NEW RIVER VALLEY REGIONAL COMMISSION

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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FINANCIAL REPORT
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Independent Auditors' Report

To the Members of the Board
New River Valley Regional Commission
Radford, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the New River Valley Regional Commission, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the New River Valley Regional Commission, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension funding on pages 27-28 and 29-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New River Valley Regional Commission's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by ***Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2019, on our consideration of the New River Valley 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 the effectiveness of the New River Valley Regional Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New River Valley Regional Commission's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 7, 2019

Exhibit 1

New River Valley Regional Commission
Statement of Net Position
June 30, 2019

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	390,139
Investments		104,875
Accounts receivable		96,164
Due from other governmental units		793,729
Prepaid items		3,926
Net pension asset		176,785
Total assets	$	1,565,618
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	$	31,887
LIABILITIES		
Accounts payable	$	480,434
Accrued unemployment liability		25,914
Unearned revenue		15,338
Noncurrent liabilities:		
Due within one year		65,455
Due in more than one year		21,818
Total liabilities	$	608,959
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$	51,741
NET POSITION		
Restricted	$	24,153
Unrestricted		912,652
Total net position	$	936,805

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

Exhibit 2

New River Valley Regional Commission
Statement of Activities
For the Year Ended June 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
Primary Government:				
Governmental activities:				
Health and welfare	$ 3,717,545	$ -	$ 3,676,662	$ (40,883)
Community development	1,554,008	522,335	1,072,053	40,380
Total governmental activities	$ 5,271,553	$ 522,335	$ 4,748,715	$ (503)
General revenues:				
Miscellaneous				$ 49,494
Total general revenues				$ 49,494
Change in net position				$ 48,991
Net position - beginning				887,814
Net position - ending				$ 936,805

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

Exhibit 3

New River Valley Regional Commission
Balance Sheet
Governmental Funds
At June 30, 2019

ASSETS	General Fund	WIA Fund	Total
Cash and cash equivalents	$ 233,101	$ 157,038	$ 390,139
Investments	104,875	-	104,875
Accounts receivable	94,069	2,095	96,164
Internal balances	290,196	(290,196)	-
Prepaid items	3,926	-	3,926
Due from other governmental units	252,735	540,994	793,729
Total assets	$ 978,902	$ 409,931	$ 1,388,833
LIABILITIES			
Current liabilities:			
Accounts payable	$ 92,366	$ 388,068	$ 480,434
Accrued unemployment liability	25,914	-	25,914
Unearned revenue	15,338	-	15,338
Total liabilities	$ 133,618	$ 388,068	$ 521,686
FUND BALANCE			
Nonspendable	$ 3,926	$ -	$ 3,926
Restricted:			
Workforce Investment Act	-	21,863	21,863
ARC Funding	752	-	752
Renew the New	1,538	-	1,538
Unassigned	839,068	-	839,068
Total fund balance	$ 845,284	$ 21,863	$ 867,147
Total liabilities and fund balance	$ 978,902	$ 409,931	$ 1,388,833

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

Exhibit 4

New River Valley Regional Commission
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet	$	867,147
The net pension asset is not an available resource and, therefore, is not reported in the funds.		176,785
Deferred outflows of resources are not avilable to pay for current period expneditures and, therefore, are not reported in the funds.		
Pension related items		31,887
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		(87,273)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items		(51,741)
Net position of governmental activities	$	936,805

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

Exhibit 5

New River Valley Regional Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	WIA Fund	Total
Revenues:			
Charges for services	$ 522,335	$ -	$ 522,335
Contributions from localities	233,866	-	233,866
Miscellaneous revenue	5,776	43,718	49,494
Intergovernmental	838,187	3,676,662	4,514,849
Total revenues	$ 1,600,164	$ 3,720,380	$ 5,320,544
Expenditures:			
Community development	$ 1,576,083	$ -	$ 1,576,083
Health and welfare	-	3,717,545	3,717,545
Total expenditures	$ 1,576,083	$ 3,717,545	$ 5,293,628
Excess (deficiency) of revenues over (under) expenditures	$ 24,081	$ 2,835	$ 26,916
Fund balance, beginning of year	821,203	19,028	840,231
Fund balance, end of year	$ 845,284	$ 21,863	$ 867,147

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

Exhibit 6

New River Valley Regional Commission
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds			$	26,916
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.				
Change in compensated absences	$	(8,612)		
Change in pension related items		30,687		22,075
Change in net position of governmental activities			$	48,991

