

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

**Financial Report
For The Year Ended June 30, 2020**

Prepared by:

Roanoke County Department of Finance & Management Services

REGIONAL CENTER FOR ANIMAL CARE AND PROTECTION
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

List of Appointed Officials		1
<hr/>		
FINANCIAL SECTION		
<hr/>		
Independent Auditors' Report.....		2-3
	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	4
Statement of Activities	2	5
Fund Financial Statements:		
Balance Sheet - Governmental Fund	3	6
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	4	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund.....	5	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities	6	9
Notes to the Financial Statements		10-37
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund.....	7	38
Schedule of the Center's Proportionate Share of the Net Pension Liability.....	8	39
Schedule of Employer Contributions - Pension	9	40
Notes to Required Supplementary Information - Pension	10	41
Schedule of the Center's Share of Net OPEB Liability (Group Life Insurance Plan)	11	42
Schedule of Employer Contributions (Group Life Insurance Plan).....	12	43
Notes to Required Supplementary Information (Group Life Insurance Plan)	13	44
Schedule of the Center's Proportionate Share of the Net OPEB Liability (Group Medical Plan)	14	45
Schedule of Employer Contributions (Group Medical Plan)	15	46
Notes to Required Supplementary Information (Group Medical Plan).....	16	47
Compliance:		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		48-49

Regional Center for Animal Care and Protection

Committee Members

Barry W. Thompson
Brent Robertson
Sam Roman
Richard Caywood
Gary Larrowe

Officials

Michael Warner, Interim Director

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Regional Center for Animal Care and Protection, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Regional Center for Animal Care and Protection, as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 37 and 38-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2020, on our consideration of the Regional Center for Animal Care and Protection's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Regional Center for Animal Care and Protection's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional Center for Animal Care and Protection's internal control over financial reporting and compliance.

Polina, Javer, & Associates

Blacksburg, Virginia
September 20, 2020

Basic Financial Statements

Regional Center for Animal Care and Protection
Statement of Net Position
At June 30, 2020

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 366,387
Inventory	38,665
Accounts receivable	1,650
Interest receivable	102
Prepaid items	748
Total current assets	\$ 407,552
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Land	\$ 82,010
Buildings	1,788,962
Land improvements	6,667
Machinery and equipment	189,383
Total noncurrent assets	\$ 2,067,022
Total assets	\$ 2,474,574
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 170,513
OPEB related items	31,665
Total deferred outflows of resources	\$ 202,178
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 14,120
Accrued payroll	11,017
Compensated absences - current portion	42,746
General obligation bond - current portion	216,300
Total current liabilities	\$ 284,183
Noncurrent liabilities:	
Compensated absences - net current portion	\$ 31,307
General obligation bond - net current portion	280,000
Net pension liability	529,537
Net OPEB liabilities	83,699
Total noncurrent liabilities	\$ 924,543
Total liabilities	\$ 1,208,726
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 41,876
OPEB related items	58,253
Total deferred inflows of resources	\$ 100,129
NET POSITION	
Net investment in capital assets	\$ 1,570,722
Unrestricted	(202,825)
Total net position	\$ 1,367,897

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

Regional Center for Animal Care and Protection
Statement of Activities
For the Year Ended June 30, 2020

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>
<u>Functions/Programs</u>			
Primary Government:			
Governmental activities:			
Public safety	\$ 1,711,233	\$ 5,440	\$ 365,025
Interest on long-term debt	18,482	-	(18,482)
Total governmental activities	\$ 1,729,715	\$ 5,440	\$ 346,543
Total primary government	\$ 1,729,715	\$ 5,440	\$ 346,543
General revenues:			
Unrestricted revenues from use of money and property			\$ 2,917
Change in net position			\$ 349,460
Net position - beginning			1,018,437
Net position - ending			\$ 1,367,897

