,884
Cash and cash equivalents at end of year (including $1,523,449 and $1,608,639, respectively reported in restricted accounts)	$ 10,601,192	$ 10,999,164
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ 1,379,948	$ 1,864,935
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,904,961	1,786,634
Changes in operating assets and liabilities and deferred inflows/outflows:		
(Increase) decrease in accounts receivable	(67,762)	133,055
(Increase) decrease in prepaid items	6,355	27,729
(Increase) decrease in net pension asset	(20,264)	(56,357)
(Increase) decrease in deferred outflows - pension related items	(32,039)	45,007
(Increase) decrease in deferred outflows - OPEB related items	(15,398)	(14,472)
Increase (decrease) in compensated absences	14,827	669
Increase (decrease) in net OPEB liabilities	28,874	47,614
Increase (decrease) in deferred inflows - OPEB related items	10,474	(10,524)
Increase (decrease) in deferred inflows - net pension asset related	(403)	(28,599)
Increase (decrease) in accounts payable - operating	(394,367)	377,889
Increase (decrease) in due to participating governments	-	(1,207,540)
Increase (decrease) in accrued landfill costs	(684,508)	(1,949,094)
Net cash provided by (used for) operating activities	$ 2,130,698	$ 1,016,946
Noncash investing, capital and financing activities:		
(Increase) decrease in accounts/retainage payable for capital activities	$ 24,479	$ (24,479)

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

NOTE 1—FORMATION OF THE REGION 2000 SERVICES AUTHORITY:

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

Financial Reporting Entity

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

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

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

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basic Financial Statements

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

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

A. Basic Financial Statements (Continued)

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

- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Required Supplementary Information
  - Schedule of Authority's Proportionate Share of the Net Pension Asset/Liability
  - Schedule of Employer Contributions - Pension
  - Notes to Required Supplementary Information - Pension
  - Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios – Health Insurance
  - Notes to Required Supplementary Information – OPEB – Health Insurance
  - Schedule of Authority's Share of Net OPEB Liability – Group life insurance
  - Schedule of Employer Contributions – Group life insurance
  - Notes to Required Supplementary Information – Group life insurance

B. Basis of Accounting

The Region 2000 Services Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, all certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

D. Restricted Assets

The Authority reports restricted cash related to debt service and bond issuances. The accounts are reported separately on the statement of net position.

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

E. Capital Assets

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

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

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

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

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

Assets	Years
Buildings and Fixtures	15
Other Site Improvements	15
Equipment and Vehicles	5 to 15

Depreciation of landfill cell development and site costs is recorded based on remaining units of capacity. Total depreciation for the periods ended June 30, 2020 and 2019 was $1,904,961 and $1,786,634, respectively.

F. Accounts Receivable

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

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

G. Use of Estimates

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

H. Closure and Post-Closure Obligations

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

I. Net Position:

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

J. Net Position Flow Assumption

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

K. Deferred Outflows/Inflows of Resources

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

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

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

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

Group Life Insurance

For purposes of measuring the net GLI Plan OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Plan OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Investments

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

NOTE 3—DEPOSITS AND INVESTMENTS:

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.

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

The Authority has no formal deposit and investment policy.

Investments

Statutes authorize local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Authority's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings AAAm
Local Government Investment Pool	$ 6,831,962
U.S. Treasury Obligation Money Market Fund	1,398,052
Total	$ 8,230,014

Interest Rate Risk

Investment Maturities (in years)

	Value	Less Than 1 Year
Local Government Investment Pool	$ 6,831,962	$ 6,831,962
U.S. Treasury Obligation Money Market Fund	1,398,052	1,398,052
	$ 8,230,014	$ 8,230,014

External Investment Pools

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

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measures

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

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 — Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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

		Fair Value Measurements at Reporting Date Using		
	Total June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury & Agency Money Market Funds	$ 1,398,052	$ 1,398,052	$ -	$ -
Total by fair value level	$ 1,398,052	$ 1,398,052	$ -	$ -