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

Note 1-Summary of Significant Accounting Policies:

The financial statements of the New River Valley Regional Commission have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The New River Valley Regional Commission was formed pursuant Title 15.2, Chapter 42 of the *Code of Virginia, (1950) as amended,* to encourage and facilitate local government cooperation and state-local cooperation in addressing on a regional basis problems of greater than local significance. Functional areas in which the Commission may assist participating jurisdictions include, but are not limited to: (i) economic and physical infrastructure development; (ii) solid waste, water supply and other environmental management; (iii) transportation; (iv) criminal justice; (v) emergency management; (vi) human services; and (vii) recreation. The Commission was formed to serve the towns of Blacksburg, Christiansburg, Floyd, Narrows, Pearisburg, Pulaski and Rich Creek; the counties of Floyd, Giles, Montgomery and Pulaski; and the City of Radford.

The New River Valley Regional Commission's financial statements include the accounts of all the Commission's operations. The criteria for including organizations as component units within the Commission's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Commission holds the corporate powers of the organization
- the Commission appoints a voting majority of the organization's board
- the Commission is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Commission
- there is fiscal dependency by the organization on the Commission

Based on the aforementioned criteria, the Commission has no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission (primary government). For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are other charges between the Commission's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

B. Government-wide and fund financial statements (continued)

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

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the functions (for instance, through user charges or intergovernmental grants).

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

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

The Commission reports the following major governmental funds:

The General Fund is the Commission's primary operating fund. It accounts for and reports all financial resources of the Commission, except those required to be accounted for in other funds.

The Workforce Investment Act Fund (WIA) accounts for and reports the deposit and expenditure of grant proceeds under the Workforce Investment Act programs.

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

1. *Cash and Cash Equivalents*

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Allowance for Uncollectible Accounts*

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

4. *Use of Estimates*

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

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

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

5. *Capital assets*

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

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

Assets	Years
Vehicles	5

6. *Deferred Outflows/Inflows of Resources*

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

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

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

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

7. *Compensated Absences*

Vested or accumulated paid time off that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The Commission accrues salary-related payments associated with the payment of compensated absences. All paid time off is accrued when incurred in the government-wide financial statements.

8. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

9. *Long-term obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources in the statement of revenues, expenditures and changes in fund balance and is not presented as a liability in the balance sheet.

10. *Fund equity*

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

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

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

10. Fund equity (continued)

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

11. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted—consist of assets that are restricted by the Commission's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

12. Net Position Flow Assumption

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

Note 2-Deposits and Investments:

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The investments, as reported in the financial statements as of June 30, 2019, consists of a non-negotiable certificate of deposit with an original maturity date of thirty months and has a balance of $104,875 at year end.

Note 3-Due from Other Governmental Units:

The following amount represents payments due from other governmental units at year end:

	Amount Due
Local:	
Counties and Town	$ 92,417
New River Valley MPO	7,141
New River Health District	10,254
Virginia's First Regional IFA	4,583
Roanoke Valley Alleghany Regional Commission	7,301
Commonwealth of Virginia:	
Categorical aid	39,316
Federal government:	
Categorical aid	632,717
Total	$ 793,729

Note 4-Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Commission for the year ended June 30, 2019.

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Amount Due Within One Year
Compensated Absences	$ 78,661	$ 67,608	$ (58,996)	$ 87,273	$ 65,455
Total	$ 78,661	$ 67,608	$ (58,996)	$ 87,273	$ 65,455

Note 5-Capital Assets:

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Vehicles	$ 31,421	$ -	$ -	$ 31,421
Accumulated depreciation:				
Vehicles	$ (31,421)	$ -	$ -	$ (31,421)
Total capital assets, net	$ -	$ -	$ -	$ -

All assets are currently fully depreciated and therefore no depreciation was expensed in the current year.