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

**Regional Center for Animal Care and Protection
Balance Sheet
Governmental Fund
At June 30, 2020**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 366,387
Inventory	38,665
Accounts receivable	1,650
Interest receivable	102
Prepaid expenses	748
Total assets	\$ 407,552
LIABILITIES	
Accounts payable	\$ 14,120
Accrued payroll	11,017
Total liabilities	\$ 25,137
FUND BALANCE	
Nonspendable	\$ 39,413
Unassigned	343,002
Total fund balance	\$ 382,415
Total liabilities and fund balance	\$ 407,552

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

Regional Center for Animal Care and Protection
 Reconciliation of the Balance Sheet of Governmental Fund
 To the Statement of Net Position
 At June 30, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet	\$	382,415
---	----	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	82,010	
Buildings		1,788,962	
Land improvements		6,667	
Machinery and equipment		<u>189,383</u>	2,067,022

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	170,513	
OPEB related items		<u>31,665</u>	202,178

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bond	\$	(496,300)	
Compensated absences		(74,053)	
Net pension liability		(529,537)	
Net OPEB liabilities		<u>(83,699)</u>	(1,183,589)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(41,876)	
OPEB related items		<u>(58,253)</u>	<u>(100,129)</u>

Net position of governmental activities	\$	<u>1,367,897</u>
---	----	------------------

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

Regional Center for Animal Care and Protection
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2020

		General Fund
Revenues:		
Local government contributions	\$	2,055,239
Charges for services		5,440
Other contributions		15,579
Unrestricted revenues from the use of money and property		2,917
Total revenues	\$	2,079,175
Expenditures:		
Public safety:		
Personnel costs	\$	1,052,552
Operating expenses		530,465
Capital projects		43,306
Debt service:		
Principal retirement		211,100
Interest and other fiscal charges		18,482
Total expenditures	\$	1,855,905
Excess (deficiency) of revenues over (under) expenditures	\$	223,270
Fund balance, beginning of year		159,145
Fund balance, end of year	\$	382,415

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

**Regional Center for Animal Care and Protection
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Fund
To the Statement of Activities
For the Year Ended June 30, 2020**

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

Net change in fund balances - total governmental funds	\$	223,270
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlays	\$	19,506
Depreciation expense		<u>(111,566)</u>
		(92,060)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal repayments		211,100
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>		
Change in compensated absences	\$	(9,427)
Change in pension related items		(16,516)
Change in OPEB related items		<u>33,093</u>
		<u>7,150</u>
Change in net position of governmental activities	\$	<u><u>349,460</u></u>

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

REGIONAL CENTER FOR ANIMAL CARE AND PROTECTION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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

B. Government-wide and fund financial statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

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

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

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

The Center reports the following major governmental funds:

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

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

1. *Cash and Cash Equivalents*

The Center's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition. The Center reported no investments at June 30, 2020.

2. *Allowance for Uncollectible Accounts*

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

3. *Use of Estimates*

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

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

4. *Investments*

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposits, and other nonparticipating investments (external investment pools) are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

5. *Capital Assets*

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

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

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

6. *Inventories and Prepaid Items*

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

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

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

7. Compensated Absences

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

8. Long-Term Obligations

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

9. Fund Balance

The Center evaluated its funds at June 30, 2020 and classified fund balance into the following five categories:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

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

9. Fund Balance (continued)

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

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

10. Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

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

11. Deferred Outflows/Inflows of Resources

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

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

12. Pensions

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

13. Other Postemployment Benefits (OPEB)

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

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

13. Other Postemployment Benefits (OPEB) (continued)

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

Note 2-Deposits and Investments:

Deposits - The County of Roanoke maintains a cash and investment pool that is available for use by all County funds, component units and entities for which the County is fiscal agent. The Center does participate in this pool; however, no investments are allocated directly to the Center. Deposits with banks are covered by the Federal Depository Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments - Statutes authorize the Center to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper 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).

