



MEMORANDUM

To: Members of the Rappahannock-Rapidan Regional Commission
From: Patrick L. Mauney, Executive Director
Date: December 1, 2023
Subject: FY 2022 RRRC Audit Report Draft

The FY 2023 Financial Audit for the Regional Commission is attached here for your review. Staff will provide an overview of the audit at the December 13th meeting, and requests approval of the audit to ensure that we can submit to various funding agencies in compliance with existing contracts.

REQUESTED ACTION: Staff recommends adoption of the Audit as presented.

RAPPAHANNOCK-RAPIDAN
REGIONAL COMMISSION

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

DRAFT

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

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION COMMISSIONERS

As of June 30, 2023

Culpeper County

Mr. John Egertson, Commission Treasurer
Mr. Tom Underwood

Town of Culpeper

Mr. Chris Hively
Ms. Meaghan Taylor

Fauquier County

Mr. Christopher T. Butler
Ms. Janelle Downes

Town of Warrenton

Mr. William T. Semple II

Town of Remington

Mr. Richard Heflin

Town of The Plains

Ms. Lori B. Sisson

Madison County

Mr. R. Clay Jackson
Mr. Jonathon Weakley

Town of Madison

Mr. William L. Lamar

Orange County

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

Town of Orange

Mr. Greg Woods
Mr. Jeremiah Pent

Town of Gordonsville

Mr. Robert K. 'Bob' Coiner, Commission Vice-Chair

Rappahannock County

Mr. Garrey W. Curry, Jr.
Ms. Debbie Donehey

Town of Washington

Mr. Fred Catlin, Commission Chair

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Rappahannock-Rapidan Regional Commission (the Commission) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Rappahannock-Rapidan Regional Commission as of June 30, 2023 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenue and expenses-budget and actual (budgetary basis), the schedule of commission's share of net pension liability and related ratios, and the schedule of employer contributions on pages 4 through 8 and pages 33 through 38 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

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis, schedule of revenue and expenses-budget and actual (budgetary basis), the schedule of commission's share of net pension liability and related ratios, and the schedule of employer contributions on pages 4 through 8 and pages 33 through 38 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December xx, 2023, on our consideration of the Rappahannock-Rapidan Regional Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rappahannock-Rapidan Regional Commission's internal control over financial reporting and compliance.

Certified Public Accountants
Chantilly, Virginia

December xx, 2023

Management's Discussion and Analysis

As management of the Rappahannock-Rapidan Regional Commission we offer this narrative overview and analysis of the financial performance of the Commission's financial activities for the year ended June 30, 2023.

Overview of the Financial Statements

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

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

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

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

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

Financial Highlights FY 2023

The financial position of the Rappahannock-Rapidan Regional Commission remains stable and positive. Following a period of utilizing reserve funds to balance revenues and expenditures, the Commission made the determination to begin restoring reserve funds with a primary goal of achieving a balance of six months' operating expenses and secondary goal of addressing long-term debt liabilities in 2018. This stated strategy, along with successful grant awards for environmental, transportation, housing, and hazard mitigation projects have resulted in increases in net position over the past five fiscal years.

In FY 2023, the Commission continued its successful programmatic efforts in transportation and mobility management, environmental and food system coordination, housing development, homeless services, tourism and services to local governments. Of particular note in FY 2023 are the continuation of Chesapeake Bay watershed planning, increased awards for the Commission’s Mobility Management and Regional Transportation Collaborative program, implementation of the PDC Housing Development Program, and continuing support for the Farm to School Liaison program and for the Commission’s role as Foothills Housing Network lead agency.

