RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

DUNHAM, AUKAMP & RHODES, PLC
Certified Public Accountants
Chantilly, Virginia

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION COMMISSIONERS
As of June 30, 2020

Culpeper County
Mr. John Egertson
Mr. Thomas Underwood

Town of Culpeper
Mr. Chris Hively
Ms. Meaghan Taylor, Commission Vice-Chair

Fauquier County
Mr. Christopher T. Butler
Mr. Paul S. McCulla

Town of Warrenton
Ms. Brandie Schaeffer
Mr. Jerry Wood, Commission Treasurer

Town of Remington
Mr. Evan H."Skeet" Ashby, III

Town of The Plains
Mr. Christopher R. Malone

Madison County
Mr. Jack Hobbs
Ms. Charlotte Hoffman

Town of Madison
Mr. William L. Lamar

Orange County
Mr. James P. "Jim" Crozier
Mr. Theodore Voorhees

Town of Orange
Ms. Martha B. Roby
Mr. Greg Woods, Commission Treasurer

Town of Gordonsville
Mr. Robert K. ‘Bob’ Coiner, Commission Chair

Rappahannock County
Mr. Garrey W. Curry, Jr.
Ms. Christine Smith

Town of Washington
Mr. Frederic Catlin

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION

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Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
Chantilly, VA 20151

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Rappahannock-Rapidan Regional Commission
Culpeper, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Rappahannock-Rapidan Regional Commission as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission'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.

Auditor's 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 auditor's 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 be 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Rappahannock-Rapidan Regional Commission as of June 30, 2020 and the respective changes in financial position, and where applicable, cash flows 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 management's discussion and analysis, schedule of revenue and expenses-budget and actual (budgetary basis), the schedule of employer's share of net pension liability and related ratios, and the schedule of employer contributions on pages 3 through 7 and pages 32 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of the Rappahannock-Rapidan Regional Commission'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 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 Rappahannock-Rapidan Regional Commission's internal control over financial reporting and compliance.

Dunham, Aukamp & Rhodes, PLC

Certified Public Accountants
Chantilly, Virginia

November 20, 2020

Management’s Discussion and Analysis

As management of the Rappahannock-Rapidan Regional Commission we offer this narrative overview and analysis of the financial performance of the Commission’s financial activities for the year ended June 30, 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission’s basic financial statements. Since the Commission is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) financial statements and 2) notes to the financial statements.

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

The statement of net position presents information on the Commission’s assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

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

Notes to financial statements. The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the Commission’s financial condition. The MD&A is intended to explain the significant changes in financial position and the differences in operation between the current year and prior year.

Financial Highlights FY 2020

The financial position of the Rappahannock-Rapidan Regional Commission has stabilized over the past several fiscal years, following a period between 2010 and 2015 that required annual utilization of reserve funds to balance revenues and expenditures. In FY 2017, the Commission made the determination to begin restoring reserve funds with a primary goal of achieving a balance of six months’ operating expenses and secondary goal of addressing long-term debt liabilities. This stated strategy, along with successful grant applications for environmental, transportation, housing, and hazard mitigation projects have resulted in increases in net position in recent fiscal years.

In FY 2020, the Commission continued its successful programmatic efforts in housing and homelessness leadership, transportation and mobility planning, tourism, environmental coordination, and regional coordination. Of particular note in FY 2020 are the continuation of Chesapeake Bay watershed planning, successful completion of USDA Farmers Market Promotion Program and Virginia Tourism Corporation grants, and funding award from Virginia Housing for a regional housing study.