NOTE 4—CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2020 follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Construction in progress	$ 133,495	$ 43,043	$ 176,538	$ -
Total capital assets not being depreciated	$ 133,495	$ 43,043	$ 176,538	$ -
Other Capital Assets:				
Buildings and fixtures	$ 3,152,767	$ 176,538	$ -	$ 3,329,305
Accumulated depreciation	(1,841,749)	(285,741)	-	(2,127,490)
Other site improvements	5,847,433	-	-	5,847,433
Accumulated depreciation	(3,136,263)	(394,690)	-	(3,530,953)
Landfill site	17,784,084	-	-	17,784,084
Accumulated depreciation	(8,885,898)	(745,126)	-	(9,631,024)
Equipment and vehicles	5,640,970	799,699	76,000	6,364,669
Accumulated depreciation	(4,064,660)	(479,404)	(76,000)	(4,468,064)
Other capital assets, net	$ 14,496,684	$ (928,724)	$ -	$ 13,567,960
Capital assets, net	$ 14,630,179	$ (885,681)	$ 176,538	$ 13,567,960

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

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

NOTE 5—COMPENSATED ABSENCES:

Authority regular employees earn vacation leave each month at a scheduled rate from eight hours to twelve hours per month in accordance with years of service and sick leave at the rate of eight hours per month. Vacation leave can be accrued up to a maximum of 240 hours and sick leave can be accrued up to a maximum of 1,200 hours. Employees covered as VRS Hybrid employees can accrue a maximum of 80 hours sick leave. Sick leave is paid to the employee at a rate of $20 per day. Accumulated unpaid vacation and sick leave amounts are accrued when incurred. At June 30, 2020 and 2019, the liability for accrued vacation and sick leave was $89,901 and $75,074, respectively.

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the year ended June 30, 2020:

	Balance July 1, 2019	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2020	Due Within One Year
Landfill closure/post-closure	$ 8,908,516	$ 735,084	$ 1,419,592	$ 8,224,008	$ -
Revenue bonds:					
Direct borrowings and direct placements	10,653,000	-	1,645,000	9,008,000	1,695,000
Net OPEB liability - group life insurance	72,604	32,548	26,923	78,229	-
Net OPEB liability - health insurance	377,496	35,462	12,213	400,745	-
Compensated absences	75,074	14,827	-	89,901	89,901
Totals	$ 20,086,690	$ 817,921	$ 3,103,728	$ 17,800,883	$ 1,784,901

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

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

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

	Direct Borrowings and Direct Placements Revenue Bonds	
Year Ending June 30,	Principal	Interest
2021	$ 1,695,000	$ 245,725
2022	1,746,000	194,212
2023	1,800,000	140,954
2024	1,855,000	85,886
2025	1,912,000	28,947
Total	$ 9,008,000	$ 695,724

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Direct Borrowings and Direct Placements - Revenue Bonds:		
$10,000,000 Revenue Bonds Series 2011 dated April 28, 2011 with principal payable annually in installments ranging from $233,000 to $1,767,000 and interest payable semi-annually at 4.15% ranging from $17,077 to $314,708, maturing August 2024.	$ 3,791,000	$ 696,000
$9,000,000 Revenue Bonds Series 2015 dated May 28, 2015 with principal payable annually starting November 1, 2016 in installments ranging from $915,000 to $1,089,000 and interest payable semi-annually at 2.18% ranging from $11,870 to $98,100, maturing November 1, 2024.	5,217,000	999,000
Total revenue bonds	$ 9,008,000	$ 1,695,000
Compensated absences	$ 89,901	$ 89,901
Net OPEB liability - health insurance	$ 400,745	$ -
Net OPEB liability - group life insurance	$ 78,229	$ -
Landfill closure and post-closure costs	$ 8,224,008	$ -
Total long-term debt obligations	$ 17,800,883	$ 1,784,901

NOTE 7—PENSION PLAN:

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

NOTE 7—PENSION PLAN: (CONTINUED)

Benefit Structures

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

a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total service credit. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

NOTE 7—PENSION PLAN: (CONTINUED)

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

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

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2020 was 4.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $42,049 and $43,217 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Asset

At June 30, 2020, the Authority reported an asset of $572,727 for its proportionate share of the net pension asset. The Authority's net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Authority's proportionate share of the same was calculated using contributions paid to the plan during June 30, 2019 as a basis for allocation. At June 30, 2019 and 2018, the Authority's proportionate share was 51.86% and 51.86%, respectively.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTE 7—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7—PENSION PLAN: (CONTINUED)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability (asset) using the discount rate of 6.75%, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	(5.75%)	**(6.75%)**	**(7.75%)**
Region 2000 Services Authority Net Pension Liability (Asset)	$ (371,870)	$ (572,727)	$ (732,360)