Financial Analysis

The following table reflects the condensed Statements of Net Position:

Summary Statements of Net Position		
June 30,		
	<u>2023</u>	<u>2022</u>
Current Assets	\$ 742,680	\$ 602,996
Capital Assets (net)	177,901	190,512
Net Pension Asset	<u>501,905</u>	<u>577,098</u>
Total Assets	<u>1,422,486</u>	<u>1,370,606</u>
Deferred Outflows of Resources	<u>-</u>	<u>14,631</u>
Current Liabilities	301,466	219,770
Long-term Liabilities	<u>108,597</u>	<u>123,898</u>
Total Liabilities	<u>410,063</u>	<u>343,668</u>
Deferred Inflows of Resources	<u>69,521</u>	<u>262,916</u>
Invested in capital assets, net of debt	51,017	49,038
Unrestricted	<u>891,885</u>	<u>729,615</u>
Total Net Position	<u>\$ 942,902</u>	<u>\$ 778,653</u>

The Commission’s total net position (which is the Commission’s bottom line) increased by \$164,249 during the year. It should be noted that \$104,198 of this increase was due to the current year GASB 68 adjustment and that current assets increased by \$139,684 during the year. The improvement in net position over the past five fiscal years enables the Commission to better manage our cash flow and provides needed cash match for new grants including the PDC Housing Development Program, to ensure adequate staffing levels to support future needs of our member jurisdictions, and to maintain reserve funds for long-term liabilities, including the Commission-owned office building.

The following summarizes the revenues and expenses of the Commission:

	Changes in Net Position For the Years Ended June 30,	
	<u>2023</u>	<u>2022</u>
Operating revenues		
Grants	\$1,588,840	\$ 952,397
Dues	151,859	149,172
Other operating revenues	<u>12,615</u>	<u>68,564</u>
Total operating revenues	<u>1,753,314</u>	<u>1,170,133</u>
Non-operating revenues		
GASB 68 adjustment	104,198	89,459
Interest	12,326	698
Net loss on investments	(374)	(3,611)
Net loss on disposal of equipment	<u>(252)</u>	<u>-</u>
Total non-operating revenues	<u>115,898</u>	<u>86,546</u>
Total revenues	<u>1,869,212</u>	<u>1,256,679</u>
Operating expenses		
Salaries and wages	552,047	481,998
Freedom grants	300,651	146,299
Virginia Housing Development Authority	248,820	-
PATH Foundation mobility management	184,430	161,492
Fringe benefits	119,285	107,755
National Fish and Wildlife Foundation	110,641	107,755
Technology	11,038	10,315
Regional ride sharing	37,805	22,582
Regional tourism	4,163	5,582
Volunteers in Service to America (VISTA)	6,500	-
Maintenance and repairs	6,213	6,213
Town of Washington	2,831	19,000
Virginia homeless solutions program	1,368	2,318
VA Tourism Corporation	-	386
Other operating expenses	48,414	34,689
Other grant expenses	<u>46,157</u>	<u>70,509</u>
Total operating expenses	<u>1,680,363</u>	<u>1,069,524</u>
Depreciation	17,713	16,702
Interest paid on debt	<u>6,887</u>	<u>7,287</u>
Total expenses	<u>1,704,963</u>	<u>1,093,513</u>
Change in net position	164,249	163,166
Net position beginning of year	<u>778,653</u>	<u>615,487</u>
Net position end of year	<u>\$ 942,902</u>	<u>\$ 778,653</u>

Revenues

For the fiscal year ended June 30, 2023, total revenues increased by \$612,533 from the prior year. \$104,198 of the increase in revenue was the result of the GASB 68 adjustment. Operating revenues increased \$583,181 from FY2022 to FY2023. The continuation of annual grants from the Department of Rail and Public Transportation in support of RRRC's Commuter Services and Mobility Management programs, the Rural Transportation Planning grant from the Virginia Department of Transportation, and Chesapeake Bay watershed planning from the Department of Environmental Quality are important for RRRC's ability to continue providing support for successful, long-term projects. In addition, support received from the PATH Foundation for RRRC's Regional Transportation Collaborative and Farm to School position efforts are important for the successful growth of those programs. Finally, RRRC's regional housing efforts were aided by successful grants from the Virginia Homeless Solutions Program, but also from funding allocated by member jurisdictions in support of a 0.5 Full-Time Equivalent housing position.