Financial Analysis

The following table reflects the condensed Statements of Net Position:

Summary Statements of Net Position
June 30,

	2020	2019
Current Assets	$394,131	$373,794
Capital Assets (net)	195,621	208,455
Net Pension Asset	240,718	331,439
Total Assets	830,470	913,688
Deferred Outflows of Resources	91,916	96,814
Current Liabilities	91,426	97,497
Long-term Liabilities	160,946	176,806
Total Liabilities	252,372	274,303
Deferred Inflows of Resources	13,789	13,925
Invested in capital assets, net of debt	18,815	16,523
Unrestricted	637,410	705,751
Total Net Position	$656,225	$722,274

The Commission's total net position (which is the Commission's bottom line) decreased by $66,049 during the year. It should be noted that $95,483 of this decrease was due to the current year GASB 68 adjustment and that readily accessible assets increased by $20,337 during the year. The improvement in net position over the past four fiscal years also enables the Commission to better manage our cash flow and provide needed cash match for new grants, to maintain staffing levels to support future needs of our member jurisdictions, and to maintain reserve funds for long-term liabilities, including the Commission-owned office building.

The following summarizes the revenues and expenses of the Commission:

	Changes in Net Position For the Years Ended June 30, 2020	2019
Operating revenues		
Grants	$671,075	$ 744,908
Dues	145,375	145,375
Other operating revenues	81,992	82,228
Total operating revenues	898,442	972,511
Non-operating revenues		
GASB 68 adjustment	(95,483)	112,111
Interest	2,548	3,487
Net gain on investments	4,157	3,927
Total non-operating revenues	(88,778)	119,525
Total Revenues	809,664	1,092,036
Operating expenses		
Salaries and wages	390,450	395,999
Freedom grants	216,391	220,496
Fringe benefits	79,422	72,188
Regional ride sharing	32,689	51,170
Virginia Housing Development Authority	31,102	11,000
Farmers Market Promotion Program	20,562	65,660
Maintenance and repairs	14,769	5,144
Regional Tourism	10,143	4,717
PATH planning grant	2,564	2,470
Veteran transportation and community living	1,257	19,831
Vanpool	903	8,552
Other grant expenses	2,777	5,438
Other operating expenses	51,059	41,540
Total operating expenses	854,088	904,205
Depreciation	12,835	12,733
Interest paid on debt	8,790	9,491
Total expenses	875,713	926,429
Change in net position	(66,049)	165,607
Net position beginning of year	722,274	556,667
Net position end of year	$656,225	$ 722,274

Revenues

For the fiscal year ended June 30, 2020, total revenues decreased by $282,372 from the prior year. However, ($95,483) of the decrease in revenue was the result of the GASB 68 adjustment. Operating revenues decreased $74,069 from FY2019 to FY2020. The decreased operating revenue is largely due to closeout of several grants during the fiscal year, including the Farmers Market Promotion Program grant and decreased spending and revenue reimbursement related to the COVID-19 pandemic in the fourth quarter of FY 2020. The continuation of grants from the Department of Rail and Public Transportation in support of RRRC's Commuter Services and Mobility Management programs, and the Rural Transportation Planning grant from the Virginia Department of Transportation are important for RRRC's ability to continue providing support for successful, long-term projects. Finally, RRRC's regional housing efforts were aided by successful grants from the Virginia Homeless Solutions Program, but also from funding allocated by member jurisdictions in support of a 0.5 Full-Time Equivalent housing position.

Expenses

For the fiscal year ended June 30, 2020, total expenses decreased by $50,117 from the prior year. Personnel costs such as health insurance and retirement were stable from FY 2019 to FY 2020, although salaries and wages – the largest expense for the Commission – increased by $1,685 with a full staff for most of the fiscal year. Total expenses were lower than our total revenues before the GASB 68 adjustment.

Capital Assets

At the end of fiscal year 2020, the Commission had invested $426,745 in capital assets which consisted of the office building, office furniture and equipment. This amount has been depreciated by $231,124, for a carrying amount of $195,621.

Long-Term Debt

On August 12, 2000 the Commission received loan proceeds in the amount of $376,000 from the Department of Agriculture to finance construction of office facilities. The loan is due in monthly installments of $1,993 through July 12, 2029. Interest on the loan is at 4.75%. The balance of this loan was $176,806 as of June 30, 2020.

Economic Factors and Future Projects

The Commission receives a substantial amount of its support from local and state governments. The Regional Commission was successful in beginning to restore its reserve fund balance in FY 2017 based on controlling expenses and continued success with state and federal grant applications. The Regional Commission expects that revenues and expenses will be more closely balanced in future years. Operating expenses will generally remain at a level in proportion to the revenues.

