HAMPTON ROADS PLANNING DISTRICT COMMISSION

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2021

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

HAMPTON ROADS PLANNING DISTRICT COMMISSION

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INDEPENDENT AUDITOR'S REPORT

Honorable Commission Board Members
Hampton Roads Planning District Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hampton Roads Planning District Commission (Commission), as of and for the year ended June 30, 2021, 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 and specifications 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 Commission'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 Commission'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Commission, as of June 30, 2021, and the respective changes in financial position 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 the Management's Discussion and Analysis and the required supplementary information on pages 4-10 and 55-60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2021 on our consideration of the 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 the effectiveness of the Commission'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 Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hampton Roads Planning District Commission

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) of the Hampton Roads Planning District Commission's (Commission) activities and financial performance provides the reader with an introduction and overview to the financial statements of the Commission for the year ended June 30, 2021. The information contained in this MD&A should be considered in conjunction with the financial statements and various historic summaries of activities and financial performance included in the basic financial statements included in this audit.

In the fall of 2008, the Commission was reorganized to better reflect the efforts of the transportation staff in performing the planning, technical, and administrative duties of the regional Metropolitan Planning Organization in accordance with regulations as determined by the US Department of Transportation and the Virginia Department of Transportation. These duties were organized into a new and separate function entitled Hampton Roads Transportation Planning Organization (HRTPO). This new function has two memorandums of understanding between the HRTPO and the Commission. The first indicates the Commission "shall provide the planning and administrative staff to the HRTPO" and all duties thereof. The second indicates the HRTPO "desires the Commission serve as fiscal agent for the HRTPO" and all duties thereof. In this capacity, the Financial Statements of the Hampton Roads Planning District Commission include all the activities involved in administering the financial aspects of the Hampton Roads Transportation Planning Organization.

This report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains supplementary information and required supplementary information. The basic financial statements include both government-wide and fund financial statements and the notes to the financial statements. Government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the Commission's operations are considered to be governmental because the sources of funding include contributions from member jurisdictions and federal and state grants.

The government-wide and fund financial statements are distinguished as follows:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status.
- The remaining statements are governmental fund financial statements which are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since a governmental fund's focus is narrower than that of the government-wide financial statements reconciliation between the two methods is provided.

As required, the following tables present a summary of the long-term financial condition and operations of the Commission for the years ended June 30, 2021 and June 30, 2020. The *Summary Statements of Net Position* include the current assets, investments in capital assets, current and noncurrent liabilities, and deferred outflows and inflows of resources of the Commission. The *Summary Statements of Revenues, Expenses and Changes in Net Position* contain all of the years' revenues and expenses. The *Summary Statements of Changes in Net Position* further delineate the areas of fiduciary responsibility within the net position category.

The following table summarizes the Commission's Statements of Net Position:

Summary Statements of Net Position
June 30, 2021 and 2020

	2021	2020	Increase (Decrease)	% Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets	**$ 7,451,880**	$ 6,993,770	$ 458,110	6.55%
Capital assets, net of accumulated depreciation and amortization	**1,106,346**	1,067,884	38,462	3.60%
Deferred outflows of resources - pension plan and OPEB	**1,779,667**	1,349,155	430,512	31.91%
Total assets and deferred outflows of resources	**10,337,893**	9,410,809	927,084	9.85%
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities	**1,097,870**	943,299	154,571	16.39%
Noncurrent liabilities	**8,685,043**	7,329,795	1,355,248	18.49%
Deferred inflows of resources - pension plan and OPEB	**201,806**	474,891	(273,085)	-57.50%
Total liabilities and deferred inflows of resources	**9,984,719**	8,747,985	1,236,734	14.14%
NET POSITION				
Net investment in capital assets	**1,106,346**	1,067,884	38,462	3.60%
Unrestricted	**(753,172)**	(405,060)	(348,112)	85.94%
Net position	**$ 353,174**	$ 662,824	$ (309,650)	-46.72%

The following table provides a summary of the Statement of Revenues, Expenses and Changes in Net Position:

Summary Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)	% Change
Program revenues:				
Local contributions	**$ 3,839,859**	$ 3,856,369	$ (16,510)	-0.43%
Federal pass-through	**4,448,787**	4,175,147	273,640	6.55%
Commonwealth	**696,352**	494,008	202,344	40.96%
Total operating revenues	**8,984,998**	8,525,524	459,474	5.39%
Operating expenses:				
Indirect - general and administrative	**1,046,410**	1,316,231	(269,821)	-20.50%
Direct program expense	**355,181**	332,956	22,225	6.68%
Personnel***	**4,580,269**	4,191,090	389,179	9.29%
Consultants	**2,889,292**	2,985,305	(96,013)	-3.22%
Transportation pass-through services	**441,344**	458,230	(16,886)	-3.69%
Housing and Emergency Management pass-through	**1,287,766**	1,020,426	267,340	26.20%
Total operating expenses	**10,600,262**	10,304,238	296,024	2.87%
Operating loss	**(1,615,264)**	(1,778,714)	163,450	-9.19%
Miscellaneous	**1,293,708**	1,403,686	(109,978)	-7.83%
Use of money	**11,906**	76,661	(64,755)	-84.47%
Change in net position	**$ (309,650)**	$ (298,367)	$ (11,283)	3.78%

***The Personnel Category includes direct personnel expenses from FY2021, as well as $278,655 of long term OPEB liability, $372,996 of pension expense and an additional increase of $19,615 for leave liability.

Financial Highlights

Statements of Net Position

This statement reports all short-term and long-term activity of the Commission, which significantly overstates the Commission's true liabilities due to the long-term estimates required by Governmental Accounting Standards Board (GASB). Net position, according to this statement, indicates a decrease of $309,650.

In order to conform with GASB Statements No. 68 and 75, as mandated by Government Accounting Standards, the Commission must record the total unfunded liabilities. These liabilities are primarily long-term liabilities, based on actuarial studies of the activity in the Virginia Retirement System. Therefore, actual results could differ substantially. It is important to note and recognize the ultimate settlement of the remaining liability will be paid primarily with future Commission resources. In November 2020, the Commission's board approved the recommended change to the Personnel Manual on health insurance for retirees and their spouses for employees hired on or after January 1, 2021. This revision will assist in reducing and managing the agency's liability for future employees.

Statements of Revenues, Expenses and Changes in Net Position

Operating revenues increased by $459,474 due primarily to federal pass-through revenue received from the Department of Homeland Security and the Virginia Department of Rail and Public Transit.

Operating expenses increased by $296,024 as a result of Personnel (including other postemployment benefits) and pass-through expenses for the Department of Homeland Security and the Virginia Department of Rail and Public Transit

The basic financial statements of the Commission for the year ended June 30, 2021 indicate a $309,650 decrease in net position (see the Summary Statements of Net Position).