Expenses

For the fiscal year ended June 30, 2023, total expenses increased by \$611,450 from the prior year. Personnel costs such as health insurance and retirement were stable from FY 2022 to FY 2023, although salaries and wages – the largest expense for the Commission – increased by \$70,049 with a full staff for most of the fiscal year. Total expenses were lower than our total revenues before the GASB 68 adjustment.

Capital Assets

At the end of fiscal year 2023, the Commission had invested \$443,043 in capital assets which consisted of the office building, office furniture and equipment. This amount has been depreciated by \$265,142, for a carrying amount of \$177,901.

Long-Term Debt

On August 12, 2000 the Commission received loan proceeds in the amount of \$376,000 from the Department of Agriculture to finance construction of office facilities. The loan is due in monthly installments of \$1,993 through July 12, 2029. Interest on the loan is at 4.75%. The balance of this loan was \$126,884 as of June 30, 2023.

Economic Factors and Future Projects

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

Presently, management of the Commission is closely tracking local, state and federal revenue and program impacts post-pandemic and the potential impacts on the overall agency finances. The short-term outlook remains positive based on known funding awards. In addition, uncertainty at the federal and state level may cause some long-term changes, depending upon funding priorities and availability of grant funding. In particular, funding for housing, transit, mobility management, and environmental planning has been the subject of discussion at the state and federal levels during recent fiscal years. The Commission was able to address internal impacts related to COVID-19, including a shift to partial remote work, using existing funding sources.

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

Contacting the Commission's Financial Management

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

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS	
Cash and investments	\$ 507,551
Accounts receivable	222,581
Prepaid expenses	12,548
Net pension asset	501,905
Capital assets, net	<u>177,901</u>
Total Assets	<u>1,422,486</u>
 LIABILITIES	
Accounts payable	112,493
Accrued liabilities	23,878
Accrued annual leave	44,150
Deferred revenue	102,658
Rural Development loan payable	<u>126,884</u>
Total Liabilities	<u>410,063</u>
 DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience	14,370
Net difference between projected and actual earnings on plan investments	<u>55,151</u>
Total Deferred Inflows of Resources	<u>69,521</u>
 NET POSITION	
Investment in capital assets, net of related debt	51,017
Unrestricted	<u>891,885</u>
Total Net Position	<u><u>\$ 942,902</u></u>

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

Operating Revenues:

Comprehensive Economic Development Strategy	\$	48,850
DEQ Chesapeake Bay PDC capacity		58,000
Dues		151,859
Farm to School		30,000
Freedom grant - mobility		170,451
Freedom grant - operating		221,140
Housing and homeless prevention		48,605
Madison County planning		5,776
National Fish and Wildlife Foundation		133,554
PATH mobility management		210,815
Regional tourism		7,455
Rideshare program		123,160
Rural transportation program		58,000
Rural transportation assistance program scholarship		5,963
Regional transportation collaborative		
State regional planning grant		89,971
Town of Washington		2,831
Virginia Department of Emergency Management		1,048
Virginia homeless solution program		90,120
Virginia Housing Development Authority		283,101
Other income		12,615
		<u>1,753,314</u>
Total Operating Revenues		<u>1,753,314</u>

Draft

Operating Expenses:

Advertising	1,165
Audit	4,350
Comprehensive Economic Development Strategy	40,850
DEQ Chesapeake Bay PDC capacity	597
Equipment	4,800
Farm to School	3,176
Freedom grant - mobility	94,288
Freedom grant - operating	206,363
Insurance health	61,759
Insurance liability	1,405
Insurance workers' compensation	500
Maintenance and repairs	7,092
Meetings and workshops	5,616
Membership dues	4,036

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

Operating Expenses (Continued):