Note 6-Pension Plan:

Plan Description

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

Note 6-Pension Plan: (continued)

Benefit Structures

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

a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service.

b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service.

c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Note 6-Pension Plan: (continued)

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

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members:	
Vested inactive members	6
Non-vested inactive members	6
Inactive members active elsewhere in VRS	12
Total inactive members	36
Active members	17
Total covered employees	53

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, 2019 was 2.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $27,748 and $25,518 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 6-Pension Plan: (continued)

Net Pension Asset

The net pension asset (NPA) 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 New River Valley Regional Commission, the net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

<u>Note 6-Pension Plan</u>: (continued)

Actuarial Assumptions – General Employees (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 6-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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the New River Valley Regional Commission was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Note 6-Pension Plan: (continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at June 30, 2017	$ 2,287,702	$ 2,405,691	$ (117,989)
Changes for the year:			
Service cost	$ 74,436	$ -	$ 74,436
Interest	156,893	-	156,893
Differences between expected and actual experience	(40,686)	-	(40,686)
Contributions - employer	-	25,518	(25,518)
Contributions - employee	-	47,502	(47,502)
Net investment income	-	178,103	(178,103)
Benefit payments, including refunds of employee contributions	(92,744)	(92,744)	-
Administrative expenses	-	(1,525)	1,525
Other changes	-	(159)	159
Net changes	$ 97,899	$ 156,695	$ (58,796)
Balances at June 30, 2018	$ 2,385,601	$ 2,562,386	$ (176,785)

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

The following presents the net pension liability (asset) of the Commission using the discount rate of 7.00%, as well as what the Commission's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
New River Valley Regional Commission's Net Pension Liability (Asset)	$ 169,748	$ (176,785)	$ (457,914)

Note 6-Pension Plan: (continued)

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

For the year ended June 30, 2019, the Commission recognized pension expense of $(2,244). At June 30, 2019, 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 expected and actual experience	$ 4,139	$ 26,207
Changes in assumptions	-	3,571
Net difference between projected and actual earnings on pension plan investments	-	21,963
Employer contributions subsequent to the measurement date	27,748	-
Total	$ 31,887	$ 51,741

$27,748 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as an addition of the Net Pension Asset in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2020	$ (6,602)
2021	(14,139)
2022	(24,771)
2023	(2,090)
Total	$ (47,602)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 7-Interfund Transfers and Obligations:

Interfund transfer for the year ended June 30, 2019, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	$ 2,200,767	$ -
WIA Fund	-	2,200,767
Total	$ 2,200,767	$ 2,200,767

Transfers are used to reimburse the general fund for expense paid on behalf of the WIA fund.

At June 30, 2019, the general fund was due $290,196 from the WIA fund. The amount due is a result of timing of reimbursement from the WIA fund for expenses paid by the general fund.

Note 8-Risk Management:

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

Note 9-Compensated Absences:

Commission employees earn paid time off each month at a scheduled rate in accordance with years of service. Accumulated unpaid paid time off is accrued when incurred. At June 30, 2019 the liability for accrued paid time off totaled $87,273.

Note 10-Litigation:

At June 30, 2019, there were no matters of litigation involving the Commission which would materially affect the Commission's financial position should any court decision on pending matters not be favorable to the Commission.

Note 11-Allocation of Indirect Costs:

The Commission has entered into various agreements to assist the management of various projects and grants. The Commission charges for direct costs incurred plus a portion of indirect costs. Indirect costs are allocated on the ratio of the individual project's personnel services, including fringe benefits, to total personnel, including fringe benefits. For the period ending June 30, 2019, the Commission's overall indirect cost rate of 37.82% was calculated as follows:

Indirect costs	$ 294,302
Total direct personnel, including fringe benefits	778,088
Rate	37.82%

Note 12-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No, 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Exhibit 7

New River Valley Regional Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances -- General Fund
Budget and Actual
For the Year Ended June 30, 2019

Revenues:	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue from local sources:				
Charges for services	$ 600,370	$ 600,370	$ 522,335	$ (78,035)
Contributions from localities	233,867	233,867	233,866	(1)
Miscellaneous revenue	790	790	5,776	4,986
Total revenue from local sources	$ 835,027	$ 835,027	$ 761,977	$ (73,050)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
DHCD grants (administrative)	$ 75,971	$ 75,971	$ 75,971	$ -
VECF Grant	102,343	102,343	73,203	(29,140)
DEQ Grant	10,000	10,000	7,500	(2,500)
Virginia Department of Health	25,000	25,000	25,000	-
VHDA	55,312	55,312	52,896	(2,416)
Virginia Department of Transportation	26,200	26,200	12,704	(13,496)
Total revenue from the Commonwealth	$ 294,826	$ 294,826	$ 247,274	$ (47,552)
Revenue from the federal government:				
Categorical aid:				
ARC grant	$ 438,218	$ 438,218	$ 381,139	$ (57,079)
Federal Department of Transportation	104,800	104,800	50,814	(53,986)
VECF (DHHS pass-through)	-	-	88,960	88,960
EDA grant	70,000	70,000	70,000	-
Total revenue from the federal government	$ 613,018	$ 613,018	$ 590,913	$ (22,105)
Total revenues	$ 1,742,871	$ 1,742,871	$ 1,600,164	$ (142,707)