Presently, management of the Commission is closely tracking local, state and federal revenue and program impacts related to the COVID-19 pandemic and the potential impacts on the overall agency finances. The short-term outlook remains positive based on known funding awards. In addition, uncertainty at the federal and state level may cause some long-term changes, depending upon funding priorities and availability of grant funding. In particular, funding for housing, transit, mobility management, and environmental planning has been the subject of discussion at the state and federal levels during the past fiscal year.

The Commission is currently involved in numerous projects including but not limited to agricultural development, rural transportation planning, ridesharing, environmental planning, regional housing, economic development, community development planning, and regional tourism.

Contacting the Commission's Financial Management

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be directed to the Commission's Executive Director at 420 Southridge Parkway, Suite 106, Culpeper, VA 22701.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Cash and investments	$ 299,886
Accounts receivable	84,231
Prepaid expenses	10,014
Net pension asset	240,718
Capital assets, net	195,621
Total Assets	830,470
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions after the measurement date	1,248
Difference between expected and actual experience	67,491
Changes in assumptions	23,177
Total Deferred Outflows of Resources	91,916
LIABILITIES	
Accounts payable	28,374
Accrued liabilities	12,693
Accrued annual leave	27,784
Deferred revenue	6,715
Rural Development loan payable	176,806
Total Liabilities	252,372
DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual earnings on plan investments	13,789
Total Deferred Inflows of Resources	13,789
NET POSITION	
Investment in capital assets, net of related debt	18,815
Unrestricted	637,410
Total Net Position	$ 656,225

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Operating Revenues:	
DEQ Chesapeake Bay watershed implementation plan III	$ 49,244
Dues	145,375
Freedom grant - mobility	135,754
Freedom grant - operating	84,587
Madison county planning	692
Rideshare program	114,186
Rural transportation program	48,241
State regional planning grant	75,971
Van pool grant	1,680
Virginia homeless solution program	84,501
Virginia Housing Development Authority VISTA grant	35,309
USDA farmers market promotion program	34,934
Other Income	
PATH Foundation outreach	5,000
PATH mobility management	20,145
Regional housing	48,605
Regional tourism	11,200
VTC marketing leverage program grant	1,182
Miscellaneous	1,836
Total Operating Revenues	898,442
Operating Expenses:	
Advertising	231
Annual meeting	4,057
Audit	3,800
Equipment	5,033
Freedom grant-mobility	122,412
Freedom grant-operating	93,979
Insurance health	42,277
Insurance liability	1,327
Insurance workers' compensation	500
Maintenance and repairs	14,769
Membership dues	4,150
Miscellaneous	9
PATH planning grant	2,564
Payroll taxes	27,928
Postage	422
Printing	1,320

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Operating Expenses (Continued):

Regional tourism	$ 10,143
Retirement	8,717
Rideshare	32,689
Rural transportation planning	660
Salary	390,450
Subscriptions and publications	636
Supplies	2,674
Technology	9,478
Travel	6,617
Utilities	4,305
USDA farmers market promotion program	20,562
Vanpool expense	903
Virginia Housing Development Authority	31,102
VTC marketing leverage program grant	1,257
Virginia homeless solution program expense	1,488
Watershed implementation plan	629
Website	7,000
Total Operating Expenses	854,088
Operating Gain	44,354
Nonoperating Income (Expense)	
GASB 68 actuarial adjustment	(95,483)
Interest income	2,548
Net gain on investments	4,157
Depreciation	(12,835)
Interest expense	(8,790)
Total Nonoperating Income (Expense)	(110,403)
Change in Net Position	(66,049)
Net Position at beginning of year	722,274
Net Position at end of year	$ 656,225