Miscellaneous	\$ 97
PATH Foundation mobility management	184,430
National Fish and Wildlife Foundation	110,641
Payroll taxes	40,411
Postage	216
Printing	1,894
Regional tourism	4,163
Retirement	16,615
Rideshare	37,805
RTAP expense	5,963
Rural transportation planning	619
Salary	552,047
Subscriptions and publications	356
Supplies	3,524
Technology	11,038
Town of Washington	2,831
Travel	10,013
Utilities	5,015
Virginia homeless solutions program	1,368
Virginia Housing Development Authority	248,820
Volunteers in Service to America (VISTA)	6,500
Total Operating Expenses	1,680,363
Operating Gain	72,951
Nonoperating Income (Expense)	
GASB 68 actuarial adjustment	104,198
Interest income	12,326
Depreciation	(17,713)
Interest expense	(6,887)
Net loss on investments	(374)
Loss on disposal of equipment	(252)
Total Nonoperating Income (Expense)	91,298
Change in Net Position	164,249
Net Position at beginning of year	778,653
Net Position at end of year	\$ 942,902

Draft

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 1,614,555
Payments to suppliers	(1,042,180)
Payments to employees	(541,830)
Net Cash Provided by Operating Activities	<u>30,545</u>
Cash Flows from Capital and Related Financing Activities:	
Principal payments on debt	(14,590)
Interest payments on debt	(6,887)
Net Cash Used in Capital and Related Financing Activities	<u>(21,477)</u>
Cash Flows from Investing Activities	
Purchases of new equipment	(5,353)
Interest earned	12,326
Net Cash Provided by Investing Activities	<u>6,973</u>
Net Change in Cash and Cash Equivalents	16,041
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>491,510</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 507,551</u></u>
Reconciliation of Operating Gain	
to Net Cash Provided by Operating Activities	
Operating Gain	\$ 72,951
Adjustments to Reconcile Operating Gain	
to Net Cash Provided by Operating Activities:	
Loss on disposal of equipment	252
Changes in current assets and liabilities:	
Increase in accounts receivable	(123,267)
Increase in prepaid expenses	(376)
Increase in accounts payable	86,260
Increase in accrued liabilities	7,342
Increase in accrued annual leave	2,875
Decrease in deferred revenue	(15,492)
Net Cash Provided by Operating Activities	<u><u>\$ 30,545</u></u>

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

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

A. The Financial Reporting Entity

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

B. Financial Statement Presentation

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

Enterprise Fund Financial Statements:

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

C. Basis of Accounting

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

D. Budgets and Budgetary Accounting

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

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 – Summary of Significant Accounting Policies (continued)

E. Capital Assets

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

Equipment	3-12 years
Buildings	39 years

Activity of the capital assets for the Commission for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Office furniture and equipment	\$ 56,816	\$ 5,353	\$(9,234)	\$ 52,935
Buildings and improvements	390,108	-	-	390,108
Less:				
Accumulated Depreciation	(256,411)	(17,713)	<u>8,982</u>	(265,142)
Net capital assets	<u>\$190,513</u>	<u>\$(12,360)</u>	<u>\$ (252)</u>	<u>\$ 177,901</u>

F. Cash and Cash Equivalents

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

G. Use of Estimates

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

H. Accounts Receivable

Accounts receivable are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables related to non-exchange transactions are recognized when their eligibility requirements have been met. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history and current information regarding the credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected. Management considers all of the receivables collectible at June 30, 2023, and no allowance for doubtful accounts has been provided.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 – Summary of Significant Accounting Policies (continued)

I. Deferred Outflows/Inflows of Resources

The Commission reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. The Commission has one item that qualifies for reporting in this category. Per the actuarial report prepared as of June 30, 2022, the change in assumptions was \$-0-.

The Commission reports deferred inflows of resources on its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. The Commission has two items that qualify for reporting in this category. Per the actuarial report prepared as of June 30, 2022, the difference between expected and actual experience was \$(14,370) and the net difference between projected and actual earnings on plan investments was \$(55,151).