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

For the year ended June 30, 2020, the Authority recognized pension expense of ($12,856). Since there was a change in proportionate share between measurement dates in a prior year, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 84,195
Change in assumptions	33,207	9,731
Net difference between projected and actual earnings on pension plan investments	-	18,088
Employer contributions subsequent to the measurement date	42,049	-
Total	$ 75,256	$ 112,014

NOTE 7—PENSION PLAN: (CONTINUED)

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

$42,049 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction/addition of the Net Pension Liability/Asset in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30		
2021	$	(46,225)
2022		(29,853)
2023		(3,351)
2024		622

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report-pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 8—CLOSURE AND POST-CLOSURE CARE COSTS:

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

The Authority purchased the "Concord" landfill site from the City of Lynchburg in fiscal year 2009. As part of the purchase agreement the Authority assumed the landfill closure and post-closure liability and received cash reserves equal to the liability less current costs paid. The amount recorded as post-closure care costs is $2,885,369 at June 30, 2020. The post-closure care costs for the Concord site is based on the use of 100% of the landfill capacity at June 30, 2020. The Authority will recognize any remaining costs of closure and post-closure care and post-closure monitoring as the closure is completed.

During fiscal year 2012, the Authority purchased the "Livestock Road" site from the County of Campbell whereby assuming all related closure and post-closure liabilities. These amounts are based on what it would cost to perform all closure and post-closure care in 2020. The amount recorded as accrued landfill closure and post-closure care costs is $1,582,746 and $3,755,893, respectively, at June 30, 2020. The total closure and post-closure care costs reported in the amount of $5,338,639 for the Livestock Road site is based on the use of 94% of the open and permitted landfill capacity at June 30, 2020 of Phase III and 39% of Phase IV. The Authority will recognize any remaining costs of closure and post-closure care and post-closure monitoring as the closure is completed.

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

Total closure and post-closure liability for the Authority at June 30, 2020 was $1,582,746 and $6,641,262, respectively. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Authority is required by state and federal laws and regulations to meet certain financial assurance requirements. On behalf of the Authority the participating localities will demonstrate financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with section 9VAC-20-70 of the Virginia Administrative Code. The Authority has designated cash in the amount of $4,576,673 at June 30, 2020 to meet future closure and post-closure care costs.

NOTE 9—RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of VACORP, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its liability, property and its share of workers compensation coverage.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS:

HEALTH INSURANCE

Plan Description

In addition to the pension benefits described in Note 7, the Authority administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Authority's pension plans. The plan does not issue a publicly available financial report. Similar to all other payroll items, benefits and functions, the Authority employees are under the auspice of the Central Virginia Planning District Commission.

Benefits Provided

Participants in the Region 2000 Services Authority OPEB plan must meet the eligibility requirements for retirement of the Virginia Retirement System to be eligible for benefits upon retirement. Participants must also retire directly from active service and meet one of the following criteria to be eligible:

- **Participants Hired by the Authority before July 1, 2006:** Attain the age of 50 with at least 10 years of consecutive service with the Authority.
- **Participants Hired by the Authority on or after July 1, 2006, but before April 17, 2009:** Attain the age of 50 with at least 20 years of consecutive service with the Authority.
- **Participants Hired by the Authority on or after April 17, 2009:** Not eligible to continue medical coverage into retirement.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

HEALTH INSURANCE: (CONTINUED)

Plan Membership

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms (includes Region 2000 Services Authority and Central Virginia Planning District Commission employees):

Total active employees with coverage	12
Total retirees with coverage	1
Total	13

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2020 was $2,045.

Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2020; 2.50% per year as of June 30, 2019
Salary Increases	Graded scale
Discount Rate	2.21% as of June 30, 2020; 3.50% as of June 30, 2019

Discount Rate

The discount rate used to determine the liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. This rate was 2.21% as of June 30, 2020 and 3.50% as of June 30, 2019.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

HEALTH INSURANCE: (CONTINUED)

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2019	$ 377,496
Changes for the year:	
Service cost	15,483
Interest	13,718
Effect of economic/demographic gains or losses	(10,168)
Changes in assumptions	6,261
Benefit payments	(2,045)
Net changes	23,249
Balances at June 30, 2020	$ 400,745

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
$ 428,170	$ 400,745	$ 372,839

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

1% Decrease in Trend Rate	Healthcare Cost Current Trend Rate	1% Increase in Trend Rate
$ 348,993	$ 400,745	$ 460,712

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

HEALTH INSURANCE: (CONTINUED)

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

For the year ended June 30, 2020 and 2019, the Authority recognized OPEB expense in the amounts of $28,977 and $28,942. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 8,715
Changes of assumptions	12,511	5,976
Total	$ 12,511	$ 14,691