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities:	
Cash received from customers and users	$ 930,685
Payments to suppliers	(487,355)
Payments to employees	(386,111)
Net Cash Provided by Operating Activities	57,219
Cash Flows from Capital and Related Financing Activities:	
Principal payments on debt	(15,126)
Interest payments on debt	(8,790)
Net Cash Used in Capital and Related Financing Activities	(23,916)
Cash Flows from Investing Activities	
Proceeds from investments	4,157
Purchases of investments	(4,157)
Interest earned	2,548
Net Cash Provided by Investing Activities	2,548
Net Change in Cash and Cash Equivalents	35,851
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	264,035
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 299,886
Reconciliation of Operating Gain to Net Cash Provided by Operating Activities	
Operating Gain	$ 44,354
Adjustments to Reconcile Operating Gain to Net Cash Provided by Operating Activities:	
GASB 68 adjustment	(95,483)
Gain on investments	4,157
Changes in current assets and liabilities:	
Decrease in accounts receivable	25,528
Increase in prepaid expenses	(10,014)
Decrease in net pension asset	90,721
Decrease in deferred outflows	4,898
Decrease in accounts payable	(17,860)
Increase in accrued liabilities	1,935
Increase in accrued annual leave	2,404
Increase in deferred revenue	6,715
Decrease in deferred inflows	(136)
Net Cash Provided by Operating Activities	$ 57,219

See accompanying notes.

NOTE 1 – Summary of Significant Accounting Policies

The financial statements of the Rappahannock-Rapidan Regional Commission conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Government Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

A. The Financial Reporting Entity

The Rappahannock-Rapidan Regional Commission was chartered in 1971. The Commission includes the Counties of Culpeper, Fauquier, Madison, Orange and Rappahannock and the towns of Remington, Warrenton, Culpeper, Orange, Madison, Gordonsville, Washington and The Plains. Regional Commissions achieved their being and legal status by the Virginia Area Development Act, passed by the General Assembly on March 13, 1968. The Act was an amendment of Chapters 34 and 35 of the *Code of Virginia* and provided the State with a uniform set of sub-state administrative boundaries and local government the authority to create planning and/or service district commissions, all in an effort to improve state and local relations which would enable government to be more responsive to the needs of its people.

B. Financial Statement Presentation

Management's Discussion and Analysis – GASB Statement #34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Enterprise Fund Financial Statements:

The Statement of Net Position is designed to display the financial position of the Commission. Governments will report all capital assets and will report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Position. The net position of the government is broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unassigned.

C. Basis of Accounting

The accounting and reporting policies of the Commission relating to the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) the American Institute of Certified Public Accountants in the Publication entitled <u>Audits of State and Local Government Units</u> and by the Financial Accounting Standards Board (when applicable).

D. Budgets and Budgetary Accounting

A budget is prepared for information and fiscal planning purposes. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses. The budget is prepared on the same basis of accounting as the actual financial statements are prepared except for depreciation and capital asset purchases are expensed.

NOTE 1 – Summary of Significant Accounting Policies (continued)

E. Capital Assets

Property, plant and equipment purchased is stated at cost or estimated cost for all items with an initial cost exceeding $1,000. Donated property is recorded at fair market value prevailing at the date of donation. Depreciation for capital asset has been provided for over the following estimated useful lives using the straight-line method:

Equipment	3-12 years
Buildings	39 years

Activity of the capital assets for the Commission for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Office furniture and equipment	$ 36,637	$ -	$ -	$ 36,637
Buildings and improvements	390,108	-	-	390,108
Less: Accumulated Depreciation	(218,289)	(12,835)	-	(231,124)
Net capital assets	$208,456	$(12,835)	$ -	$195,621

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Accounts Receivable

Accounts receivable are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables related to non-exchange transactions are recognized when their eligibility requirements have been met. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history and current information regarding the credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected. Management considers all of the receivables collectible at June 30, 2020, and no allowance for doubtful accounts has been provided.

NOTE 1 – Summary of Significant Accounting Policies (continued)

I. Deferred Outflows/Inflows of Resources

The Commission reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. The Commission has three items that qualify for reporting in this category. They are the employer pension contributions made subsequent to the actuarial measurement date, the difference between expected and actual experience, and a change of assumptions. Employer contributions made after the measurement date of June 30, 2019, were $1,248. The difference between expected and actual experience, per the actuarial report dated of June 30, 2019, was $67,491, and the change in assumptions was $23,177.