J. Pension

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

K. Restricted Resources

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

L. Advertising Costs

Advertising costs are expensed as incurred.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 2 - Cash and Investments

State statute authorizes the Commission to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the local government investment pool. Cash and cash equivalents include amounts in demand deposits as well as short-term, highly liquid investments with a maturity date within three months of the date acquired by the Commission. Deposits are carried at cost, which approximates fair value. At year end, the carrying value of the Commission’s bank account balances was \$40,127, and the bank balances totaled \$100,464.

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

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

The investment pool has not been assigned a risk category since the Commission is not issued securities, but rather owns an undivided interest in the assets of the pool. At June 30, 2023 the Commission’s balance in the investment pool was \$467,424 and included the follow investments:

VIP Liquidity Pool Account	\$467,424
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NOTE 3 – Rural Development Loan

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

Current year debt activity was as follows:

Beginning Balance	Increases	Decreases	Ending Balance
<u>\$141,474</u>	<u>\$ -</u>	<u>\$ 14,590</u>	<u>\$126,884</u>

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 – Rural Development Loan (continued)

Mandatory debt service requirements consist of the following:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 18,287	\$ 5,629
2025	19,172	4,744
2026	20,103	3,813
2027	21,079	2,837
2028	22,102	1,814
Thereafter	<u>26,141</u>	<u>740</u>
Total	<u>\$ 126,884</u>	<u>\$ 19,577</u>

NOTE 4 – Defined Benefit Pension Plan

Pensions

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

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has 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:

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT
<p>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.</p>	<p>About Plan 2 Same as Plan 1.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

<p>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.</p>	<p>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.</p>	<p>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.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pretax 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.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>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</p>
<p>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.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member’s total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

<p>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.</p> <p>Members are always 100% vested in the contributions that they make</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • 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. <p>Distribution not required, except as governed by law.</p>
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

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

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

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

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

<p><u>Eligibility:</u> 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.</p> <p>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.</p>	<p><u>Eligibility:</u> Same as Plan 1</p>	<p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>
<p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

<p>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.</p>	<p>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.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>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.</p>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits	6
Inactive Members	
Vested inactive members	5
Non-vested inactive members	5
LTD	-
Active members active elsewhere in VRS	<u>5</u>
Total Inactive Members	15
Active Members	<u>7</u>
Total covered employees	<u>28</u>

Contributions

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

The Commission’s contractually required contribution rate for the year ended June 30, 2023 was .66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Commission was \$-0- and \$-0- for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Commission, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Commission’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	2.50%
		Expected arithmetic nominal return **	<u>7.83%</u>

* The above allocation provides a one-year return of 7.83%. 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 6.72%, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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;

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Change in the Net Pension Liability (Asset):

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at June 30, 2021	\$1,344,435	\$1,921,533	\$(577,098)
Changes for the year:			
Service cost	27,332	-	27,332
Interest	90,881	-	90,881
Changes of assumption	-	-	-
Difference between expected and actual experience	(27,676)	-	(27,676)
Contributions – employer	-	-	-
Contributions – employee	-	18,138	(18,138)
Net investment income	-	(1,553)	1,553
Benefit payments, including refunds of employee contributions	(50,757)	(50,757)	-
Administrative expense	-	(1,199)	1,199
Other changes	-	(42)	42
Net changes	39,780	(35,413)	75,193
Balances at June 30, 2022	\$1,384,215	\$1,886,120	\$(501,905)

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Commission’s Net Pension Liability (Asset)	\$(291,869)	\$(501,905)	\$(669,365)

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2023, the Commission recognized pension income of \$(103,571). At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$(14,370)
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	(55,151)
Employer contributions subsequent to the Measurement Date	-	-
Total	\$ -	\$(69,521)

There were no deferred outflows of resources related to pensions resulting from Commission’s contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future reporting periods as follows:

Year ending June 30,	
2024	\$(34,992)
2025	(23,517)
2026	(37,033)
2027	26,021
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 *Comprehensive Annual Financial Report (CAFR)*. A copy of the 2022 VRS CAFR may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 5 – Commitments and Contingencies