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

Year Ended June 30	
2021	$ (224)
2022	(224)
2023	(224)
2024	(392)
2025	(559)
Thereafter	(557)

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

GROUP LIFE INSURANCE

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were $4,953 and $4,868 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of $78,229 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .00927% as compared to .00923% at June 30, 2018.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of $1,891. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,203	$ 1,014
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,607
Change in assumptions	4,939	2,359
Changes in proportion	7,032	5,227
Employer contributions subsequent to the measurement date	4,953	-
Total	$ 22,127	$ 10,207

$4,953 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	$ 359
2022	360
2023	1,040
2024	2,494
2025	2,249
Thereafter	465

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Actuarial Assumptions: (Continued)

Inflation	2.50%
Salary increases, including inflation: Locality - General employees	 3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

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

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	$ 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

GROUP LIFE INSURANCE: (CONTINUED)

Long-Term Expected Rate of Return: (Continued)

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

		Rate	
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability	$ 102,771	$ 78,229	$ 58,326

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11—UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No, 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

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

Required Supplementary Information

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Schedule of Authority's Proportionate Share of the Net Pension Asset
For the Measurement Dates of June 30, 2014 through June 30, 2019

Measurement Date (1)	Proportion of the Net Pension Asset (NPA) (2)	Proportionate Share of the NPA (3)	Covered Payroll (4)	Proportionate Share of the NPA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2014	48.00%	$ 308,487	$ 866,039	35.62%	146.20%
2015	57.30%	395,219	961,770	41.09%	141.90%
2016	57.30%	357,770	944,388	37.88%	131.99%
2017	51.86%	496,106	877,040	56.57%	146.06%
2018	51.86%	552,463	909,920	60.72%	145.61%
2019	51.86%	572,727	942,065	60.79%	141.39%

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

Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2015 through June 30, 2020

Fiscal Year	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2015	$ 62,251	$ 62,251	$ -	$ 835,852	7.52%
2016	70,434	70,434	-	944,388	7.46%
2017	56,591	56,591	-	877,040	6.45%
2018	59,053	59,053	-	909,920	6.49%
2019	43,217	43,217	-	942,065	4.59%
2020	42,049	42,049	-	965,472	4.36%

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

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Health Insurance
For the Years Ended June 30, 2018 through June 30, 2020

	2018	2019	2020
Total OPEB liability			
Service cost	$ 15,407	$ 14,931	$ 15,483
Interest	11,864	13,676	13,718
Changes in assumptions	(11,097)	11,228	6,261
Changes in Economic/Demographic Gains or Losses	-	-	(10,168)
Benefit payments	(1,066)	(1,556)	(2,045)
Net change in total OPEB liability	$ 15,108	$ 38,279	$ 23,249
Total OPEB liability - beginning	324,109	339,217	377,496
Total OPEB liability - ending	$ 339,217	$ 377,496	$ 400,745
Covered payroll	$ 697,782	$ 725,314	$ 704,359
Authority's total OPEB liability (asset) as a percentage of covered payroll	48.61%	52.05%	56.90%

Notes to Required Supplementary Information - OPEB - Health Insurance
For the Year Ended June 30, 2020

Valuation Date: January 1, 2020
Measurement Date: June 30, 2020

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal cost method
Discount Rate	2.21% as of June 30, 2020
Inflation	2.50% per year as of June 30, 2020
Healthcare Trend Rate	4.0% - 5.50% over 53+ years
Salary Increase Rates	Graded Scale of 3.50% to 5.35%
Demographic Assumptions	Assumed 90% of future retirees under normal retirement will elect to continue medical coverage and 60% under normal retirement that will also elect to cover their spouse. Assumed 30% of participants retiring due to disability before normal retirement eligibility will elect coverage and include their spouse.