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

The Center did not have any investments for fiscal year ending June 30, 2020.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 3-Long-Term Obligations:

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

	Balance July 1, 2019	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2020	Amount Due Within One Year
General obligation bond (1)	\$ 707,400	\$ -	\$ (211,100)	\$ 496,300	\$ 216,300
Compensated absences	64,626	46,089	(36,662)	74,053	42,746
Net OPEB liabilities	70,684	29,566	(16,551)	83,699	-
Net pension liability	363,627	441,420	(275,510)	529,537	-
Total	\$ 1,206,337	\$ 517,075	\$ (539,823)	\$ 1,183,589	\$ 259,046

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

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

Year Ending June 30,	General Obligation Bond	
	Principal	Interest
2021	\$ 216,300	\$ 12,219
2022	221,700	5,800
2023	58,300	428
Totals	\$ 496,300	\$ 18,447

Details of long-term indebtedness:

General Obligation Bond:	<u>Total</u> <u>Amount</u>
\$1,829,500 bond issued November 1, 2013 through the City of Roanoke. Principal and interest payments began on December 31, 2013 and continue quarterly until September 30, 2022, with interest accruing at 2.94% and principal payments varying from \$45,700 to \$58,300.	\$ 496,300
Other Liabilities:	
Net pension liability	\$ 529,537
Net OPEB liabilities	83,699
Compensated absences	<u>74,053</u>
Total Other Liabilities	<u>\$ 687,289</u>
Total Long-term Obligations	<u>\$ 1,183,589</u>

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 4-Capital Assets:

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 82,010	\$ -	\$ -	\$ 82,010
Total capital assets not being depreciated	<u>\$ 82,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,010</u>
Capital assets, being depreciated:				
Buildings	\$ 2,269,920	\$ -	\$ -	\$ 2,269,920
Land Improvements	9,757	-	-	9,757
Machinery and equipment	271,800	19,506	(5,159)	286,147
Total capital assets being depreciated	<u>\$ 2,551,477</u>	<u>\$ 19,506</u>	<u>\$ (5,159)</u>	<u>\$ 2,565,824</u>
Accumulated depreciation:				
Buildings	\$ (402,087)	\$ (78,871)	\$ -	\$ (480,958)
Land Improvements	(2,114)	(976)	-	(3,090)
Machinery and equipment	(70,204)	(31,719)	5,159	(96,764)
Total accumulated depreciation	<u>\$ (474,405)</u>	<u>\$ (111,566)</u>	<u>\$ 5,159</u>	<u>\$ (580,812)</u>
Total capital assets being depreciated, net	<u>\$ 2,077,072</u>	<u>\$ (92,060)</u>	<u>\$ -</u>	<u>\$ 1,985,012</u>
Capital assets, net of depreciation	<u>\$ 2,159,082</u>	<u>\$ (92,060)</u>	<u>\$ -</u>	<u>\$ 2,067,022</u>

Depreciation in the amount of \$111,566 was posted to public safety.

Note 5-Fiscal Agent:

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

Note 6-Arbitrage Rebate Liability:

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 7-Risk Management:

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

Note 8-Pension Plan:

Plan Description

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

Benefit Structures

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

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 8-Pension Plan: (continued)

Benefit Structures (continued)

- 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 credit 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. 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. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of 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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 8-Pension Plan: (continued)

Contributions (continued)

The Center's contractually required employer contribution rate for the year ended June 30, 2020 was 12.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Center were \$83,873 and \$72,604 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

At June 30, 2020 the Center reported a liability of \$529,537 for its proportionate share of the net pension liability. The Center's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension 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 Center's proportionate share of the same was calculated using contributions to the pension plan. At June 30, 2019 and 2018, the Center's proportion was 1.2259% and 1.0778%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for employees in the Center's Retirement Plan was based on an actuarial valuation as of June 30, 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.

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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 8-Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

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 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%

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 8-Pension Plan: (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	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	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

*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.

**Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)**

Note 8-Pension Plan: (continued)

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 Regional Center for Animal Care and Protection was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 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 continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Center's Proportionate Share of the Roanoke County Retirement Plan Net Pension Liability (Asset)	\$ 962,494	\$ 529,537	\$ 184,312

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

For the year ended June 30, 2020, the Center recognized pension expense of \$98,873. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 8-Pension Plan: (continued)

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

At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,725	\$ 13,687
Change in assumptions	67,736	1,179
Change in proportion and differences between employer contributions and proportionate share of contributions	7,179	-
Net difference between projected and actual earnings on pension plan investments	-	27,010
Employer contributions subsequent to the measurement date	<u>83,873</u>	<u>-</u>
Total	\$ <u>170,513</u>	\$ <u>41,876</u>

\$83,873 reported as deferred outflows of resources related to pensions resulting from the Center's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 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:

<u>Year ended June 30</u>	
2021	\$ 24,311
2022	(7,785)
2023	26,610
2024	1,628
Thereafter	-

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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 9-Group Life Insurance (GLI) Plan (OPEB Plan):

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:

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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

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 \$3,547 and \$3,063 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 Program OPEB

At June 30, 2020, the entity reported a liability of \$49,568 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 on 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 Program 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 0.00305% as compared to 0.00269% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$1,145. 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,297	\$ 643
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,018
Change in assumptions	3,129	1,495
Changes in proportion	347	520
Employer contributions subsequent to the measurement date	<u>3,547</u>	<u>-</u>
Total	<u>\$ 10,320</u>	<u>\$ 3,676</u>

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

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

\$3,547 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:

<u>Year ended June 30</u>		
2021	\$	174
2022		174
2023		606
2024		960
2025		931
Thereafter		252

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.

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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

Actuarial Assumptions (continued)

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%

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	1,765,972
GLI Net OPEB Liability (Asset)	<u>\$ 1,624,266</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%
--	--------

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

NET GLI OPEB Liability (continued)

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	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	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

*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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Center's proportionate share of the GLI Plan Net OPEB Liability	\$ 65,119	\$ 49,568	\$ 36,957

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 10-Other Postemployment Benefits (OPEB) - Medical:

Plan Description

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

Benefits Provided

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

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

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

Through the County's plan, the Center participates in the OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League (the VML), at P.O. Box 12164, Richmond, Virginia 23241.

Long-Term Expected Rate of Return - The long-term expected rate of return on OPEB 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 OPEB plan 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
Large Cap Equity (Domestic)	26.00%	11.01%	2.86%
Small Cap Equity (Domestic)	10.00%	12.27%	1.23%
International Equity (Developed)	13.00%	11.99%	1.56%
Emerging Markets	5.00%	13.28%	0.66%
Private Equity	5.00%	13.64%	0.68%
Core Bonds	7.00%	6.22%	0.44%
Core Plus	14.00%	6.49%	0.91%
Diversified Hedge Funds	10.00%	9.74%	0.97%
Private Core Real Estate	5.00%	9.39%	0.47%
Private Value Add Real Estate	2.00%	10.63%	0.21%
Commodities	3.00%	5.66%	0.17%
Cash	0.00%	0.00%	0.00%
Total	100.00%		10.16%
		Inflation	3.48%
		*Expected arithmetic nominal return	13.64%

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

Benefits will be financed through a combination of accumulated trust funds and on a pay as you go basis until sufficient funds are accumulated in the OPEB trust. The discount rate used to measure the total OPEB liability is 7.50% based on the current expected return on assets and the investment portfolio.

Contributions

The Center's contractually required contribution rate for the year ended June 30, 2020, was 3.0% of covered-employee payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the Center were \$9,336 for the year ended June 30, 2020. Employees are not required to contribute to the OPEB plan.