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

NOTE 6 – Evaluation of Subsequent Events

The Commission has evaluated subsequent events through December xx, 2023, the date which the financial statements were available to be issued.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of the Rappahannock-Rapidan Regional Commission as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Rappahannock-Rapidan Regional Commission’s basic financial statements, and have issued our report thereon dated December xx, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rappahannock-Rapidan Regional Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants
Chantilly, Virginia

December xx, 2023

DRAFT

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF REVENUES AND EXPENSES-BUDGET
AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual Budgetary- Basis	Variance Favorable (Unfavorable)
Operating Revenues:				
Comprehensive Economic Development Strategy	\$ -	\$ 15,000	\$ 24,250	\$ 9,250
DEQ Chesapeake Bay PDC capacity	58,000	58,000	58,000	-
DRPT Technical assistance	20,000	10,000	-	(10,000)
Dues	151,859	151,859	151,859	-
Farm to School grant	40,000	30,000	30,000	-
Freedom grant-mobility	400,000	400,000	151,678	(248,322)
Freedom grant-operating	-	-	205,512	205,512
Hazard mitigation	50,000	-	-	-
National Fish and Wildlife Foundation	250,000	75,000	62,958	(12,042)
PATH Foundation mobility management	190,000	213,000	213,000	-
Regional housing	48,604	48,604	48,605	1
Regional tourism	7,600	7,600	7,455	(145)
Rideshare program	123,160	123,160	130,677	7,517
Rural transportation program	58,000	58,000	50,667	(7,333)
Rural transportation assistance program scholarship	-	1,800	5,963	4,163
State regional planning grant	89,971	89,971	89,971	-
Town of Washington	-	2,700	2,831	131
Virginia Department of Emergency Management	2,000	12,000	12,120	120
Virginia homeless solution program	90,000	90,000	90,120	120
Virginia Housing Development Authority	500,000	300,000	266,273	(33,727)
Other income	1,000	1,000	12,615	11,615
	<hr/>			
Total Operating Revenues	2,080,194	1,687,694	1,614,554	(73,140)
<hr/>				
Operating Expenses:				
Advertising	750	750	1,165	(415)
Audit	6,000	6,000	4,350	1,650
CAP strategic plan expenses	-	10,000	-	10,000
Comprehensive Economic Development Strategy	-	15,500	32,300	(16,800)
DEQ Chesapeake Bay PDC capacity	1,000	1,000	597	403
Equipment and software	12,000	12,000	10,293	1,707
Farm to School grant	3,000	3,000	3,176	(176)
Freedom grant-mobility	488,000	502,000	89,081	412,919
Freedom grant-operating	-	-	201,315	(201,315)
Hazard Mitigation	45,000	-	-	-
Insurance health and dental	80,000	65,000	62,397	2,603
Insurance liability	1,400	1,400	1,405	(5)
Insurance workers' compensation	500	500	500	-
Maintenance and repairs	14,000	6,000	7,092	(1,092)
Meals	2,500	2,500	-	2,500
Meetings and workshops	5,000	5,000	5,616	(616)

