MEMORANDUM

To: Members of the Rappahannock-Rapidan Regional Commission

From: Patrick L. Mauney, Executive Director

Date: December 5, 2022

Subject: FY 2022 RRRC Audit Report Draft

The FY 2022 Financial Audit for the Regional Commission is attached here for your review. Staff will provide an overview of the audit at the December 14th 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, 2022

DRAFT

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

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION COMMISSIONERS
As of June 30, 2022

Culpeper County
Mr. Gary Deal
Mr. John Egertson

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

Fauquier County
Mr. Christopher T. Butler
Mr. Paul S. McCulla, Commission Vice-Chair

Town of Warrenton
Ms. Brandie Schaeffer
Mr. William T. Semple II

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

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
Ms. Martha B. Roby
Mr. Greg Woods, Commission Treasurer

Town of Gordonsville
Mr. Robert K. 'Bob' Coiner

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

Town of Washington
Mr. Fred Catlin

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 as of and for the year ended June 30, 2022, 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, 2022 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 conduced 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 of 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 employer'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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November XX, 2022, 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

November XX, 2022

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, 2022.

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 2022

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

In FY 2022, the Commission continued its successful programmatic efforts in housing and homelessness leadership, transportation and mobility planning, tourism, environmental coordination, and regional coordination. Of particular note in FY 2022 are the continuation of Chesapeake Bay watershed planning, increased awards for the Commission's Mobility Management program, award and initial development of the PDC Housing Development Program, introduction of a Farm to School Liaison program and continued support 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,

	2022	2021
Current Assets	$ 602,996	$526,602
Capital Assets (net)	190,512	199,371
Net Pension Asset	577,098	188,205
Total Assets	1,370,606	914,178
Deferred Outflows of Resources	14,631	61,892
Current Liabilities	219,770	205,524
Long-term Liabilities	123,898	144,316
Total Liabilities	343,668	349,840
Deferred Inflows of Resources	262,916	10,743
Invested in capital assets, net of debt	49,038	38,425
Unrestricted	729,615	577,062
Total Net Position	$ 778,653	$615,487

The Commission's total net position (which is the Commission's bottom line) increased by $163,166 during the year. It should be noted that $89,459 of this increase was due to the current year GASB 68 adjustment and that current assets increased by $76,394 during the year. The improvement in net position over the past five fiscal years also enables the Commission to better manage our cash flow and provide 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, 2022	2021
Operating revenues		
Grants	$ 952,397	$593,924
Dues	149,172	145,659
Other operating revenues	68,564	252,130
Total operating revenues	1,170,133	991,713
Non-operating revenues		
GASB 68 adjustment	89,459	(79,491)
Interest	698	302
Net loss on investments	(3,611)	-
Total non-operating revenues	86,546	(79,189)
Total revenues	1,256,679	912,524
Operating expenses		
Salaries and wages	481,998	405,865
Freedom grants	146,299	114,304
Fringe benefits	107,755	101,322
PATH Foundation mobility management	161,492	91,158
Rappahannock County CARES Act	-	90,000
Virginia Housing Development Authority	386	43,839
Town of Washington	19,000	36,631
Technology	10,315	10,240
Maintenance and repairs	6,213	6,276
Regional ride sharing	22,582	5,950
Regional tourism	5,582	4,394
Vanpool	2,318	862
VA Tourism Corporation	386	-
Other operating expenses	34,689	18,809
Other grant expenses	70,509	1,792
Total operating expenses	1,069,524	931,442
Depreciation	16,702	13,764
Interest paid on debt	7,287	8,056
Total expenses	1,093,513	953,262
Change in net position	163,166	(40,738)
Net position beginning of year	615,487	656,225
Net position end of year	$ 778,653	$615,487

Revenues

For the fiscal year ended June 30, 2022, total revenues increased by $344,155 from the prior year. However, 89,459 of the increase in revenue was the result of the GASB 68 adjustment. Operating revenues increased $178,420 from FY2021 to FY2022. The continuation of 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. 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, 2022, total expenses increased by $140,251 from the prior year. Personnel costs such as health insurance and retirement were stable from FY 2021 to FY 2022, although salaries and wages – the largest expense for the Commission – increased by $76,133 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 2022, the Commission had invested $446,924 in capital assets which consisted of the office building, office furniture and equipment. This amount has been depreciated by $256,412, for a carrying amount of $190,512.

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 $141,474 as of June 30, 2022.