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

At June 30, 2020, the Center reported a liability of \$34,131 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The Center's proportion of the net OPEB liability was based on a projection of the Center's long-term share of contributions to the OPEB plan relative to the projected contributions of all County departments, actuarially determined. At June 30, 2020, the Center's proportion was 0.52%.

For the year ended June 30, 2020, the Center recognized OPEB expense in the amount of \$(14,788). At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 18,573
Changes in assumptions	12,009	-
Net different between projected and actual earnings on OPEB plan investments	-	1,514
Change in proportionate share	-	34,490
Employer contributions subsequent to the measurement date	<u>9,336</u>	<u>-</u>
Total	<u>\$ 21,345</u>	<u>\$ 54,577</u>

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

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

\$9,336 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2021	\$ (19,763)
2022	(19,763)
2023	(101)
2024	(945)
2025	(998)
Thereafter	(998)

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal Level % of Salary
Amortization Method/Period	Level Dollar over 18 years
Asset Valuation Method	Market value of assets
Medical Trend Rate	Initial rate of 8.00% decreasing down by 0.50% annually to an ultimate rate of 4.50%
Salary Increases	2.00% per annum
Long-Term Expected Rate of Return	7.50% per annum
Retirement Age	The average age at retirement is 62
Mortality Rates	General retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019; Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019; Disabled retirees: SOA Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from the Center will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods on projected benefit payments to determine the total OPEB liability.

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

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

Rate		
1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
\$ 40,862	\$ 34,131	\$ 27,981

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

The following presents the Center's proportionate share of the net OPEB Liability, as well as what the Center's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that is one percentage-point lower (7.00%) or one percentage-point higher (9.00%) than the assumed trend rate:

Rates		
Heathcare Cost Trend		
1% Decrease (7.00% decreasing to 3.50%)	Current (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
\$ 26,916	\$ 34,131	\$ 42,406

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 11-Summary of Center’s OPEB Plans:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Program (Note 9)	\$ 10,320	\$ 3,676	\$ 49,568	\$ 1,145
Center’s Stand-Alone Plan (Note 10)	<u>21,345</u>	<u>54,577</u>	<u>34,131</u>	<u>(14,788)</u>
Totals	<u>\$ 31,665</u>	<u>\$ 58,253</u>	<u>\$ 83,699</u>	<u>\$ (13,643)</u>

Note 12-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

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.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2020 (continued)

Note 12-Upcoming Pronouncements: (continued)

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria*, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting 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

Regional Center for Animal Care and Protection
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
Budget and Actual
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local government contributions	\$ 2,055,239	\$ 2,055,239	\$ 2,055,239	\$ -
Charges for services	8,000	8,000	5,440	(2,560)
Other contributions	2,000	2,000	15,579	13,579
Unrestricted revenues from the use of money and property	2,500	2,500	2,917	417
Miscellaneous	300	300	-	(300)
Total revenues	\$ 2,068,039	\$ 2,068,039	\$ 2,079,175	\$ 11,136
Expenditures:				
Public safety:				
Personnel costs	\$ 1,248,573	\$ 1,248,573	\$ 1,052,552	\$ 196,021
Operating expenses	545,884	545,884	530,465	15,419
Capital projects	44,000	44,000	43,306	694
Debt service:				
Principal retirement	211,100	211,100	211,100	-
Interest and other fiscal charges	18,482	18,482	18,482	-
Total expenditures	\$ 2,068,039	\$ 2,068,039	\$ 1,855,905	\$ 212,134
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 223,270	\$ 223,270
Fund balance, beginning of year	\$ -	\$ -	\$ 159,145	\$ 159,145
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,415</u>	<u>\$ 382,415</u>

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

Regional Center for Animal Care and Protection
 Schedule of the Center's Proportionate Share of the Net Pension Liability
 Pension Plan
 For the Measurement Dates of June 30, 2014 through June 30, 2019