The Commission reports deferred inflows of resources on its statement of net position. Deferred inflows of resources represent 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 a future period. The Commission had one item that qualifies for reporting in this category. The net difference between the projected and actual earnings on plan investments, per the actuarial report dated of June 30, 2019, was $13,789.

J. Pension

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 Commission's Retirement Plan and additions to/deductions from the Commission's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by 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.

K. Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted, as they are needed.

L. Advertising Costs

Advertising costs are expensed as incurred.

NOTE 2 - Cash and Investments

State statute authorizes the Commission to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the local government investment pool. Cash and cash equivalents include amounts in demand deposits as well as short-term, highly liquid investments with a maturity date within three months of the date acquired by the Commission. Deposits are carried at cost, which approximates fair value. At year end, the carrying value of the Commission's bank account balances was $45,194, and the bank balances totaled $69,298.

There is no custodial credit risk to these accounts, as the entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FSLIC limits. The State Treasury Board is responsible for monitoring compliance by banks and savings and loans. Accordingly, there is no custodial risk for either of the accounts as they are fully collateralized. In addition, there is no interest rate risk as the interest rates are adjusted daily.

The Commission is a participant in the Virginia Investment Pool, a jointly-administered investment pool. Jointly-administered investment pools, such as VIP, are allowable investment as identified in the Investment of Public Funds Act. Participants own and control VIP, which is a governmental trust under Section 115 of the Internal Revenue Code. Public Trust Advisors, LLC (PTA) serves as Investment Manager. PTA is a Securities and Exchange Commission registered, independent investment advisor with significant local government investment pool experience. PTA manages more than $30 billion in public funds nationwide. Wells Fargo Bank is VIP's custodian bank.

The investment pool has not been assigned a risk category since the Commission is not issued securities, but rather owns an undivided interest in the assets of the pool. At June 30, 2020 the Commission's balance in the investment pool was $254,692 and included the follow investments:

VIP Liquidity Pool Account	$147,051
VIP Long Term Bond Fund	107,641

NOTE 3 – Rural Development Loan

The Commission received loan proceeds in the amount of $376,000 from the Department of Agriculture on August 12, 2000. The loan is secured by the Commission's real estate and due in monthly installments of $1,993 including interest of 4.75% through July 12, 2029.

Current year debt activity was as follows:

Beginning Balance	Increases	Decreases	Ending Balance
$191,932	$ -	$ 15,126	$176,806

NOTE 3 – Rural Development Loan (continued)

Mandatory debt service requirements consist of the following:

Year Ending June 30,	Principal	Interest
2021	$ 15,860	$ 8,056
2022	16,630	7,286
2023	17,437	6,479
2024	18,288	5,628
2025	19,172	4,744
2026-2030	89,419	9,220
Total	$ 176,806	$ 41,413

NOTE 4 – Defined Benefit Pension Plan

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. 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 Commission's Retirement Plan and the additions to/deductions from the Commission'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.

Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

NOTE 4 – Defined Benefit Pension Plan (continued)

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

NOTE 4 – Defined Benefit Pension Plan (Continued)

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contributions Component:</u>** Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

NOTE 4 – Defined Benefit Pension Plan (Continued)

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

Members are always 100% vested in the contributions that they make</td>
<td>Vesting
Same as Plan 1.</td>
<td>Vesting
<u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

<u>Defined Contributions Component:</u>
Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.
• After two years, a member is 50% vested and may withdraw 50% of employer contributions.
• After three years, a member is 75% vested and may withdraw 75% of employer contributions.
• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution not required, except as governed by law.</td>
</tr>
<tr>
<td>Calculating the Benefit
The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</td>
<td>Calculating the Benefit
See definition under Plan 1.</td>
<td>Calculating the Benefit
Defined Benefit Component:
See definition under Plan 1

<u>Defined Contribution Component:</u>
The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</td>
</tr>
</table>

NOTE 4 – Defined Benefit Pension Plan (Continued)

Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non- hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Not applicable.
Normal Retirement Age VRS: Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** **VRS**: Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 4 – Defined Benefit Pension Plan (Continued)

Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. **Political subdivisions hazardous duty employees:** 50 with at least five years of service credit.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of service credit. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u> VRS:** Age 60 with at least five years (60 months) of service credit. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable.