Schedule of Authority's Share of Net OPEB Liability - Group life insurance
For the Measurement Dates of June 30, 2017 through 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.00809%	$ 63,269	$ 877,040	7.21%	48.86%
2018	0.00923%	72,604	909,920	7.98%	51.22%
2019	0.00927%	78,229	942,065	8.30%	52.00%

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

Schedule of Employer Contributions - Group life insurance
For the Years Ended June 30, 2017 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	$ 4,595	$ 4,595	$ -	$ 877,040	0.52%
2018	4,768	4,768	-	909,920	0.52%
2019	4,868	4,868	-	942,065	0.52%
2020	4,953	4,953	-	965,472	0.52%

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

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Statistical Information

REGION 2000 SERVICES AUTHORITY

Net Position by Component
Last Ten Fiscal Years

	2020	2019	2018 (4)	2017
Net investment in capital assets	$ 6,083,409	$ 5,586,018	$ 4,798,038	$ 4,030,792
Unrestricted	1,949,157	1,174,008	63,948	275,481
Total net position	$ 8,032,566	$ 6,760,026	$ 4,861,986	$ 4,306,273

(1) A prior period adjustment to beginning net position was recorded in fiscal year 2012 to correct an error in the engineering estimate for remaining capacity of the Concord landfill site.

(2) In fiscal year 2013, the Authority implemented GASB Statements 63 and 65.

(3) In fiscal year 2015, the Authority implemented GASB Statement 68.

(4) In fiscal year 2018, the Authority implemented GASB Statement 75.

Table 1

2016	2015 (3)	2014	2013 (2)	2012 (1)	2011
$ 5,707,701	$ 4,032,786	$ 2,644,436	$ 2,411,016	$ 692,880	$ 305,090
(1,371,462)	317,527	2,048,139	2,815,294	2,765,630	2,402,097
$ 4,336,239	$ 4,350,313	$ 4,692,575	$ 5,226,310	$ 3,458,510	$ 2,707,187

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Changes in Net Position
Last Ten Fiscal Years

	2020	2019	2018	2017
Operating revenues:				
Tipping fees	$ 6,877,971	$ 7,187,563	$ 7,009,684	$ 6,699,464
Recycling revenues	1,302	1,975	28,849	55,682
Penalties and interest	23,729	27,774	14,618	18,483
Other revenue	51,375	46,975	50,301	48,508
Total operating revenues	$ 6,954,377	$ 7,264,287	$ 7,103,452	$ 6,822,137
Return of excess revenues to participating localities	$ -	$ -	$ (1,207,540)	$ (953,793)
Total operating revenue (net of reimbursement)	$ 6,954,377	$ 7,264,287	$ 5,895,912	$ 5,868,344
Operating expenses:				
Personnel costs	$ 1,321,648	$ 1,312,278	$ 1,247,360	$ 1,247,160
Contractual, legal and professional	454,194	404,826	373,761	411,900
Other operating costs	1,148,338	1,135,894	1,157,028	1,331,923
Landfill closure and post-closure expense	745,288	759,720	685,189	1,529,617
Depreciation	1,904,961	1,786,634	1,561,758	1,730,949
Total operating expenses	$ 5,574,429	$ 5,399,352	$ 5,025,096	$ 6,251,549
Operating income (loss)	$ 1,379,948	$ 1,864,935	$ 870,816	$ (383,205)
Nonoperating revenues (expenses):				
Interest earned	$ 143,808	$ 212,036	$ 122,600	$ 50,159
Participating governments contributions	10,651	16,710	13,077	726,508
Gain (loss) on sale of assets	18,600	133,600	607	8,961
Insurance recovery	-	-	-	-
Other nonoperating revenues (expenses)	-	-	-	(10,274)
Interest expense	(280,467)	(329,241)	(376,441)	(422,115)
Total nonoperating revenues (expenses)	$ (107,408)	$ 33,105	$ (240,157)	$ 353,239
Change in net position	$ 1,272,540	$ 1,898,040	$ 630,659	$ (29,966)