Exhibit 7
(Continued)

New River Valley Regional Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances -- General Fund
Budget and Actual
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:				
Community Development:				
Personnel	$ 760,103	$ 760,103	$ 735,110	$ 24,993
Fringe benefits	198,032	198,033	202,885	(4,852)
Office rent	49,968	49,968	49,968	-
Telephone	9,789	9,789	10,779	(990)
Office supplies	49,355	49,355	38,427	10,928
Postage	1,775	1,775	2,071	(296)
Printing	4,400	4,400	4,422	(22)
Advertising	900	900	12,360	(11,460)
Travel	17,650	17,650	18,327	(677)
Equipment maintenance and rent	14,490	14,490	8,301	6,189
Dues and publications	15,807	15,807	16,194	(387)
Training	15,250	15,250	10,478	4,772
Meeting expense	10,850	10,850	12,148	(1,298)
Insurance	3,200	3,200	2,956	244
Contractual services	559,274	559,274	441,365	117,909
Audit fee	4,700	4,700	5,366	(666)
Miscellaneous	4,150	4,150	4,926	(776)
Total expenditures	$ 1,719,693	$ 1,719,694	$ 1,576,083	$ 143,611
Excess (deficiency) of revenues over (under) expenditures	$ 23,178	$ 23,177	$ 24,081	$ 904
Net change in fund balance	$ 23,178	$ 23,177	$ 24,081	$ 904
Fund balance, beginning of year	(23,178)	(23,177)	821,203	844,380
Fund balance, end of year	$ -	$ -	$ 845,284	$ 845,284

New River Valley Regional Commission
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 74,436	$ 63,594	$ 60,289	$ 58,178	$ 73,896
Interest	156,893	148,310	135,569	144,082	134,557
Changes of assumptions	-	(17,049)	-	-	-
Differences between expected and actual experience	(40,686)	19,759	78,828	(238,023)	-
Benefit payments, including refunds of employee contributions	(92,744)	(91,265)	(94,061)	(77,634)	(67,136)
Net change in total pension liability	$ 97,899	$ 123,349	$ 180,625	$ (113,397)	$ 141,317
Total pension liability - beginning	2,287,702	2,164,353	1,983,728	2,097,125	1,955,808
Total pension liability - ending (a)	$ 2,385,601	$ 2,287,702	$ 2,164,353	$ 1,983,728	$ 2,097,125
Plan fiduciary net position					
Contributions - employer	$ 25,518	$ 22,496	$ 47,681	$ 45,215	$ 43,157
Contributions - employee	47,502	40,211	41,419	33,981	31,093
Net investment income	178,103	264,347	37,797	94,586	279,654
Benefit payments, including refunds of employee contributions	(92,744)	(91,265)	(94,061)	(77,634)	(67,136)
Administrative expense	(1,525)	(1,525)	(1,321)	(1,274)	(1,486)
Other	(159)	(235)	(16)	(22)	15
Net change in plan fiduciary net position	$ 156,695	$ 234,029	$ 31,499	$ 94,852	$ 285,297
Plan fiduciary net position - beginning	2,405,691	2,171,662	2,140,163	2,045,311	1,760,014
Plan fiduciary net position - ending (b)	$ 2,562,386	$ 2,405,691	$ 2,171,662	$ 2,140,163	$ 2,045,311
Commission's net pension liability (asset) - ending (a) - (b)	$ (176,785)	$ (117,989)	$ (7,309)	$ (156,435)	$ 51,814
Plan fiduciary net position as a percentage of the total pension liability	107.41%	105.16%	100.34%	107.89%	97.53%
Covered payroll	$ 1,007,089	$ 849,852	$ 749,202	$ 702,092	$ 621,860
Commission's net pension asset as a percentage of covered payroll	-17.55%	-13.88%	-0.98%	-22.28%	8.33%

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

Exhibit 9

New River Valley Regional Commission
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 27,748	$ 27,748	$ -	$ 1,122,452	2.47%
2018	25,518	25,518	-	1,007,089	2.53%
2017	22,496	22,496	-	849,852	2.65%
2016	47,681	47,681	-	749,202	6.60%
2015	45,215	45,215	-	702,092	6.60%
2014	43,157	43,157	-	621,860	6.94%
2013	52,783	52,783	-	760,566	6.94%
2012	6,930	6,930	-	699,991	0.99%
2011	6,261	6,261	-	632,395	0.99%
2010	22,299	22,299	-	571,770	3.90%

Current year contributions are from the Commission's records and prior year contributions are from the VRS actuarial valuation performed each year.