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 the past fiscal year. 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, 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, 2022

DRAFT

ASSETS	
Cash and investments	$ 491,510
Accounts receivable	99,314
Prepaid expenses	12,172
Net pension asset	577,098
Capital assets, net	190,512
Total Assets	1,370,606
DEFERRED OUTFLOWS OF RESOURCES	
Changes of assumptions	14,631
Total Deferred Outflows of Resources	14,631
LIABILITIES	
Accounts payable	26,233
Accrued liabilities	16,536
Accrued annual leave	41,275
Deferred revenue	118,150
Rural Development loan payable	141,474
Total Liabilities	343,668
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience	54,842
Net difference between projected and actual earnings on plan investments	208,074
Total Deferred Inflows of Resources	262,916
NET POSITION	
Investment in capital assets, net of related debt	49,038
Unrestricted	729,615
Total Net Position	$ 778,653

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Operating Revenues:	
AARP	$ 25,000
DEQ Chesapeake Bay PDC capacity	46,182
Dues	149,172
Farm to School grant	30,000
Freedom grant - mobility	121,819
Freedom grant - operating	69,512
National Fish and Wildlife Foundation	14,412
No Kid Hungry	25,000
Redistricting	6,060
Rideshare program	108,375
Rural transportation program	58,050
Rural transportation assistance program scholarship	5,338
RTC	173,951
State regional planning grant	89,971
Town of Washington	19,000
Virginia Department of Emergency Management	6,961
Virginia homeless solution program	91,250
Virginia Housing Development Authority	61,516
Other Income	
Regional housing	48,605
Regional tourism	7,595
VTCW	6,750
Miscellaneous	5,614
Total Operating Revenues	1,170,133
Operating Expenses:	
AARP	25,000
Advertising	588
Annual meeting	4,727
Audit	4,100
DEQ Chesapeake Bay PDC capacity	336
Equipment	3,855
Farm to School	2,622
Freedom grant - mobility	109,389
Freedom grant - operating	36,910
Insurance health	62,966
Insurance liability	1,368
Insurance workers' compensation	500
Maintenance and repairs	6,213
Membership dues	4,425

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

DRAFT

Operating Expenses (Continued):	
Miscellaneous	$ 835
PATH Foundation mobility management	161,492
National Fish and Wildlife Foundation	21,817
Northern Piedmont Community Foundation	5,000
Payroll taxes	34,272
Postage	293
Printing	929
Redistrciting	3,683
Regional tourism	5,582
Retirement	10,517
Rideshare	22,582
RTAP expense	5,338
Rural transportation planning	183
Salary	481,998
Subscriptions and publications	463
Supplies	2,870
Technology	10,315
Town of Washington	19,000
Travel	5,896
Utilities	4,226
Vanpool expense	2,318
Virginia Housing Development Authority	386
VTCW	6,530
Total Operating Expenses	1,069,524
Operating Gain	100,609
Nonoperating Income (Expense)	
GASB 68 actuarial adjustment	89,459
Interest income	698
Net loss on investments	(3,611)
Depreciation	(16,702)
Interest expense	(7,287)
Total Nonoperating Income (Expense)	62,557
Change in Net Position	163,166
Net Position at beginning of year	615,487
Net Position at end of year	$ 778,653

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Cash Flows from Operating Activities:	
Cash received from customers and users	$ 1,120,572
Payments to suppliers	(587,713)
Payments to employees	(474,681)
Net Cash Provided by Operating Activities	58,178
Cash Flows from Capital and Related Financing Activities:	
Principal payments on debt	(19,472)
Interest payments on debt	(7,287)
Net Cash Used in Capital and Related Financing Activities	(26,759)
Cash Flows from Investing Activities	
Purchases of new equipment	(7,843)
Interest earned	698
Net Cash Used in Investing Activities	(7,145)
Net Change in Cash and Cash Equivalents	24,274
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	467,236
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 491,510
Reconciliation of Operating Gain to Net Cash Provided by Operating Activities	
Operating Gain	$ 100,609
Adjustments to Reconcile Operating Gain to Net Cash Provided by Operating Activities:	
Loss on investments	(3,611)
Changes in current assets and liabilities:	
Decrease in accounts receivable	(50,609)
Increase in prepaid expenses	(1,511)
Decrease in accounts payable	4,935
Increase in accrued liabilities	1,015
Increase in accrued annual leave	6,302
Increase in deferred revenue	1,048
Net Cash Provided by Operating Activities	$ 58,178

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 <u>Audits of State and Local Government Units</u> and by the Financial Accounting Standards Board (when applicable).