NOTE 4 – Defined Benefit Pension Plan (Continued)

Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1	**Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Exceptions to COLA Effective Dates:** Same as Plan 1	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 4 – Defined Benefit Pension Plan (Continued)

Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work- related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

NOTE 4 – Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

		Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits		4
Inactive Members		
Vested inactive members	5	
Non-vested inactive members	7	
Active members active elsewhere in VRS	4	
Total Inactive Members		16
Active Members		6
Total covered employees		26

Contributions

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

The Commission's contractually required contribution rate for the year ended June 30, 2020 was .65% 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 employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Commission was $1,248 and $1,368 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the 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 rolled forward to the measurement date of June 30, 2019.

NOTE 4 – Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Commission'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	2.5%
Salary increases, including Inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long- term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

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

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

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

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.

NOTE 4 – Defined Benefit Pension Plan (Continued)

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 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:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy and disabled	Update 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	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy and disabled	Update 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	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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:

NOTE 4 – Defined Benefit Pension Plan (Continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY2012 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 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4 – Defined Benefit Pension Plan (Continued)

Change in the Net Pension Liability (Asset):

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at June 30, 2018	$1,112,120	$1,443,559	$(331,439)
Changes for the year:			
Service cost	24,314		24,314
Interest	77,006		77,006
Changes of assumption	40,094		40,094
Difference between expected and actual experience	62,456		62,456
Contributions – employer		460	(460)
Contributions – employee		16,746	(16,746)
Net investment income		96,946	(96,946)
Benefit payments, including refunds of employee contributions	(24,079)	(24,079)	-
Administrative expense		(942)	942
Other changes	-	(61)	61
Net changes	179,791	89,070	90,721
Balances at June 30, 2019	$1,291,911	$1,532,629	$(240,718)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the Commission using the discount rate of 6.75%, as well as what the Commission's 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:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.750%)
Commission's Net Pension Liability (Asset)	$(54,848)	$(240,718)	$(386,076)

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

For the year ended June 30, 2020, the Commission recognized pension expense of $95,823. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$67,491	$ -
Changes of assumptions	23,177	-
Net difference between projected and actual earnings on plan investments	-	13,789
Employer contributions subsequent to the Measurement Date	1,248	-
Total	$91,916	$13,789

NOTE 4 – Defined Benefit Pension Plan (Continued)

$1,248 reported as deferred outflows of resources related to pensions resulting from Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future reporting periods as follows:

Year ending June 30,	
2021	73,303
2022	3,166
2023	(357)
2024	767
2025	-
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 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 5 – Commitments and Contingencies

The Commission receives a substantial amount of its support from local and state governments. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the Commission's programs and activities.

NOTE 6 – Evaluation of Subsequent Events

The Commission has evaluated subsequent events through November 20, 2020, the date which the financial statements were available to be issued.

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
Chantilly, VA 20151

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

To the Board of Commissioners
Rappahannock-Rapidan Regional Commission
Culpeper, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Rappahannock-Rapidan Regional Commission as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Rappahannock-Rapidan Regional Commission's basic financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rappahannock-Rapidan Regional Commission'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 Rappahannock-Rapidan Regional Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Rappahannock-Rapidan Regional Commission'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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rappahannock-Rapidan Regional Commission'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