This decrease is attributed to the following:

- Increase in Fund Balances of $323,154:

- Net Expenses of $632,804: Net Capital asset decrease of $38,462, plus increase in other postemployment benefit expense (OPEB) of $278,655, plus $372,996 in increased pension expense, plus $19,615 in increased compensated absences.

Capital Assets

Summary Statements of Capital Assets
June 30, 2021 and 2020

		2021		2020		Increase (Decrease)	% Change
Capital assets not being depreciated or amortized:							
Land	**$**	**80,621**	$	80,621	$	-	0.00%
Capital assets being depreciated or amortized:							
Building and improvements		**2,597,240**		2,588,620		8,620	0.33%
Office furniture and equipment		**600,674**		664,342		(63,668)	-9.58%
Automobiles		**34,520**		55,020		(20,500)	-37.26%
Accumulated depreciation and amortization		**(2,206,709)**		(2,320,719)		114,010	-4.91%
Capital assets, net	**$**	**1,106,346**	$	1,067,884	$	38,462	3.60%

The Commission's two major capital outlays during the year were the planned replacement of a multifunctional copier and the planned completion of the second phase of network server upgrades. The Commission also purchased a new air conditioner for the server room.

The following table provides the Commission's Balance Sheets of the Governmental Fund as of June 30, 2021 and 2020:

Balance Sheets – Governmental Fund
June 30, 2021 and 2020

	General Fund		Increase	%
	2021	2020	(Decrease)	Change
ASSETS				
Current assets:				
Cash and cash equivalents	**$ 5,212,526**	$ 4,498,482	$ 714,044	15.87%
Due from other governments	**2,205,489**	1,915,737	289,752	15.12%
Other receivables	**4,694**	5,817	(1,123)	-19.31%
Investments	**-**	500,000	(500,000)	-100.00%
Prepaid items and deposits	**29,171**	73,734	(44,563)	-60.44%
Total current assets	**$ 7,451,880**	$ 6,993,770	$ 458,110	6.55%
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	**$ 369,924**	$ 364,524	$ 5,400	1.48%
Contracts payable	**236,021**	106,505	129,516	121.61%
Other current liabilities	**8,991**	8,951	40	0.45%
Total liabilities	**614,936**	479,980	134,956	28.12%
Fund balances:				
Nonspendable	**29,171**	73,734	(44,563)	-60.44%
Committed	**3,088,033**	2,633,308	454,725	17.27%
Assigned	**1,482,934**	1,463,319	19,615	1.34%
Unassigned	**2,236,806**	2,343,429	(106,623)	-4.55%
Total fund balances	**6,836,944**	6,513,790	323,154	4.96%
Total liabilities and fund balances	**$ 7,451,880**	$ 6,993,770	$ 458,110	6.55%

The *Balance Sheet – Governmental Fund* (Fund Balance Report) reflects the current resources and short-term obligations of the Commission. This report is reported on a modified accrual basis.

The Committed amount of $3,088,033 at year-end reflects program revenues received but not yet expended, as well as several reserve accounts that were established to ensure funding would be available for future expenditures for capital improvements, equipment failures, and an increase in the indirect cost carry over.

The Assigned amount of $1,482,934 reflects those funds that have been set aside for other postemployment benefits (OPEB) ($1 million) and leave liabilities ($482,934). Management has determined the full amount of the GASB 75 liability may never be realized and only a portion of these funds should be set aside for short-term cash management purposes. In November 2020, the Board approved the revisions to the Organization's Personnel Policies that will assist in the reduction of these long-term liabilities for the future employees,

The Unassigned amount of $2,236,806 reflects funds available for future Commission activities. It is important to note the Commission utilizes the unassigned fund balance to support cash flow while the Commission awaits reimbursement of expenses from grant programs that fund a significant amount of the Commissions operations.

Requests for Information

This financial report is designed to provide our Commission members and citizens with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to: Hampton Roads Planning District Commission, Chief Financial Officer, 723 Woodlake Drive, Chesapeake, Virginia 23320.

BASIC FINANCIAL STATEMENTS

HAMPTON ROADS PLANNING DISTRICT COMMISSION

STATEMENT OF NET POSITION
June 30, 2021

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	5,212,526
Due from other governments		2,205,489
Other receivables		4,694
Prepaid items and deposits		29,171
Capital assets:		
Land		80,621
Building and improvements		2,597,240
Office furniture and equipment		600,674
Automobiles		34,520
Less accumulated depreciation and amortization		(2,206,709)
Total assets		8,558,226
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan		1,130,581
Other postemployment benefits		649,086
Total deferred outflows of resources		1,779,667
LIABILITIES		
Accounts payable		369,924
Contracts payable		236,021
Accrued payroll		8,991
Noncurrent liabilities:		
Due within one year:		
Compensated absences		482,934
Due in more than one year:		
Other postemployment benefits		5,723,243
Net pension liability		2,961,800
Total liabilities		9,782,913
DEFERRED INFLOWS OF RESOURCES		
Other postemployment benefits		201,806
Total deferred inflows of resources		201,806
NET POSITION		
Net investment in capital assets		1,106,346
Unrestricted		(753,172)
Total net position	$	353,174

HAMPTON ROADS PLANNING DISTRICT COMMISSION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position Governmental Activities
Functions/Programs:			
Governmental activities:			
Indirect - general and administrative	$ 1,046,410	$ 1,046,410	$ -
Direct program expenses	355,181	355,181	-
Personnel	4,580,269	2,965,005	(1,615,264)
Consultants	2,889,292	2,889,292	-
Transportation pass-through services	441,344	441,344	-
Housing and Emergency Management pass-through	1,287,766	1,287,766	-
Total governmental activities	$ 10,600,262	$ 8,984,998	(1,615,264)
General revenues:			
Miscellaneous			1,293,708
Use of money - investment income			11,906
Total general revenues			1,305,614
Change in net position			(309,650)
Net position, beginning of year			662,824
Net position, end of year			$ 353,174

HAMPTON ROADS PLANNING DISTRICT COMMISSION

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2021

		General Fund
ASSETS		
Cash and cash equivalents	$	5,212,526
Due from other governments		2,205,489
Other receivables		4,694
Prepaid items and deposits		29,171
Total assets	$	7,451,880
LIABILITIES		
Accounts payable	$	369,924
Contracts payable		236,021
Accrued payroll		8,991
Total liabilities		614,936
FUND BALANCE		
Nonspendable		29,171
Committed		3,088,033
Assigned		1,482,934
Unassigned		2,236,806
Total fund balance		6,836,944
Total liabilities and fund balance	$	7,451,880

See Notes to Financial Statements.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
June 30, 2021