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF REVENUES AND EXPENSES-BUDGET
AND ACTUAL (BUDGETARY BASIS) (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual Budgetary- Basis	Variance Favorable (Unfavorable)
Operating Expenses (Continued):				
Membership dues	\$ 6,000	\$ 6,000	\$ 4,036	\$ 1,964
Miscellaneous	500	500	97	403
PATH Foundation mobility management	-	-	187,729	(187,729)
National Fish and Wildlife Foundation	240,000	65,000	56,720	8,280
Payroll taxes	40,550	40,550	40,411	139
Postage	500	500	216	284
Printing	3,000	3,000	1,894	1,106
Regional tourism	10,000	10,000	4,163	5,837
Retirement	16,000	16,000	16,615	(615)
Rideshare	60,000	60,000	36,203	23,797
RTAP expense	-	1,800	5,963	(4,163)
Rural transportation planning	1,000	1,000	619	381
Salary	530,078	550,078	552,047	(1,969)
Subscriptions and publications	500	500	356	144
Supplies	4,500	4,500	3,524	976
Technology	13,000	13,000	11,038	1,962
Town of Washington	-	2,700	2,831	(131)
Travel, training and meals	11,000	11,000	10,013	987
Utilities	6,500	6,500	5,015	1,485
Virginia Housing Development Authority	445,000	245,000	239,954	5,046
Virginia homeless solution program expense	3,000	3,000	1,368	1,632
Volunteers in Service to America (VISTA)	6,500	6,500	6,500	-
Total Operating Expenses	<u>2,056,778</u>	<u>1,677,778</u>	<u>1,606,599</u>	<u>71,179</u>
		-		
Operating Gain / (Loss)	23,416	9,916	7,955	(1,961)
Nonoperating Income (Expense)				
GASB 68 adjustment	-	-	104,198	104,198
Interest income	500	14,000	12,326	(1,674)
Investment loss	-	-	(374)	(374)
Loss on disposal of equipment	-	-	(252)	(252)
Depreciation	-	-	(17,713)	(17,713)
Interest expense	(23,916)	(23,916)	(6,887)	17,029
Total Nonoperating Income (Expense)	<u>(23,416)</u>	<u>(9,916)</u>	<u>91,298</u>	<u>101,214</u>
Net Gain / (Loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,253</u>	<u>\$ 99,253</u>

See accompanying notes.

**RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
BUDGET-TO-GAAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2023**

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

Draft

Sources/inflows of resources

Actual amounts (budgetary basis) from budgetary comparison schedule	\$ 1,614,554
Collection of receivables accrued as of June 30, 2022 are revenue for budgetary purposes but not for GAAP purposes.	(99,313)
Deferred grant revenue as of June 30, 2022	118,150
Receivables accrued as of June 30, 2023 are revenue for GAAP purposes but not for budgetary purposes.	222,581
Deferred grant revenue as of June 30, 2023	<u>(102,658)</u>
Total operating revenue as reported on the statement of revenues, expenses and changes in net position.	<u><u>\$ 1,753,314</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) from budgetary comparison schedule	\$ 1,606,599
Payments of accounts payable recorded as of June 30, 2022 are expenditures for budgetary purposes but not for GAAP purposes.	(23,237)
Purchases of equipment for the year ended June 30, 2023.	(5,353)
Prepaid expenses recorded as of June 30, 2023, are expenditures for budgetary purposes but not for GAAP purposes.	(12,548)
Prepaid expenses recorded as of June 30, 2022, are expenses for GAAP purposes but not for budgetary purposes.	12,172
Payables accrued as of June 30, 2023 are expenses for GAAP purposes but not for budgetary purposes.	<u>102,730</u>
Total operating expenses as reported on the statement of revenues, expenses and changes in net position.	<u><u>\$ 1,680,363</u></u>