Dunham, Aukamp & Rhodes, PLC

Certified Public Accountants
Chantilly, Virginia

November 20, 2020

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual Budgetary-Basis	Variance Favorable (Unfavorable)
Operating Revenues:				
DEQ Chesapeake Bay watershed implementation plan III	$ 47,500	$ 47,500	$ 49,244	$ 1,744
Dues	145,377	145,377	145,375	(2)
Freedom grant-mobility	130,000	130,000	109,254	(20,746)
Freedom grant-operating	100,000	100,000	91,221	(8,779)
Madison county planning	-	-	692	692
PATH Foundation outreach	5,000	5,000	5,000	-
PATH mobility management	-	26,860	26,860	-
Regional housing	48,604	48,604	48,605	1
Rgional tourism	7,000	7,000	11,200	4,200
Rideshare program	129,920	129,920	102,417	(27,503)
Rural transportation program	58,000	58,000	55,843	(2,157)
State regional planning grant	75,971	75,971	75,971	-
Van pool grant	8,000	8,000	5,232	(2,768)
Virginia homeless solution program	84,500	84,500	84,501	1
Virginia Housing Development Authority VISTA grant	-	25,000	21,525	(3,475)
VTC marketing leverage program grant	21,012	21,012	21,012	-
USDA farmers market promotion program	80,574	80,574	74,897	(5,677)
Other Income	750	750	1,836	1,086
Total Operating Revenues	942,208	994,068	930,685	(63,383)
Operating Expenses:				
Advertising	500	500	231	269
America's wine country	1,100	1,100	-	1,100
Annual meeting	5,500	5,500	4,057	1,443
Audit	5,000	5,000	3,800	1,200
DEQ Chesapeake Bay watershed implementation plan III	1,000	1,000	629	371
Equipment and software	7,000	7,000	5,033	1,967
Freedom grant-mobility	100,000	126,860	133,724	(6,864)
Freedom grant-operating	100,000	100,000	93,099	6,901
Insurance health	41,300	41,300	50,291	(8,991)
Insurance liability	1,300	1,300	1,327	(27)
Insurance workers' compensation	500	500	500	-
Maintenance and repairs	10,000	10,000	14,769	(4,769)
Membership dues	4,000	4,000	4,150	(150)
Miscellaneous	500	500	9	491
PATH Foundation outreach	5,000	5,000	5,034	(34)

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGETARY BASIS) (Continued)
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual Budgetary-Basis	Variance Favorable (Unfavorable)
Operating Expenses (Continued):				
Payroll taxes	$ 31,500	$ 31,500	$ 27,928	$ 3,572
Postage	750	750	422	328
Printing	2,000	2,000	1,320	680
Regional tourism	8,500	8,500	10,143	(1,643)
Retirement	9,500	9,500	8,717	783
Rideshare	59,500	59,500	32,689	26,811
RTAP expense	-	-	-	-
Rural transportation planning	1,000	1,000	660	340
Salary	410,000	410,000	390,450	19,550
Strategic planning	-	-	-	-
Subscriptions and publications	500	500	636	(136)
Supplies	4,500	4,500	2,674	1,826
Technology	8,000	8,000	5,992	2,008
Town of Remington zoning ordinance	-	-	-	-
Travel, training and meals	11,200	11,200	6,617	4,583
Utilities	6,000	6,000	4,305	1,695
USDA farmers market promotion program	61,000	61,000	38,230	22,770
Vanpool expense	8,500	8,500	903	7,597
Virginia Housing Development Authority	-	25,000	14,137	10,863
VTC marketing leverage program grant	1,258	1,258	1,257	1
Virginia homeless solution program expense	3,000	3,000	1,488	1,512
Website update	7,000	7,000	7,000	-
Total Operating Expenses	916,408	968,268	872,221	96,047
Operating Gain	25,800	25,800	58,464	32,664
Nonoperating Income (Expense)				
GASB 68 adjustment	-	-	(95,483)	(95,483)
Interest income	3,500	3,500	2,548	(952)
Investment gain	-	-	4,157	4,157
Interest expense	(23,916)	(23,916)	(23,916)	-
Total Nonoperating Income (Expense)	(20,416)	(20,416)	(112,694)	(95,483)
Net Gain/(Loss)	$ 5,384	$ 5,384	$ (54,230)	$ (62,819)

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
BUDGET-TO-GAAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2020