D. Budgets and Budgetary Accounting

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

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, 2022 was as follows:

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Office furniture and equipment	$ 48,973	$ 7,843	$ -	$ 56,816
Buildings and improvements	390,108	-	-	390,108
Less:				
Accumulated Depreciation	(239,710)	(16,702)	-	(256,412)
Net capital assets	$199,371	$ (8,859)	$ -	$ 190,512

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, 2022, and no allowance for doubtful accounts has been provided.

NOTE 1 – Summary of Significant Accounting Policies (continued)

I. Deferred Outflows/Inflows of Resources

The Commission reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. The Commission has one item that qualifies for reporting in this category. Per the actuarial report prepared as of June 30, 2021, the change in assumptions was $14,631.

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, 2021, the difference between expected and actual experience was $54,842 and the net difference between projected and actual earnings on plan investments was $208,074.

J. Pension

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

K. Restricted Resources

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

L. Advertising Costs

Advertising costs are expensed as incurred.

NOTE 2 - Cash and Investments

State statute authorizes the Commission to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the local government investment pool. Cash and cash equivalents include amounts in demand deposits as well as short-term, highly liquid investments with a maturity date within three months of the date acquired by the Commission. Deposits are carried at cost, which approximates fair value. At year end, the carrying value of the Commission's bank account balances was $139,374, and the bank balances totaled $139,928.

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, 2022 the Commission's balance in the investment pool was $352,136 and included the follow investments:

VIP Liquidity Pool Account	$247,946
VIP Long Term Bond Fund	104,190

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
$160,946	$ -	$ 19,472	$141,474

NOTE 3 – Rural Development Loan (continued)

Mandatory debt service requirements consist of the following:

Year Ending June 30,	Principal	Interest
2023	$ 17,576	$ 6,340
2024	18,430	5,486
2025	19,325	4,591
2026	20,262	3,654
2027	21,246	2,670
2028-2029	44,635	2,195
Total	$ 141,474	$ 24,936

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:

NOTE 4 – Defined Benefit Pension Plan (continued)

RETIREMENT PLAN PROVISIONS

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

NOTE 4 – Defined Benefit Pension Plan (Continued)

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

NOTE 4 – Defined Benefit Pension Plan (Continued)

Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make	**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 Contributions 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 that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution not required, except as governed by law.
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.	**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.

NOTE 4 – Defined Benefit Pension Plan (Continued)

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

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

NOTE 4 – Defined Benefit Pension Plan (Continued)

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

NOTE 4 – Defined Benefit Pension Plan (Continued)

Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1	**Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • 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.

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

NOTE 4 – Defined Benefit Pension Plan (Continued)

Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% 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** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work- related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **<u>Defined Contribution Component:</u>** Not applicable.

NOTE 4 – Defined Benefit Pension Plan (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		5
Inactive Members		
Vested inactive members	4	
Non-vested inactive members	7	
LTD	-	
Active members active elsewhere in VRS	5	
Total Inactive Members		16
Active Members		7
Total covered employees		28

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, 2022 was .66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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, 2022 and June 30, 2021, 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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

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, 2020, 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, 2021.

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

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, 2020, 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

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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS-Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP-Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.39%

* The above allocation provides a one-year return of 7.39%. 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 6.94%, 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;

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, 2021, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021 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, 2020	$1,333,889	$1,522,094	$(188,205)
Changes for the year:			
Service cost	27,948		27,948
Interest	88,915		88,915
Changes of assumption	29,263		29,263
Difference between expected and actual experience	(102,335)		(102,335)
Contributions – employer		(86)	86
Contributions – employee		16,348	(16,348)
Net investment income		417,410	(417,410)
Benefit payments, including refunds of employee contributions	(33,245)	(33,245)	-
Administrative expense		(1,027)	1,027
Other changes	-	39	(39)
Net changes	10,546	399,439	(388,893)
Balances at June 30, 2021	$1,344,435	$1,921,533	$(577,098)

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)	$(381,927)	$(577,098)	$(734,009)

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, 2022, the Commission recognized pension income of $89,459. At June 30, 2022, 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	$ -	$54,842
Changes of assumptions	14,631	-
Net difference between projected and actual earnings on plan investments	-	208,074
Employer contributions subsequent to the Measurement Date	-	-
Total	$14,631	$262,916

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,	
2023	$(89,044)
2024	(47,709)
2025	(48,476)
2026	(63,056)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2021 VRS CAFR may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 5 – Commitments and Contingencies

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

NOTE 6 – Evaluation of Subsequent Events

The Commission has evaluated subsequent events through November XX, 2022, 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, 2022, and the related notes to the financial statements, which collectively comprise Rappahannock-Rapidan Regional Commission's basic financial statements, and have issued our report thereon dated November XX, 2022.