Table 2

2016	2015	2014	2013	2012	2011
$ 7,049,449	$ 7,162,811	$ 6,905,345	$ 8,226,940	$ 7,125,023	$ 6,485,910
54,003	55,161	58,931	59,769	58,824	69,327
9,014	5,559	7,917	26,294	8,034	10,762
50,777	37,298	71,225	80,969	8,411	10,627
$ 7,163,243	$ 7,260,829	$ 7,043,418	$ 8,393,972	$ 7,200,292	$ 6,576,626
$ (1,159,630)	$ (1,301,797)	$ (1,157,129)	$ (1,187,310)	$ (945,418)	$ (989,145)
$ 6,003,613	$ 5,959,032	$ 5,886,289	$ 7,206,662	$ 6,254,874	$ 5,587,481
$ 1,189,343	$ 1,208,718	$ 1,217,501	$ 1,169,169	$ 1,080,480	$ 1,080,356
402,665	541,585	401,322	332,210	280,804	250,001
1,606,437	987,945	1,083,962	1,212,013	1,078,164	1,018,136
877,011	1,101,840	2,362,121	1,065,485	637,852	607,595
1,681,567	2,561,931	2,108,922	1,472,821	1,907,046	1,949,825
$ 5,757,023	$ 6,402,019	$ 7,173,828	$ 5,251,698	$ 4,984,346	$ 4,905,913
$ 246,590	$ (442,987)	$ (1,287,539)	$ 1,954,964	$ 1,270,528	$ 681,568
$ 13,171	$ 11,336	$ 18,663	$ 27,729	$ 37,987	$ 41,271
34,341	17,645	1,031,277	-	-	-
152,100	-	60,000	64,793	-	63,401
-	-	-	207,221	6,107	-
5,000	118,993	50,000	-	-	-
(465,276)	(357,527)	(406,136)	(486,907)	(563,299)	(312,680)
$ (260,664)	$ (209,553)	$ 753,804	$ (187,164)	$ (519,205)	$ (208,008)
$ (14,074)	$ (652,540)	$ (533,735)	$ 1,767,800	$ 751,323	$ 473,560

Revenues by Source (Operating Revenues)
Last Ten Fiscal Years

Fiscal Year	Tipping Fees	Recycling	Penalties and Interest	Other	Total
2011	$ 6,485,910	$ 69,327	$ 10,762	$ 10,627	$ 6,576,626
2012	7,125,023	58,824	8,034	8,411	7,200,292
2013	8,226,940	59,769	26,294	80,969	8,393,972
2014	6,905,345	58,931	7,917	71,225	7,043,418
2015	7,162,811	55,161	5,559	37,298	7,260,829
2016	7,049,449	54,003	9,014	50,777	7,163,243
2017	6,699,464	55,682	18,483	48,508	6,822,137
2018	7,009,684	28,849	14,618	50,301	7,103,452
2019	7,187,563	1,975	27,774	46,975	7,264,287
2020	6,877,971	1,302	23,729	51,375	6,954,377

Expenses by Type
Last Ten Fiscal Years

Fiscal Year		Personnel Costs		Contractual Legal and Professional		Other Operating Costs		Closure and Post-Closure		Depreciation		Total
2011	$	1,080,356	$	250,001	$	1,018,136	$	607,595	$	1,949,825	$	4,905,913
2012		1,080,480		280,804		1,078,164		637,852		1,907,046		4,984,346
2013		1,169,169		332,210		1,212,013		1,065,485		1,472,821		5,251,698
2014		1,217,501		401,322		1,083,962		2,362,121		2,108,922		7,173,828
2015		1,208,718		541,585		987,945		1,101,840		2,561,931		6,402,019
2016		1,189,343		402,665		1,606,437		877,011		1,681,567		5,757,023
2017		1,247,160		411,900		1,331,923		1,529,617		1,730,949		6,251,549
2018		1,247,360		373,761		1,157,028		685,189		1,561,758		5,025,096
2019		1,312,278		404,826		1,135,894		759,720		1,786,634		5,399,352
2020		1,321,648		454,194		1,148,338		745,288		1,904,961		5,574,429

REGION 2000 SERVICES AUTHORITY

Outstanding Debt by Type
Last Ten Fiscal Years

	2020	2019	2018	2017
Revenue bonds	$ 9,008,000	$ 10,653,000	$ 12,250,000	$ 13,800,000
Net/total OPEB obligation/liability	478,974	450,100	402,486	329,028
Compensated absences	89,901	75,074	74,405	82,539
Landfill closure and postclosure care costs	8,224,008	8,908,516	10,857,610	10,379,015
Total outstanding obligation	$ 17,800,883	$ 20,086,690	$ 23,584,501	$ 24,590,582

Table 5

2016	2015	2014	2013	2012	2011
$ 15,305,000	$ 17,072,000	$ 9,767,000	$ 10,000,000	$ 14,120,000	$ 16,130,000
290,140	250,181	202,669	146,792	109,445	72,824
97,479	95,161	95,453	89,585	78,079	71,854
9,190,104	10,107,590	12,317,808	10,052,622	8,987,137	5,760,797
$ 24,882,723	$ 27,524,932	$ 22,382,930	$ 20,288,999	$ 23,294,661	$ 22,035,475

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Compliance

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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 Honorable Members of
Region 2000 Services Authority
Lynchburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Region 2000 Services Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Region 2000 Services Authority's basic financial statements and have issued our report thereon dated November 10, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region 2000 Services Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 10, 2020