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures

Sources/inflows of resources		
Actual amounts (budgetary basis) from budgetary comparison schedule	$	930,685
Collection of receivables accrued as of June 30, 2019 are revenue for budgetary purposes but not for GAAP purposes.		(109,759)
Receivables accrued as of June 30, 2020 are revenue for GAAP purposes but not for budgetary purposes.		84,231
Total operating revenue as reported on the statement of revenues, expenses and changes in net position.	$	898,442
Uses/outflows of resources		
Actual amounts (budgetary basis) from budgetary comparison schedule	$	872,221
Payments of accounts payable recorded as of June 30, 2019 are expenditures for budgetary purposes but not for GAAP purposes.		(36,493)
Prepaid expenses recorded as of June 30, 2020, are expenditures for budgetary purposes but not for GAAP purposes.		(10,014)
Payables accrued as of June 30, 2020 are expenses for GAAP purposes but not for budgetary purposes.		28,374
Total operating expenses as reported on the statement of revenues, expenses and changes in net position.	$	854,088

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY AND RELATED RATIOS

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	$ 24,314	$ 34,100	$ 34,046	$ 46,439	$ 45,136	$ 44,023
Interest on total pension liability	77,006	60,863	76,384	67,864	60,928	54,411
Changes in assumptions	40,094	-	(29,189)	-	-	-
Differences between expected and actual experience	62,456	159,504	(279,643)	22,652	(589)	-
Benefit payments, including refunds of employee contributions	(24,079)	(23,630)	(23,038)	(7,427)	(5,370)	(5,293)
Net change in total pension liability	179,791	230,837	(221,440)	129,528	100,105	93,141
Total pension liability - beginning	1,112,120	881,283	1,102,723	973,195	873,090	779,949
Total pension liability - ending (a)	$ 1,291,911	$ 1,112,120	$ 881,283	$ 1,102,723	$ 973,195	$ 873,090
Plan fiduciary net position						
Contributions - employer	$ 460	$ 20,150	$ 16,670	$ 20,601	$ 21,713	$ 24,294
Contributions - employee	16,746	17,480	14,694	16,585	17,468	17,147
Net investment income	96,946	99,250	145,211	22,505	49,158	140,644
Benefit payments, including refunds of employee contributions	(24,079)	(23,630)	(23,038)	(7,427)	(5,370)	(5,293)
Administrative expense	(942)	(829)	(815)	(2,049)	(630)	(720)
Other	(61)	(90)	(130)	(5)	(11)	7
Net change in plan fiduciary net position	89,070	112,331	152,592	50,210	82,328	176,079
Plan fiduciary net position - beginning	1,443,559	1,331,228	1,178,636	1,128,426	1,046,098	870,019
Plan fiduciary net position - ending (b)	$ 1,532,629	$ 1,443,559	$ 1,331,228	$ 1,178,636	$ 1,128,426	$ 1,046,098
Commission's net pension asset - ending (a)-(b)	$ (240,718)	$ (331,439)	$ (449,945)	$ (75,913)	$ (155,231)	$ (173,008)
Plan fiduciary net position as a percentage of the total Pension liability	118.63%	129.80%	151.06%	106.88%	115.95%	119.82%
Covered - employee payroll	$ 371,297	$ 317,184	$ 367,005	$ 268,691	$ 351,496	$ 342,940
Commission's net pension liability as percentage of covered-employee payroll	-64.83%	-104.49%	-122.60%	-28.25%	-44.16%	-50.45%

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2011 THROUGH 2020

Date	Contractually Required Contributions (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)	Required Contribution Rate
2020	$ 2,084	$ 1,248	$ 836	$ 385,989	0.32%	0.54%
2019	2,005	1,368	637	371,297	0.37%	0.54%
2018	9,198	20,245	(11,047)	317,184	6.38%	2.90%
2017	10,643	16,670	(6,027)	367,005	4.54%	2.90%
2016	16,766	20,601	(3,835)	268,691	7.67%	6.24%
2015	21,933	21,713	220	351,496	6.18%	6.24%
2014	24,383	24,294	89	342,940	7.08%	7.11%
2013	24,383	28,323	(3,940)	342,940	8.26%	7.11%
2012	26,840	29,446	(2,606)	322,209	9.14%	8.33%
2011	26,111	28,702	(2,591)	313,452	9.16%	8.33%

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

NOTE 1 – Change of Benefit Terms

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

NOTE 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2018, valuation were based on 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:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update 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	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update 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	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%