Total fund balance - governmental fund		$ 6,836,944
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental fund.		
Governmental capital assets	$ 3,313,055	
Less accumulated depreciation and amortization	(2,206,709)	
Net capital assets		1,106,346
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental fund until then.		
Pension plan		1,130,581
Other postemployment benefits		649,086
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.		
Compensated absences	(482,934)	
Other postemployment benefits	(5,723,243)	
Net pension liability	(2,961,800)	
		(9,167,977)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental fund until then.		
Other postemployment benefits		(201,806)
Net position of governmental activities		$ 353,174

HAMPTON ROADS PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2021

	General Fund
Revenues:	
Intergovernmental:	
Local contributions	$ 3,839,859
Federal pass-through	4,448,787
Commonwealth	696,352
Use of money - investment income	11,906
Miscellaneous	1,293,708
Total revenues	10,290,612
Expenditures:	
Indirect - general and administrative	1,084,872
Direct program expenses	355,181
Personnel	3,909,003
Consultants	2,889,292
Transportation pass-through services	441,344
Housing and Emergency Management pass-through	1,287,766
Total expenditures	9,967,458
Net change in fund balance	323,154
Fund balance, beginning of year	6,513,790
Fund balance, end of year	$ 6,836,944

HAMPTON ROADS PLANNING DISTRICT COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Net change in fund balance - governmental fund		$ 323,154
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
The governmental fund reports 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 and amortization expense.		
Expenditure for capital assets	$ 152,276	
Less depreciation and amortization expense	(113,814)	
Excess of capital outlays over depreciation and amortization		38,462
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 the governmental fund.		
Compensated absences	(19,615)	
Other postemployment benefits	(278,655)	
Pension expense, net	(372,996)	
		(671,266)
Change in net position of governmental activities		$ (309,650)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Hampton Roads Planning District Commission (Commission) is a regional planning agency authorized by the Virginia Area Development Act of 1968 and created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the town of Smithfield, the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg, and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton, Surry, and York. Revenues of the Commission are received primarily from local government (member) contributions and various state and federal grant programs.

In the fall of 2008, the Commission was reorganized to better reflect efforts of the transportation staff in performing the planning, technical, and administrative duties of the regional Metropolitan Planning Organization (MPO) in accordance with regulations as determined by the Federal Highway Administration and the Virginia Department of Transportation. These duties were organized into a new function entitled Hampton Roads Transportation Planning Organization (HRTPO). HRTPO has two Memorandums of Understanding with the Commission. The first addresses the concept that the Commission "shall provide the planning and administrative staff to HRTPO" and all duties thereof. The second addresses the concept that HRTPO "desires that the Commission serve as fiscal agent for HRTPO" and all duties thereof. In this capacity, the audited financial statements of the Commission cover all the activities involved in administering the financial aspects of HRTPO.

The Commission's governing body is composed of various members appointed by each of the seventeen participating jurisdictions. These governmental entities have an ongoing financial responsibility to the Commission because its continued existence depends on the continued funding by the participants. The Commission is perpetual and no participating government has access to its resources or surpluses, nor is any participant liable for the Commission's debt or deficits.

The Commission is not a component unit of any of the participating governments. There are no component units to be included in the Commission's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information of the governmental activities supported by intergovernmental revenues.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints are in effect. Internally imposed designations of resources are not presented as restricted net position.

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include contributions that are restricted to meet the operational requirements of a particular function.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. Given that governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented, which explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Separate fund financial statements are provided for the governmental fund. In the fund financial statements, financial transactions and accounts of the Commission are organized on the basis of funds. The operation of the fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund is reported on a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balance (fund equity). Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented, which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements: 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. Intergovernmental revenues, consisting of contributions from participating jurisdictions and Federal and State funds from the Commonwealth of Virginia, are recognized in the period the funding is made available.

Governmental Fund Financial Statements: The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. The Commission considers revenues to be available if they are collected within 45 days after year end. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. The individual Governmental Fund is:

General Fund: The General Fund is the primary operating fund of the Commission and is used to account for and report all revenues and expenditures applicable to the general operations of the Commission. Revenues are derived primarily from intergovernmental activities. The General Fund is considered a major fund for financial reporting purposes.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

The Commission's annual budget is a management tool that assists users in analyzing financial activity for its June 30 fiscal year. The Commission's primary funding sources are federal and state grants and local subsidies, which have periods that may or may not coincide with the Commission's fiscal year. These grants and subsidies are normally for a twelve-month period; however, they may be awarded for periods shorter or longer than twelve months.

Because of the Commission's dependency on federal, state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The Commission's annual budget differs from that of a local government due to the uncertain nature of grant awards from other entities.

The resultant annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards that fail to materialize.

The Board formally approves the annual budget in April, before the subsequent fiscal year begins. Due to grant expirations and new awards, amendments are made throughout the year as necessary.

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

   Cash equivalents include all highly liquid investments with maturities of three months or less.

2. Investments

   Investments are stated at fair value based on quoted market prices.

3. Prepaid Items

   Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method.

4. Capital Assets

   Capital assets include property and equipment and computer hardware with an individual cost of more than $5,000 and an estimated useful life in excess of one year. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Repairs and maintenance are charged to operations as incurred. Additions and betterments are capitalized. The costs of assets retired and accumulated depreciation are removed from the accounts.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

4. Capital Assets (Continued)

Depreciation and amortization of all exhaustible equipment, leasehold improvements and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Office furniture and equipment	5 years
Automobiles	5 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as an expense. There were no impaired assets at year end.

5. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (The Commission's 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 fiduciary net position have been determined on the same basis as they were reported by the 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.

6. Compensated Absences

The Commission's policy permits VRS Plan 1 and Plan 2 full-time employees to accumulate earned but unused vacation benefits, and VRS Hybrid employees Paid Time Off benefits, which are eligible for payment upon separation from the Commission's service up to twice the annual earnings, at the rate of pay at separation. The liability for such leave is reported as incurred in the government-wide statements. Vacation / Paid Time Off is granted to all full-time employees and is earned based upon the length of employment. The General Fund is responsible for paying the liability for compensated absence balances for employees.

Accumulated sick leave for VRS Plan 1 and Plan 2 employees accrues until employees leave the Commission and will be paid out depending on date of hire and years of service. All full-time regular employees with hire dates before July 1, 2001 are grandfathered under the previous sick leave policy for the sick leave balances as of June 30, 2001 and, at the time of separation, will be reimbursed for one-third of the balance of hours remaining at their rate of pay at separation.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

6. Compensated Absences (Continued)

Effective July 1, 2001, all regular full-time employees who participate in VRS Plan 1 and Plan 2 are eligible to receive payment of 25% of the sick leave unused balance, up to a maximum payout depending on their years of service, at the rate of pay at separation. Any employee who separates from the Commission with less than 5 years of service will not be reimbursed for any remaining sick leave balance. Over 5 but less than 10 years, maximum payout will be $2,500; over 10 but less than 15 years, maximum payout will be $3,500; over 15 but less than 20 years, maximum payout will be $5,000; over 20 but less than 25 years, maximum payout will be $6,500; and over 25 years of service maximum payout will be $7,500.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The Commission currently has items related to the pension plan that qualify for reporting in this category and are discussed in detail in Note 7 and items related to other postemployment benefits discussed in detail in Notes 9 and 10.