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY
AND RELATED RATIOS
For the Plan Years Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability									
Service cost	\$ 27,332	\$ 27,948	\$ 30,177	\$ 24,314	\$ 34,100	\$ 34,046	\$ 46,439	\$ 45,136	\$ 44,023
Interest on total pension liability	90,881	88,915	85,324	77,006	60,863	76,384	67,864	60,928	54,411
Changes in assumptions	-	29,263	-	40,094	-	(29,189)	-	-	-
Differences between expected and actual experience	(27,676)	(102,335)	(17,811)	62,456	159,504	(279,643)	22,652	(589)	-
Benefit payments, including refunds of employee contributions	(50,757)	(33,245)	(55,712)	(24,079)	(23,630)	(23,038)	(7,427)	(5,370)	(5,293)
Net change in total pension liability	39,780	10,546	41,978	179,791	230,837	(221,440)	129,528	100,105	93,141
Total pension liability - beginning	1,344,435	1,333,889	1,291,911	1,112,120	881,283	1,102,723	973,195	873,090	779,949
Total pension liability - ending (a)	<u>\$1,384,215</u>	<u>\$1,344,435</u>	<u>\$1,333,889</u>	<u>\$1,291,911</u>	<u>\$1,112,120</u>	<u>\$ 881,283</u>	<u>\$1,102,723</u>	<u>\$ 973,195</u>	<u>\$ 873,090</u>
Plan fiduciary net position									
Contributions - employer	\$ -	\$ (86)	\$ 859	\$ 460	\$ 20,150	\$ 16,670	\$ 20,601	\$ 21,713	\$ 24,294
Contributions - employee	18,138	16,348	16,152	16,746	17,480	14,694	16,585	17,468	17,147
Net investment income	(1,553)	417,410	29,215	96,946	99,250	145,211	22,505	49,158	140,644
Benefit payments, including refunds of employee contributions	(50,757)	(33,245)	(55,712)	(24,079)	(23,630)	(23,038)	(7,427)	(5,370)	(5,293)
Administrative expense	(1,199)	(1,027)	(1,015)	(942)	(829)	(815)	(2,049)	(630)	(720)
Other	(42)	39	(34)	(61)	(90)	(130)	(5)	(11)	7
Net change in plan fiduciary net position	(35,413)	399,439	(10,535)	89,070	112,331	152,592	50,210	82,328	176,079
Plan fiduciary net position - beginning	1,921,533	1,522,094	1,532,629	1,443,559	1,331,228	1,178,636	1,128,426	1,046,098	870,019
Plan fiduciary net position - ending (b)	<u>\$1,886,120</u>	<u>\$1,921,533</u>	<u>\$1,522,094</u>	<u>\$1,532,629</u>	<u>\$1,443,559</u>	<u>\$1,331,228</u>	<u>\$1,178,636</u>	<u>\$1,128,426</u>	<u>\$1,046,098</u>
Commission's net pension asset - ending (a)-(b)	<u>\$ (501,905)</u>	<u>\$ (577,098)</u>	<u>\$ (188,205)</u>	<u>\$ (240,718)</u>	<u>\$ (331,439)</u>	<u>\$ (449,945)</u>	<u>\$ (75,913)</u>	<u>\$ (155,231)</u>	<u>\$ (173,008)</u>
Plan fiduciary net position as a percentage of the total Pension liability	136.26%	142.92%	114.11%	118.63%	129.80%	151.06%	106.88%	115.95%	119.82%
Covered-employee payroll	\$ 402,124	\$ 373,096	\$ 353,395	\$ 371,297	\$ 317,184	\$ 367,005	\$ 268,691	\$ 351,496	\$ 342,940
Commission's net pension liability as percentage of covered-employee payroll	-124.81%	-154.68%	-53.26%	-64.83%	-104.49%	-122.60%	-28.25%	-44.16%	-50.45%

See accompanying notes.

**RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH 2023**

Draft

Date	Contractually Required Contributions (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)	Required Contribution Rate
2023	\$ 385,634	\$ -	\$ 385,634	\$ 543,147	0.00%	71.00%
2022	2,574	-	2,574	402,124	0.00%	0.64%
2021	2,388	-	2,388	373,096	0.00%	0.64%
2020	1,908	1,248	660	353,395	0.35%	0.54%
2019	2,005	1,368	637	371,297	0.37%	0.54%
2018	9,198	20,245	(11,047)	317,184	6.38%	2.90%
2017	10,643	16,670	(6,027)	367,005	4.54%	2.90%
2016	16,766	20,601	(3,835)	268,691	7.67%	6.24%
2015	21,933	21,713	220	351,496	6.18%	6.24%
2014	24,383	24,294	89	342,940	7.08%	7.11%

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023

NOTE 1 – Change of Benefit Terms

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

NOTE 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2021, valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change