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 may exist that have not been 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

November XX, 2022

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Budgetary-Basis	Variance Favorable (Unfavorable)
Operating Revenues:				
AARP	$ 25,000	$ 25,000	$ 25,000	$ -
DEQ Chesapeake Bay PDC capacity	58,000	58,000	58,000	-
Dues	149,172	149,172	149,172	-
Farm to School grant	30,000	30,000	-	(30,000)
Freedom grant-mobility	244,765	174,765	118,488	(56,277)
Freedom grant-operating	-	-	43,628	43,628
National Fish and Wildlife Foundation	200,000	18,000	17,890	(110)
No Kid Hungry	25,000	25,000	-	(25,000)
PATH Foundation mobility management	150,000	197,500	-	(197,500)
Redistricting	-	4,500	6,060	1,560
Regional housing	48,604	48,604	48,605	1
Regional tourism	7,500	7,500	7,595	95
Rideshare program	133,265	113,265	96,125	(17,140)
Rural transportation program	58,000	58,000	57,081	(919)
Rural transportation assistance program scholarship	-	5,338	5,338	-
RTC	-	-	208,499	208,499
State regional planning grant	89,971	89,971	89,971	-
Town of Washington	-	19,000	19,000	-
Virginia Department of Emergency Management	12,826	12,826	-	(12,826)
Virginia homeless solution program	84,500	84,500	91,250	6,750
Virginia Housing Development Authority	60,000	66,500	66,506	6
VTCW	-	6,750	6,750	-
Other Income	1,000	1,000	5,614	4,614
Total Operating Revenues	1,377,603	1,195,191	1,120,572	(74,619)
Operating Expenses:				
AARP	25,000	25,000	25,000	-
Advertising	1,000	1,000	588	412
Annual meeting	5,000	5,000	4,727	273
Audit	5,000	5,000	4,100	900
DEQ Chesapeake Bay PDC capacity	1,000	1,000	336	664
Equipment and software	10,000	10,000	10,386	(386)
Farm to School grant	-	3,000	2,622	378
Freedom grant-mobility	340,000	317,500	103,725	213,775
Freedom grant-operating	-	-	36,910	(36,910)
Insurance health	75,000	75,000	62,924	12,076
Insurance liability	1,350	1,350	1,368	(18)
Insurance workers' compensation	500	500	500	-
Maintenance and repairs	10,000	10,000	6,213	3,787
Membership dues	4,500	4,500	4,425	75

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGETARY BASIS) (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Budgetary-Basis	Variance Favorable (Unfavorable)
Operating Expenses (Continued):				
Miscellaneous	$ 500	$ 500	$ 835	$ (335)
PATH Foundation mobility management		-	163,043	(163,043)
National Fish and Wildlife Foundation	185,000	185,000	11,817	173,183
Northern Piedmont Community Foundation	-	-	5,000	(5,000)
Payroll taxes	36,720	36,720	34,272	2,448
Postage	500	500	293	207
Printing	3,000	3,000	929	2,071
Redistricting	-	3,750	3,683	67
Regional tourism	12,800	12,800	5,582	7,218
Retirement	20,000	20,000	10,517	9,483
Rideshare	52,565	27,565	24,184	3,381
RTAP expense	-	5,338	5,338	-
Rural transportation planning	1,000	1,000	183	817
Salary	480,000	480,000	474,682	5,318
Subscriptions and publications	500	500	463	37
Supplies	4,500	4,500	2,870	1,630
Technology	10,000	10,000	10,315	(315)
Town of Washington	-	19,000	19,000	-
Travel, training and meals	12,500	12,500	5,896	6,604
Utilities	6,500	6,500	4,226	2,274
Vanpool expense		-	2,318	(2,318)
Virginia Housing Development Authority	-	1,000	386	614
VTCW	-	6,530	6,530	-
Virginia homeless solution program expense	3,000	3,000	-	3,000
Total Operating Expenses	1,307,435	1,298,553	1,056,186	242,367
Operating Gain / (Loss)	70,168	(103,362)	64,386	167,748
Nonoperating Income (Expense)				
GASB 68 adjustment	-	-	89,459	89,459
Interest income	300	300	698	398
Interest expense	(23,916)	(23,916)	(23,916)	-
Total Nonoperating Income (Expense)	(23,616)	(23,616)	62,630	86,246
Net Gain / (Loss)	$ 46,552	$ (126,978)	$ 127,016	$ 253,994