In addition to liabilities, the Statement of Net 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 and will not be recognized as an inflow of resources (revenue) until that time. The Commission currently has items related to the pension plan and are discussed in detail in Note 7 and items related to other postemployment benefits discussed in detail in Notes 9 and 10.

8. Group Life Insurance

The VRS Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to Section 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. The GLI Program is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI Program OPEB's fiduciary net 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 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

9. Fund Equity

The Commission reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

Restricted fund balance classification includes amounts constrained to specific purposes by their providers (higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

Assigned fund balance classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official 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 classification includes the residual balance of the General Fund that has not been restricted, committed or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in more than one classification, the Commission will consider the use of restricted, committed or assigned funds prior to the use of unassigned fund balance as they are needed.

The unassigned fund balance is utilized to support cash flow while the Commission awaits reimbursement of expenses from grant programs.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

10. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Commission first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

11. Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

12. Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through October 13, 2021, the date the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

At June 30, 2021, cash and cash equivalents consisted of the following, at cost, which approximates fair value:

Cash	$	500,185
Local Government Investment Pool (LGIP)		2,808,462
CDARS		1,903,879
Total	$	5,212,526

Note 2. Cash and Cash Equivalents (Continued)

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (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 local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk

As required by state statutes, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's or "Aa" by Moody's Investors Service.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All cash of the Commission is maintained in accounts collateralized in accordance with the Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

Note 2. Cash and Cash Equivalents (Continued)

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Commission's portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. government or Agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. government or Agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. government or Agency securities.

Interest Rate Risk

As of June 30, 2021, the Commission had the following investments:

	Fair Value	Investment Maturities (in years) Less Than 1 Year
CDARS	$ 1,903,879	$ 1,903,879
Local Government Investment Pool (LGIP)	2,808,462	2,808,462

The Commission is exposed to minimal interest rate risk since all investments had fixed interest rates and are short-term at June 30, 2021.

External Investment Pool

At June 30, 2021, the Commission had investments of $2,808,462 in the LGIP. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at the regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of $1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. LGIP is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and, on a weekly basis, this valuation is compared to current market to monitor any variance and the maturity is less than one year. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

Note 3. Fair Value Measurement

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.

Level 3 Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

	Level 1	Level 2	Level 3
CDARS	$ 1,903,879	$ -	$ -

Note 4. Due From Other Governments

At June 30, 2021, amounts due from other governments were as follows:

City of Chesapeake - Federal Home Loan	$ 4,380
City of Franklin	4,849
City of Hampton	78,392
City of Newport News	94,035
City of Portsmouth - Federal Home Loan	40,324
Department of Environmental Quality	66,798
GO Virginia	247,885
Hampton Roads Transportation Accountability Commission	459,055
Isle of Wight County - Federal Home Loan	16,316
James City County	10,313
National Fish & Wildlife Foundation	27,681
Office of Local Defense Community	174,283
Southside Network Authority	5,290
Virginia Department of Emergency Management	130,061
Virginia Department of Housing and Community Development	31,986
Virginia Department of Rail and Public Transit	351,223
Virginia Department of Transportation	462,618
Total	$ 2,205,489

Note 5. Capital Assets

A summary of capital assets is as follows for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Transfers/ Deletions	Balance June 30, 2021
Capital assets not being depreciated or amortized:				
Land	$ 80,621	$ -	$ -	$ 80,621
Total capital assets not being depreciated or amortized	80,621	-	-	80,621
Capital assets being depreciated or amortized:				
Building and improvements	2,588,620	8,620	-	2,597,240
Office furniture and equipment	664,342	143,656	(207,324)	600,674
Automobiles	55,020	-	(20,500)	34,520
Total capital assets being depreciated or amortized	3,307,982	152,276	(227,824)	3,232,434
Less accumulated depreciation and amortization for:				
Building and improvements	(1,668,045)	(85,610)	-	(1,753,655)
Office furniture and equipment	(597,654)	(28,204)	207,324	(418,534)
Automobiles	(55,020)	-	20,500	(34,520)
Total accumulated depreciation and amortization	(2,320,719)	(113,814)	227,824	(2,206,709)
Total capital assets being depreciated or amortized, net	987,263	38,462	-	1,025,725
Capital assets, net	$ 1,067,884	$ 38,462	$ -	$ 1,106,346

Depreciation and amortization was charged to Indirect – General and Administrative.

Note 6. Compensated Absences

The following is a summary of compensated absences activity of the Commission for the year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	$ 463,319	$ 522,014	$ 502,399	$ 482,934	$ 482,934

Note 7. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by 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:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Eligible Members Members 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 a refund. *Hybrid Opt-In Election* 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. 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.	**Eligible Members** Members 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. 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.	**Eligible Members** Members 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 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *<u>*Non-Eligible Members</u>* 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 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.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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** *Defined Benefit Component:* 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. *Defined Contribution Component:* Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of 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 they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component:* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of 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. *Defined Contribution Component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions 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 is not required, except as governed by law.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor 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 applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component** See definition under Plan 1 **Defined Contribution Component** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of the 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%.	**Service Retirement Multiplier** ***VRS:*** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** *Defined Benefit Component:* ***VRS:*** The retirement multiplier for the defined benefit component is 1.0%. 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.
Normal Retirement Age ***VRS:*** Age 65.	**Normal Retirement Age** ***VRS:*** Normal Social Security retirement age.	**Normal Retirement Age** *Defined Benefit Component:* ***VRS:*** Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	**Earliest Unreduced Retirement Eligibility** ***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.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component:* ***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. *Defined Contribution Component:* ***VRS:*** 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.	**Earliest Reduced Retirement Eligibility** ***VRS:*** Age 60 with at least five years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component:* ***VRS:*** Age 60 with at least five years (60 months) of service credit. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. *Eligibility:* For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.	**Cost-of-Living Adjustment (COLA) in Retirement** COLA matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%. *Eligibility:* Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Not applicable. *Eligibility:* Same as Plan 1 and Plan 2.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Continued) *Eligibility (Continued):* 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.	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
• 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. • 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 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% 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** Eligible political subdivision (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 exception: • Hybrid Retirement Plan members are ineligible for ported service. *Defined Contribution Component:* Not applicable.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	38
Inactive members:	
Vested	15
Non-vested	13
Active elsewhere in VRS	20
Total inactive members	48
Active members	42
Total	128

Contributions

The contributions 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 5.0% of their compensation toward their retirement.