Date	Proportion of the Net Pension Liability (NPL)	Proportionate Share of the NPL	Covered Payroll	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
(1)	(2)	(3)	(4)	(5)	(6)
2019	1.2259%	\$ 529,537	\$ 607,907	87.11%	83.96%
2018	1.0778%	363,627	519,454	70.00%	86.53%
2017	1.3135%	487,341	607,017	80.28%	84.76%
2016	1.1960%	546,802	512,956	106.60%	80.43%
2015	1.2453%	436,136	525,310	83.02%	84.31%
2014	1.1612%	386,611	489,185	79.03%	84.61%

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

Regional Center for Animal Care and Protection
 Schedule of Employer Contributions
 Pension Plan
 For the Years Ended June 30, 2014 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)
2020	\$ 83,873	\$ 83,873	-	\$ 680,319	12.33%
2019	72,604	72,604	-	607,907	11.94%
2018	57,366	57,366	-	519,454	11.04%
2017	67,516	67,516	-	607,017	11.12%
2016	59,186	59,186	-	512,956	11.54%
2015	59,441	59,441	-	525,310	11.32%
2014	49,259	49,259	-	489,185	10.07%

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

**Regional Center for Animal Care and Protection
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2020**

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%

Regional Center for Animal Care and Protection
 Schedule of Center's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 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)
2019	0.00305%	\$ 49,568	\$ 597,138	8.30%	52.00%
2018	0.00269%	40,895	519,454	7.87%	51.22%
2017	0.00298%	44,893	607,017	7.40%	48.86%

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

Regional Center for Animal Care and Protection
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2020

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2020	\$ 3,547	\$ 3,547	-	\$ 682,469	0.52%
2019	3,063	3,063	-	597,138	0.51%
2018	6,708	6,708	-	519,454	1.29%
2017	7,208	7,208	-	607,017	1.19%

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

**Regional Center for Animal Care and Protection
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020**

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 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%

Regional Center for Animal Care and Protection
 Schedule of Center's Proportionate Share of the Net OPEB Liability
 Group Medical Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Center's Proportion of the Net OPEB Liability (2)	Center's Proportionate Share of the Net OPEB Liability (3)	Center's Covered- Employee Payroll (4)	Center's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.5200%	\$ 34,131	\$ 591,179	5.773%	51.600%
2018	0.4600%	29,789	721,101	4.131%	50.400%
2017	1.7700%	137,323	706,961	19.424%	43.500%

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

Regional Center for Animal Care and Protection
Schedule of Employer Contributions
Group Medical Plan
For the Years Ended June 30, 2017 through June 30, 2020

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2020	\$ 9,336	\$ 9,336	-	\$ 688,300	1.35639%
2019	8,702	8,702	-	613,976	1.41732%
2018	29,148	29,148	-	721,101	4.04215%
2017	21,614	21,614	-	706,961	3.05731%

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

Regional Center for Animal Care and Protection
Notes to Required Supplementary Information - Group Medical Plan
For the Year Ended June 30, 2020

Valuation Date: 6/30/2018

Actuarially determined contribution rates are calculated as of July 1, 2018, prior to the fiscal year in which they are reported, and have been projected to June 30, 2019 on a "no gain/no loss" basis.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal Level % of Salary
Amortization Method/Period	Level Dollar over 18 years
Asset Valuation Method	Market value of assets
Medical Trend Rate	Initial rate of 8.00% decreasing down by 0.50% annually to an ultimate rate of 4.50%
Salary Increases	2.00% per annum
Long-Term Expected Rate of Return	7.50% per annum
Retirement Age	The average age at retirement is 62
Mortality Rates	General retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019; Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019; Disabled retirees: SOA Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Regional Center for Animal Care and Protection as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Regional Center for Animal Care and Protection's basic financial statements and have issued our report thereon dated September 20, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Center for Animal Care and Protection's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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, Farrow, Cox Associates

Blacksburg, Virginia
September 20, 2020