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, 2022

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

Sources/inflows of resources	
Actual amounts (budgetary basis) from budgetary comparison schedule	$ 1,120,572
Collection of receivables accrued as of June 30, 2021 are revenue for budgetary purposes but not for GAAP purposes.	(48,705)
Deferred grant revenue as of June 30, 2021	117,102
Receivables accrued as of June 30, 2022 are revenue for GAAP purposes but not for budgetary purposes.	99,314
Deferred grant revenue as of June 30, 2022	(118,150)
Total operating revenue as reported on the statement of revenues, expenses and changes in net position.	$ 1,170,133
Uses/outflows of resources	
Actual amounts (budgetary basis) from budgetary comparison schedule	$ 1,056,186
Payments of accounts payable recorded as of June 30, 2021 are expenditures for budgetary purposes but not for GAAP purposes.	(58,355)
Purchases of equipment for the year ended June 30, 2022.	(7,843)
Prepaid expenses recorded as of June 30, 2022, are expenditures for budgetary purposes but not for GAAP purposes.	(12,172)
Prepaid expenses recorded as of June 30, 2021, are expenses for GAAP purposes but not for budgetary purposes.	10,661
Payables accrued as of June 30, 2022 are expenses for GAAP purposes but not for budgetary purposes.	81,047
Total operating expenses as reported on the statement of revenues, expenses and changes in net position.	$ 1,069,524

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,

DRAFT

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	$ 27,948	$ 30,177	$ 24,314	$ 34,100	$ 34,046	$ 46,439	$ 45,136	$ 44,023
Interest on total pension liability	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	(102,335)	(17,811)	62,456	159,504	(279,643)	22,652	(589)	-
Benefit payments, including refunds of employee contributions	(33,245)	(55,712)	(24,079)	(23,630)	(23,038)	(7,427)	(5,370)	(5,293)
Net change in total pension liability	10,546	41,978	179,791	230,837	(221,440)	129,528	100,105	93,141
Total pension liability - beginning	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)	$1,344,435	$1,333,889	$1,291,911	$1,112,120	$ 881,283	$1,102,723	$ 973,195	$ 873,090
Plan fiduciary net position								
Contributions - employer	$ (86)	$ 859	$ 460	$ 20,150	$ 16,670	$ 20,601	$ 21,713	$ 24,294
Contributions - employee	16,348	16,152	16,746	17,480	14,694	16,585	17,468	17,147
Net investment income	417,410	29,215	96,946	99,250	145,211	22,505	49,158	140,644
Benefit payments, including refunds of employee contributions	(33,245)	(55,712)	(24,079)	(23,630)	(23,038)	(7,427)	(5,370)	(5,293)
Administrative expense	(1,027)	(1,015)	(942)	(829)	(815)	(2,049)	(630)	(720)
Other	39	(34)	(61)	(90)	(130)	(5)	(11)	7
Net change in plan fiduciary net position	399,439	(10,535)	89,070	112,331	152,592	50,210	82,328	176,079
Plan fiduciary net position - beginning	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)	$1,921,533	$1,522,094	$1,532,629	$1,443,559	$1,331,228	$1,178,636	$1,128,426	$1,046,098
Commission's net pension asset - ending (a)-(b)	$ (577,098)	$ (188,205)	$ (240,718)	$ (331,439)	$ (449,945)	$ (75,913)	$ (155,231)	$ (173,008)
Plan fiduciary net position as a percentage of the total Pension liability	142.92%	114.11%	118.63%	129.80%	151.06%	106.88%	115.95%	119.82%
Covered-employee payroll	$ 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	-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, 2013 THROUGH 2022

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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
2022	$ 3,181	$ -	$ 3,181	$ 481,998	0.00%	0.66%
2021	2,462	-	2,462	373,096	-	0
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%
2013	24,383	28,323	(3,940)	342,940	8.26%	7.11%

See accompanying notes.

RAPPAHANNOCK-RAPIDAN REGIONAL COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

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, 2020, 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