The Commission's contractually required contribution rate for the year ended June 30, 2021 was 6.80% for Plan 1 and Plan 2, and 5.80% and 5.45% for the Hybrid Plan of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2020.

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 Commission were $274,748 and $216,313 for the years ended June 30, 2021 and 2020, respectively.

B. 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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at 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, 2019 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)	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 nine years of service

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

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%

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Entity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.39%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.14%

* The above allocation provides a one-year return of 7.14%. 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%. On October 18, 2019, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Note 7. Pension Plan (Continued)

B. Net Pension Liability (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; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 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.

C. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2019	$ 17,216,476	$ 15,330,404	$ 1,886,072
Changes for the year:			
Service cost	297,679	-	297,679
Interest	1,125,948	-	1,125,948
Difference between expected and actual experience	312,531	-	312,531
Contributions – employer	-	216,313	(216,313)
Contributions – employee	-	165,729	(165,729)
Net investment income	-	288,956	(288,956)
Benefit payments, including refunds of employee contributions	(1,071,523)	(1,071,523)	-
Administrative expense	-	(10,232)	10,232
Other changes	-	(336)	336
Net changes	664,635	(411,093)	1,075,728
Balances at June 30, 2020	$ 17,881,111	$ 14,919,311	$ 2,961,800

Note 7. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Plan's net pension liability	$ 5,096,207	$ 2,961,800	$ 1,184,388

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

For the year ended June 30, 2021, the Commission recognized pension expense of $647,745. At June 30, 2021, the Commission reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Employer contributions made subsequent to measurement date	$ 274,748
Changes of assumptions	139,911
Difference between expected and actual experience	268,478
Net difference between projected and actual earnings on plan investments	447,444
	$ 1,130,581

The $274,748 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2021 will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2022	$ 318,108
2023	238,491
2024	154,791
2025	144,443
Total	$ 855,833

Note 7. Pension Plan (Continued)

E. Pension Plan Data

Detailed information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 8. Deferred Compensation Plan

The Commission has a deferred compensation plan under which the participants may defer a portion of their annual compensation subject to limitations of Internal Revenue Code, Section 457. Any contributions made to the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the plan are administrated by a third-party administrator, ICMA Retirement Corporation. Total contributions to the plan were $22,667 for the year ended June 30, 2021.

Note 9. Other Postemployment Benefits (OPEB) Plan

A. General Information about the OPEB Plan

Plan description. The Commission provides non-pension post-retirement medical insurance benefits to individuals who are at least 50 years of age, have completed 20 full years of continuous service to the Commission, and retire under the Virginia Retirement System through a single employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits provided. The Commission provides medical, vision, and dental benefits for retirees and their spouse. The benefit terms provide for the same coverage options as active employees for employee-only medical, vision, and dental plans until age 65. The Commission contributes an amount equal to the current active employee or employee/spouse premium. For retirees and spouses who are age 65 or older, the Commission contributes an amount equal to the current premium for the program plan designed to complement Medicare coverage.

Employees Covered by Benefit Terms

Employees covered by the benefit terms as of June 30, 2021:

Inactive employees or beneficiaries currently receiving benefits	28
Active eligible employees	40
Total	68

Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)

B. Total OPEB Liability

The Commission's total OPEB liability of $5,439,040 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.5%
Inflation Rate	2.50%
Discount Rate	3.50%
Healthcare Cost Trend Rates	6.5% decreasing 0.5% per year to an ultimate rate of 5.0% for 2022 and later years

The discount rate was based on the Bond Buyer General Obligation 20 - Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality Fully Generational using Projection Scale BB-2020. The census was also updated to reflect the current population.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period.

	Total OPEB Liability
Balance at June 30, 2020	$ 5,163,182
Changes for the year:	
Service cost	223,922
Interest	117,833
Changes of assumptions	45,330
Benefit payments, including refunds of employee contributions	(111,227)
Net changes	275,858
Balance at June 30, 2021	$ 5,439,040

The entry age normal actuarial cost method is unchanged from the prior OPEB valuation. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age.

Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)

B. Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in Discount Rate

The following presents the total OPEB liability of the Commission, calculated using the discount rate of 2.16%, as well as what Commission's total OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

Discount Rate Sensitivity – Total OPEB Liability at End of Period:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	$ 6,460,938	$ 5,439,040	$ 4,620,259

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

The following presents the total OPEB liability of the Commission, as well as the Commission's total OPEB liability would be if it were calculated using healthcare costs trend rates that are 1-percent-points lower or 1-percent-point higher than the current healthcare trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 4,369,471	$ 5,439,040	$ 6,868,006

C. OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Commission recognized OPEB expense of $288,568. The Commission also reported deferred inflows of resources related to OPEB from the following source at June 30, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 377,081	$ -
Changes of assumptions	206,410	179,564
Total	$ 583,491	$ 179,564

Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)

C. OPEB Expense and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2022	$ 58,040
2023	58,040
2024	58,040
2025	58,040
2026	58,040
Thereafter	113,727
	$ 403,927

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment. This plan is 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 Program. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

A. Plan Description (Continued)

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. 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 benefits payable under the GLI Program have several components. • Natural Death Benefit: The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit: The accidental death benefit is double the natural death benefit. • Other Benefit Provisions: In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI Program 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.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI Program. The minimum benefit 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 $8,616 as of June 30, 2021.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI Program are governed by Sections 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 Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Program from the Commission were $18,334 and $18,226 for the years ended June 30, 2021 and June 30, 2020, respectively.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2021, the Commission reported a liability of $284,203 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2020 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, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.01703% as compared to 0.01724% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of $9,913. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

C. 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)

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,229	$ 2,552
Net difference between projected and actual earnings on GLI OPEB program investments	8,537	-
Change in assumptions	14,213	5,934
Changes in proportionate share	6,282	13,756
Employer contributions subsequent to the measurement date	18,334	-
Total	$ 65,595	$ 22,242

The $18,334 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, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2022	$ 1,902
2023	4,313
2024	8,369
2025	8,829
2026	1,564
Thereafter	42
	$ 25,019

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.5%
Salary increases, including inflation:	
Locality – general employees	3.5%-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 the OPEB liabilities.

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

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

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

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 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

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program'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, 2020, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	$ 3,523,937
Plan fiduciary net position	1,855,102
GLI net OBEB liability	$ 1,668,835
Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.64%

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.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Entity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.14%

* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

G. 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 ending June 30, 2020, the rate contributed by the Commission 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, 2020 on, employers are assumed 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.

H. Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Plan's net pension liability	$ 373,606	$ 284,203	$ 211,599

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 11. Committed Fund Balance

Committed Fund Balance is available for the following purposes:

Stormwater	$	766,630
Regional Water (H2O)		537,978
Regional Wastewater Program		280,023
Solid Waste Special Contracts Local		15,040
Capital building replacement reserve		84,315
Network servers/software reserve		46,534
Equipment reserve		35,000
Hampton Roads Clean Systems		29,162
Building operations and maintenance reserve		38,214
Interior upgrades reserve		8,041
Debris Management		8,965
Vehicle replacement reserve		30,000
HRLFP Admin		4,241
Miscellaneous Housing Grants		15,809
Local Government Contracts		13,915
Municipal Construction Std		84,386
Overflow or Underflow of Indirect Costs		1,048,784
SHRDSB STAFF		3,460
Metro Medical Response		37,536
	$	3,088,033

Note 12. Commitments

On July 1, 2015, the Commission entered into an annual agreement with a vendor to provide public relations and marketing consulting services on environmental matters. The contract has an automatic renewal option for up to four years unless terminated by either party. The contract requires annual payments of $100,000. This contract has been extended to October 31, 2021.

In July 2013, the Commission entered into an agreement with a vendor to provide legal counsel for assistance in the areas of storm water permits, TMDL requirements and associated activities. A new contract was signed with this vendor commencing on July 1, 2021 for one year. The contract amount is to be determined on an as-needed basis.

The Commission entered into an agreement with two vendors to provide water quality monitoring. The contracts are for a period of six years commencing on March 1, 2019. The total amount of this contract is $2,805,012 ($467,502 annually).

The Commission entered into various agreements for services related to regional and environmental planning and analysis on July 1, 2021. All agreements are annual and include renewal options for up to four years.

Note 13. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from Virginia Risk Sharing Association, a group insurance pool in the Commonwealth of Virginia. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded insurance coverage for the past three years.

Note 14. Pending GASB Statements

At June 30, 2021, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Commission. The statements which might impact the Commission are as follows:

GASB Statement No. 87, *Leases*, will increase the usefulness of the Commission's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 92, *Omnibus 2020,* will improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including intra-entity transfers, the effective date of No. 87, *Leases*, the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended*, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits, the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, terminology used to refer to derivative instruments. Statement No. 92 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 96, *Subscription-Based information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

Note 14. Pending GASB Statements (Continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,* will increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 will be effective for fiscal years beginning after June 15, 2021.

Management has not yet determined the effect these statements will have on its financial statements.

Note 15. Risk and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Commission operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Commission.

REQUIRED SUPPLEMENTARY INFORMATION

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS – MEDICAL INSURANCE

	Fiscal Year June 30,			
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	**$ 223,922**	$ 209,589	$ 172,706	$ 183,756
Interest	**117,833**	161,603	158,143	142,540
Economic/demographic gains or losses	**-**	486,379	-	-
Changes of assumptions	**45,330**	(49,477)	249,912	(238,589)
Benefit payments, including refunds of employee contributions	**(111,227)**	(104,202)	(69,625)	(56,217)
Net change in total OPEB liability	**275,858**	703,892	511,136	31,490
Total OPEB liability - beginning	**5,163,182**	4,459,290	3,948,154	3,916,664
Total OPEB liability - ending	**$ 5,439,040**	$ 5,163,182	$ 4,459,290	$ 3,948,154
Covered payroll	**$ 3,537,263**	$ 3,340,832	$ 3,277,400	$ 3,277,400
Total OPEB liability as a percentage of covered payroll	**153.76%**	154.55%	136.06%	120.47%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no changes to the benefit terms since the prior actuarial valuation.

(2) **Changes of assumptions:** Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2021	2.16%

(3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM
Measurement Dates of June 30

	Fiscal Year June 30,			
	2020	2019	2018	2017
Employer's proportion of the net GLI OPEB liability	**0.01703%**	0.01724%	0.01750%	0.01674%
Employer's proportionate share of the net GLI OPEB liability	**$ 284,203**	$ 280,541	$ 266,000	$ 252,000
Employer's covered payroll	**$ 3,504,988**	$ 3,362,825	$ 3,327,692	$ 3,072,592
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	**8.11%**	8.34%	7.99%	8.20%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	**52.64%**	52.00%	51.22%	48.86%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

(2) **Changes of assumptions:** The actuarial assumptions used in the June 30, 2019 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 assumption 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

(3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

(4) The amounts presented have a measurement date of the previous fiscal year end.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF COMMISSION CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,				
	2021	2020	2019	2018	2017
Contractually required contribution (CRC)	**$ 18,334**	$ 18,226	$ 17,576	$ 17,304	$ 16,056
Contributions in relation to the CRC	**18,334**	18,226	17,576	17,304	16,056
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
Employer's covered payroll	**$ 3,663,974**	$ 3,504,988	$ 3,362,825	$ 3,327,692	$ 3,072,592
Contributions as a percentage of covered payroll	**0.50%**	0.52%	0.52%	0.52%	0.52%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,						
	2015	2016	2017	2018	2019	2020	**2021**
Total Pension Liability:							
Service cost	$ 303,385	$ 302,119	$ 266,726	$ 288,132	$ 283,162	$ 286,684	**$ 297,679**
Interest	996,091	1,028,029	1,065,600	1,103,655	1,091,855	1,096,302	**1,125,948**
Changes of assumptions	-	-	-	(69,002)	-	469,111	**-**
Differences between expected and actual experience	-	188,230	161,736	(596,411)	(350,033)	214,889	**312,531**
Benefit payments, including refunds to employee contributions	(733,051)	(953,367)	(1,009,943)	(890,898)	(898,975)	(1,023,940)	**(1,071,523)**
Net change in total pension liability	566,425	565,011	484,119	(164,524)	126,009	1,043,046	**664,635**
Total pension liability - beginning	14,596,390	15,162,815	15,727,826	16,211,945	16,047,421	16,173,430	**17,216,476**
Total pension liability - ending (a)	$ 15,162,815	$ 15,727,826	$ 16,211,945	$ 16,047,421	$ 16,173,430	$ 17,216,476	**$ 17,881,111**
Plan Fiduciary Net Position:							
Contributions - employer	$ 265,987	$ 258,101	$ 275,830	$ 268,149	$ 285,539	$ 213,565	**$ 216,313**
Contributions - employee	168,862	146,515	156,320	159,783	160,469	161,125	**165,729**
Net investment income	1,878,198	608,113	223,589	1,595,776	1,056,019	976,157	**288,956**
Benefit payments, including refunds to employee contributions	(733,051)	(953,367)	(1,009,943)	(890,898)	(898,975)	(1,023,940)	**(1,071,523)**
Administrative expense	(10,281)	(8,751)	(8,723)	(9,475)	(9,305)	(10,126)	**(10,232)**
Other	99	(126)	(98)	(1,409)	(932)	(612)	**(336)**
Net change in plan fiduciary net position	1,569,814	50,485	(363,025)	1,121,926	592,815	316,169	**(411,093)**
Plan fiduciary net position - beginning	12,042,220	13,612,034	13,662,519	13,299,494	14,421,420	15,014,235	**15,330,404**
Plan fiduciary net position - ending (b)	$ 13,612,034	$ 13,662,519	$ 13,299,494	$ 14,421,420	$ 15,014,235	$ 15,330,404	**$ 14,919,311**
Commission's net pension liability - ending (a) - (b)	$ 1,550,781	$ 2,065,307	$ 2,912,451	$ 1,626,001	$ 1,159,195	$ 1,886,072	**$ 2,961,800**
Plan fiduciary net position as a percentage of the total pension liability	89.77%	86.87%	84.67%	89.87%	92.83%	89.04%	**83.44%**
Covered payroll	$ 3,133,501	$ 3,217,577	$ 3,072,592	$ 3,327,692	$ 3,362,826	$ 3,504,988	**$ 3,663,974**
Commission's net pension liability as a percentage of covered payroll	49.49%	64.19%	78.04%	49.61%	34.47%	53.81%	**80.84%**