New River Valley Regional Commission
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

WIA Fund Budget:

The WIA Fund is not legally required to adopt a budget, thus eliminating the requirement to present budgetary comparison information.

Pension Plan:

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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

To the Members of the Board
New River Valley Regional Commission
Radford, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the New River Valley Regional Commission as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the New River Valley Regional Commission's basic financial statements and have issued our report thereon dated October 7, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the New River Valley Regional Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New River Valley Regional Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the New River Valley 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New River Valley 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 7, 2019

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Members of the Board
New River Valley Regional Commission
Radford, Virginia

Report on Compliance for Each Major Federal Program

We have audited the New River Valley Regional Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the New River Valley Regional Commission's major federal programs for the year ended June 30, 2019. New River Valley Regional Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the New River Valley Regional Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the New River Valley Regional Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 7, 2019

New River Valley Regional Commission
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number		Federal Expenditures	Expenditures to Suprecipients
Department of Labor:					
Direct Payments:					
H-1B Job Training Grants	17.268	Not applicable	$	1,786,155	$ 301,608
Pass-through payments from:					
Commonwealth of Virginia - Virginia Community College System:					
County of Pulaski, Virginia:					
Workforce Innovation and Opportunity Act (WIOA) (Cluster)					
WIOA Adult Program	17.258	AA-30941-17-55-A-51 /AA-32183-18-55-A-51		634,304	538,784
WIOA Dislocated Worker Formula Grants	17.278	AA-30941-17-55-A-51 /AA-32183-18-55-A-51		547,698	425,970
WIOA Youth Activities	17.259	AA-30941-17-55-A-51 /AA-32183-18-55-A-51		708,169	579,730
Total Workforce Innovation and Opportunity Act (WIOA) (Cluster)			$	1,890,171	
Total Department of Labor			$	3,676,326	
Social Security Administration:					
Direct Payments:					
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009	Not applicable	$	336	
Appalachian Regional Commission:					
Direct Payments:					
Appalachian Local Development District Assistance	23.009	Not applicable	$	381,139	
Department of Health and Human Services:					
Pass-through payments from:					
Virginia Early Childhood Foundation					
Temporary Assistance to Needy Families	93.558	Not available	$	84,600	
Preschool Development Grant (PDG B-5)	93.434	Not available		4,360	
Total Department of Labor			$	88,960	
Pass-through payments from:					
Virginia Department of Transportation					
Highway Planning and Construction	20.205	Not available	$	50,814	
Department of Commerce:					
Direct Payments:					
Economic Development - Support for Planning Organizations	11.302	Not applicable	$	70,000	
Total Expenditures of Federal Awards			$	4,267,575	$ 1,868,293

Notes to Schedule of Expenditures of Federal Awards

Note A-Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the New River Valley Regional Commission under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the New River Valley Regional Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the New River Valley Regional Commission.

Note B-Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB's Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity indentifying numbers are presented where available.

Note C-De Minimis Cost Rate:

The Commission did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note D-Relationship to the Financial Statements:

Intergovernmental revenues per the basic financial statements	$	4,514,849
Less: Aid from the Commonwealth of Virginia		(247,274)
Federal revenue as reported above	$	4,267,575

New River Valley Regional Commission
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified ?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified ?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
17.258/17.259/17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings and questioned costs to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings

Finding 2018-001

Condition: The auditee did not possess sufficient expertise in the selection and application of accounting principles to ensure the annual financial report met all applicable standards promulgated by Generally Accepted Accounting Standards (GAAS) and the Governmental Accounting Standards Board (GASB).

Recommendation: The auditor recommended the auditee review audit adjustments annually and replicate same in future periods to the extent possible.

Current Status: No similar finding was noted in the current year. The finding was properly addressed by the auditee.