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years which information is available.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF COMMISSION CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,						
	2015	2016	2017	2018	2019	2020	**2021**
Actuarially determined contribution	$ 258,101	$ 275,830	$ 268,149	$ 285,539	$ 213,565	$ 216,313	**$ 274,748**
Contributions in relation to the actuarially determined contribution	258,101	275,830	268,149	285,539	213,565	216,313	**274,748**
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**
Employer's covered payroll	$ 3,133,501	$ 3,217,577	$ 3,072,592	$ 3,327,692	$ 3,362,826	$ 3,504,988	**$ 3,663,974**
Contributions as a percentage of covered payroll	8.24%	8.52%	8.73%	8.58%	6.35%	6.17%	**7.50%**

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM
Year Ended June 30, 2021

Note 1. Changes 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 the June 30, 2019 valuation were based on results of an actuarial experience study for the period 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	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 nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Discount Rate	Decrease 7.00% to 6.75%

SUPPLEMENTARY INFORMATION

HAMPTON ROADS PLANNING DISTRICT COMMISSION Schedule 1

CHANGE IN FUND BALANCE
Year Ended June 30, 2021

	General Fund	FTA 20.505	VDOT Transit	SPR 20.205	PL 20.205	All Other Grants	Total
Support and revenue:							
Support:							
Direct federal grants	$ -	$ 396,734	$ -	$ 57,963	$ 1,542,384	$ 2,098,631	$ 4,095,712
Pass-through federal contributions	-	353,075	-	-	-	-	353,075
State grants	151,943	49,592	-	-	192,798	-	394,333
Other State Grants	-	-	-	-	-	257,885	257,885
Pass-through state	-	44,134	-	-	-	-	44,134
Revenue:							
Match/subsidy	(412,734)	49,589	-	14,491	192,798	156,401	545
HRT/WATA/Suffolk match	-	44,135	-	-	-	-	44,135
Investment income	11,906	-	-	-	-	-	11,906
Miscellaneous	5,088,887	-	-	-	-	-	5,088,887
Total support and revenue	4,840,002	937,259	-	72,454	1,927,980	2,512,917	10,290,612
Expenses:							
Direct personnel:							
Salaries	1,325,104	278,445	-	35,808	1,060,507	301,446	3,001,310
Change in Compensated Absences	(18,221)	-	-	-	-	-	(18,221)
Adjustment for FICA on Leave	(1,394)	-	-	-	-	-	(1,394)
Fringe benefits -Exhibit B - Fringes	419,217	87,417	-	10,961	315,587	94,126	927,308
Total direct personnel	1,724,706	365,862	-	46,769	1,376,094	395,572	3,909,003
Direct operating:							
Travel	1,940	-	-	-	623	916	3,479
Education and training	5,531	-	-	500	1,494	-	7,525
Printing and reproduction	19,527	-	-	-	9,505	-	29,032
Advertising/audit	16,659	-	-	-	-	326	16,985
Supplies	2,462	-	-	-	197	-	2,659
Consultants/contractual	2,209,780	-	-	-	1,938	677,574	2,889,292
Legal services	23,160	-	-	-	17,718	-	40,878
Postage	3,080	-	-	-	1,013	141	4,234
Recruitment	1,040	-	-	-	5,722	-	6,762
Dues/subscriptions/memberships/data/publication	12,982	-	-	-	7,420	-	20,402
Software	19,913	-	-	8,560	15,951	-	44,424
Special meetings	60	-	-	-	-	-	60
Miscellaneous	15,589	-	-	-	-	-	15,589
Office equipment	9,730	-	-	-	1,146	-	10,876
Capital outlay	152,276	-	-	-	-	-	152,276
Pass-through	-	441,344	-	-	-	1,287,766	1,729,110
Total direct operating	2,493,729	441,344	-	9,060	62,727	1,966,723	4,973,583
Indirect:							
Under/Overage of Indirect Cost	(199,461)	-	-	-	-	-	(199,461)
Other -Exhibit C - Indirect Expense (Fixed - Applied)	621,696	130,053	-	16,625	489,159	140,614	1,398,147
Total Indirect Cost	422,235	130,053	-	16,625	489,159	140,614	1,198,686
Total direct and indirect	4,640,670	937,259	-	72,454	1,927,980	2,502,909	10,081,272
Depreciation - not allocated	(113,814)	-	-	-	-	-	(113,814)
Total expenses	4,526,856	937,259	-	72,454	1,927,980	2,502,909	9,967,458
Net Change in Fund Balance	$ 313,146	$ -	$ -	$ -	$ -	$ 10,008	$ 323,154

HAMPTON ROADS PLANNING DISTRICT COMMISSION **Schedule 2**

FRINGE BENEFITS
Year Ended June 30, 2021

Employer contributions - FICA	$	253,042
Employer contributions - Health Insurance		483,000
Employer contributions - Life & Disability Insurance		53,212
Employer contributions - Retirement		297,416
Gym Membership		880
Unemployment Compensation Insurance		7,885
Total Fringe Benefits		1,095,435
Indirect Fringe		(168,127)
Total Fringe Benefits on CFR 200	$	927,308

HAMPTON ROADS PLANNING DISTRICT COMMISSION — Schedule 3

INDIRECT EXPENSES
Year Ended June 30, 2021

Miscellaneous Income	$	10,754
Total Revenue	**$**	**10,754**
Salaries	$	535,496
Employee benefits		168,127
Office supplies/software		34,852
Contractual/temporary services		120,999
Office equipment rental & maintenance		4,784
Office equipment		33,389
Office rental/maintenance		84,499
Insurance		16,661
Telephone		9,706
Travel		7,339
Postage		471
Recruitment		713
Special meetings		1,147
Dues, subscriptions, membership, data, publication		10,283
Copying cost, printing and presentation		5,340
Auditing/advertising		39,614
Miscellaneous/storage		10,691
Interest expense/bank service fees		4,522
Depreciation expense		113,814
Vehicle maintenance		2,277
Professional education/training/seminars		4,716
Total Indirect Cost Report		**1,198,686**
Under/Overage of Indirect Cost		**199,461**
Fixed Indirect Cost Expenses Applied	**$**	**1,398,147**

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
DEPARTMENT OF TRANSPORTATION (DOT)				
Pass-through payments:				
Virginia Department of Rail and Public Transit:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	1459	$ 441,344	$ 749,809
Virginia Department of Transportation:				
Highway Planning and Construction Cluster (Federal-Aid Highway Program)				
PL Federal Aid Urban systems (FAUS) Program	20.205	UPC108963	-	1,542,384
SP&R Federal Aid Urban Systems (FAUS)	20.205	UPC109127	-	57,963
Total Highway Planning and Construction Cluster (Federal-Aid Highway Program)			-	1,600,347
Total Department of Transportation			441,344	2,350,156
DEPARTMENT OF COMMERCE (DOC)				
Pass-through payments:				
Virginia Department of Environmental Quality (DEQ):				
VCZMP TA Program FY19 (NA19NOS4190163) Task# 43	11.419	413644300	-	24,749
VCZMP TA Program FY20 (NA20NOS4190207) Task# 43	11.419	413644300	-	66,330
CZM First Floor Elevations FY19 (NA19NOS4190163) Task # 84	11.419	413628400	-	14,159
Total Department of Commerce			-	105,238
ENVIRONMENTAL PROTECTION AGENCY (EPA)				
Pass-through payments:				
Virginia Department of Environmental Quality (DEQ):				
HRPDC CB Phase III - Implementation	66.466	CB96346801-2	-	27,978
Chesapeake Bay Watershed PDC Local Implementation Phase 4	66.466	CB96346801-2	-	36,010
Total Department of Environmental Protection Agency			-	63,988
NATIONAL FISH & WILDLIFE FOUNDATION				
Pass-through payments:				
National Fish & Wildlife Foundation (NFWF)				
FWF Small Watershed Technical Assistance	66.466	96358101	-	27,681
Total National Fish & Wildlife Foundation			-	27,681
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-through payments:				
Virginia Department of Housing and Community Development:				
Home Investment Partnership Program	14.239	Not provided	-	2,913
	14.239	Not provided	-	4,661
	14.239	375805192021171000	-	10,000
	14.239	375806222021174041	-	14,500
	14.239	375806222021175941	-	14,500
Total Home Investment Partnership Program			-	46,574

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)				
Pass-through payments (continued):				
City of Portsmouth:				
Home Investment Partnership Program	14.239	1702	$ -	$ 236
	14.239	1703	-	19,112
	14.239	1708	-	24,941
	14.239	1704	-	19,355
	14.239	1715	-	24,702
	14.239	1714	-	19,723
	14.239	1716	-	450
	14.239	1732	-	19,945
	14.239	1731	-	19,814
	14.239	1741	-	20,003
	14.239	1736	-	19,905
	14.239	1737	-	19,906
	14.239	1738	-	19,952
	14.239	Not provided	-	25,464
	14.239	Not provided	-	19,939
	14.239	Not provided	-	14,860
Total Home Investment Partnership Program			-	288,307
City of Chesapeake				
Home Investment Partnership Program	14.239	940	-	14,552
	14.239	Not provided	-	4,380
	14.239	949	-	14,813
	14.239	950	-	14,907
	14.239	958	-	14,804
	14.239	919	-	14,798
Total Home Investment Partnership Program			-	78,254
Isle of Wight County				
Home Investment Partnership Program	14.239	769	-	16,563
	14.239	Not provided	-	16,316
Total Home Investment Partnership Program			-	32,879
Total Department of Housing and Urban Development			-	446,014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
DEPARTMENT OF DEFENSE:				
Pass-through payments:				
Virginia Economic Development Partnership (VEDP) - Office of Economic Adjustment:				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies:				
Portsmouth-Chesapeake	12.610	HQ00051710023	$ -	$ 343,173
Military Installation Resilience	12.003	HQ00052110012	-	4,956
Total Department of Defense			-	348,129
DEPARTMENT OF HOMELAND SECURITY:				
Pass-through payments:				
Virginia Department of Emergency Management:				
Homeland Security Grant Program	97.047	PDMC-PL-03-VA-2019-003	-	60,028
	97.067	7977	-	(264)
	97.067	8161	-	42,389
	97.067	8162	-	79,040
	97.067	8165	-	2,500
	97.067	8169	-	149,887
	97.067	8170	-	57,156
	97.067	8172	-	3,600
	97.067	8173	-	376,001
	97.067	8175	-	40,578
	97.067	8519	-	61,635
	97.067	8535	-	209,243
	97.067	8573	-	25,788
Total Department of Homeland Security			-	1,107,581
Total expenditures of federal awards			$ 441,344	$ 4,448,787

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hampton Roads Planning District Commission (the Commission) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position or changes in net position of the Commission.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the Commission and its component units were determined using a risk-based approach in accordance with Uniform Guidance.

Federal Assistance Listing – The Federal Assistance Listing is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (Federal Assistance Listing Number), which is reflected in the Schedule.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Commission has elected to apply an indirect cost recovery rate approved by the Virginia Department of Transportation and has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

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

Honorable Commission Board Members
Hampton Roads Planning District Commission

We have audited, 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, the financial statements of the governmental activities and the major fund of the Hampton Roads Planning District Commission (Commission), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 13, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing the 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the Commission'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 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 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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
October 13, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAMS AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Honorable Commission Board Members
Hampton Roads Planning District Commission

Report on Compliance for the Major Federal Programs

We have audited the Hampton Roads Planning District Commission's (Commission) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Commission's major federal programs for the year ended June 30, 2021. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Those standards and the Uniform Guidance require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on the Major Federal Programs

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
October 13, 2021

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?		Yes	✓	No
Significant deficiencies identified?		Yes	✓	None Reported
Noncompliance material to financial statements noted?		Yes	✓	No

Federal Awards

Internal control over the major programs:

Material weaknesses identified?		Yes	✓	No
Significant deficiencies identified?		Yes	✓	None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?		Yes	✓	No

Identification of the major programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee?	✓	Yes		No

Section II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

No matters were reported during the prior year audit.