

NEW RIVER VALLEY REGIONAL COMMISSION

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

**NEW RIVER VALLEY REGIONAL COMMISSION
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS

FINANCIAL SECTION

| | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| Independent Auditors' Report | | 1-3 |
| Basic Financial Statements: | | |
| Government-Wide Financial Statements: | | |
| Statement of Net Position | 1 | 4 |
| Statement of Activities | 2 | 5 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds | 3 | 6 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement Of Net Position | 4 | 7 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 5 | 8 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 6 | 9 |
| Notes to the Financial Statements | | 10-28 |
| Required Supplementary Information: | | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: General Fund | 7 | 29-30 |
| Schedule of Changes in Net Pension Liability (Asset) and Related Ratios | 8 | 31 |
| Schedule of Employer Contributions - Pension Plan | 9 | 32 |
| Notes to Required Supplementary Information | 10 | 33 |

COMPLIANCE SECTION

| | | |
|---|--|-------|
| 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 <i>Government Auditing Standards</i> | | 34-35 |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance | | 36-37 |
| Schedule of Expenditures of Federal Awards | | 38 |
| Schedule of Findings and Questioned Costs | | 39 |

FINANCIAL SECTION



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, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2021, 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 29-30 and 31-33 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 22, 2021, 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 22, 2021

Basic Financial Statements

New River Valley Regional Commission
Statement of Net Position
June 30, 2021

| | | <u>Governmental Activities</u> |
|---|----|------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ | 529,000 |
| Cash and cash equivalents with trustee - restricted | | 66,662 |
| Investments | | 108,586 |
| Accounts receivable | | 252,739 |
| Loans receivable | | 34,845 |
| Due from other governmental units | | 892,956 |
| Total assets | \$ | <u>1,884,788</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related items | \$ | 256,541 |
| Total deferred outflows of resources | \$ | <u>256,541</u> |
| LIABILITIES | | |
| Accounts payable | \$ | 605,025 |
| Accrued unemployment liability | | 25,197 |
| Unearned revenue | | 173,287 |
| Net pension liability | | 261,808 |
| Noncurrent liabilities: | | |
| Due within one year | | 70,895 |
| Due in more than one year | | 23,631 |
| Total liabilities | \$ | <u>1,159,843</u> |
| NET POSITION | | |
| Restricted | \$ | 162,410 |
| Unrestricted | | 819,076 |
| Total net position | \$ | <u>981,486</u> |

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

New River Valley Regional Commission
Statement of Activities
For the Year Ended June 30, 2021

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|-------------------------------|------------------|--------------------------------|---|--|
| <u>Functions/Programs</u> | <u>Expenses</u> | Charges for <u>Services</u> | Operating Grants and <u>Contributions</u> | <u>Governmental Activities</u> |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| Health and welfare | \$ 3,160,256 | \$ - | \$ 3,147,603 | (12,653) |
| Community development | 1,748,145 | 904,528 | 932,973 | 89,356 |
| Total governmental activities | \$ 4,908,401 | \$ 904,528 | \$ 4,080,576 | \$ 76,703 |
| General revenues: | | | | |
| Interest Income | | | | \$ 279 |
| Miscellaneous | | | | 61,396 |
| Total general revenues | | | | \$ 61,675 |
| Change in net position | | | | 138,378 |
| Net position - beginning | | | | 843,108 |
| Net position - ending | | | | \$ 981,486 |

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

New River Valley Regional Commission
Balance Sheet
Governmental Funds
At June 30, 2021

| | General Fund | WIA Fund | Total |
|---|---------------------|-------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 278,500 | \$ 250,500 | \$ 529,000 |
| Cash and cash equivalents with trustee - restricted | 66,662 | - | 66,662 |
| Investments | 108,586 | - | 108,586 |
| Accounts receivable | 45,261 | 207,478 | 252,739 |
| Loans receivable | 34,845 | - | 34,845 |
| Internal balances | 280,396 | (280,396) | - |
| Due from other governmental units | 475,907 | 417,049 | 892,956 |
| Total assets | <u>\$ 1,290,157</u> | <u>\$ 594,631</u> | <u>\$ 1,884,788</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 200,346 | \$ 404,679 | \$ 605,025 |
| Accrued unemployment liability | 25,197 | - | 25,197 |
| Unearned revenue | 41,464 | 131,823 | 173,287 |
| Total liabilities | <u>\$ 267,007</u> | <u>\$ 536,502</u> | <u>\$ 803,509</u> |
| FUND BALANCE | | | |
| Restricted: | | | |
| Workforce Investment Act | \$ - | \$ 58,129 | \$ 58,129 |
| ARC Funding | 2,774 | - | 2,774 |
| Revolving loan program | 101,507 | - | 101,507 |
| Unassigned | 918,869 | - | 918,869 |
| Total fund balance | <u>\$ 1,023,150</u> | <u>\$ 58,129</u> | <u>\$ 1,081,279</u> |
| Total liabilities and fund balance | <u>\$ 1,290,157</u> | <u>\$ 594,631</u> | <u>\$ 1,884,788</u> |

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

New River Valley Regional Commission
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2021

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

| | | |
|--|----|-----------------------|
| Total fund balances per Exhibit 3 - Balance Sheet | \$ | 1,081,279 |
| Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds. | | |
| Pension related items | | 256,541 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | | (94,526) |
| Net pension liability | | <u>(261,808)</u> |
| Net position of governmental activities | \$ | <u><u>981,486</u></u> |

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

New River Valley Regional Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

| Revenues: | General Fund | WIA Fund | Total |
|---|---------------------|---------------------|---------------------|
| Interest Income | \$ 279 | \$ - | \$ 279 |
| Charges for services | 904,528 | - | 904,528 |
| Contributions from localities | 235,827 | - | 235,827 |
| Contributions from NRV Development Corp. | 101,285 | - | 101,285 |
| Miscellaneous revenue | 2,333 | 59,063 | 61,396 |
| Intergovernmental | 595,861 | 3,147,603 | 3,743,464 |
| Total revenues | <u>\$ 1,840,113</u> | <u>\$ 3,206,666</u> | <u>\$ 5,046,779</u> |
| | | | |
| Expenditures: | | | |
| Community development | \$ 1,639,855 | \$ - | \$ 1,639,855 |
| Health and welfare | - | 3,160,256 | 3,160,256 |
| Total expenditures | <u>\$ 1,639,855</u> | <u>\$ 3,160,256</u> | <u>\$ 4,800,111</u> |
| | | | |
| Excess (deficiency) of revenues over (under) expenditures | \$ 200,258 | \$ 46,410 | \$ 246,668 |
| | | | |
| Fund balance, beginning of year | <u>822,892</u> | <u>11,719</u> | <u>834,611</u> |
| | | | |
| Fund balance, end of year | <u>\$ 1,023,150</u> | <u>\$ 58,129</u> | <u>\$ 1,081,279</u> |

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

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, 2021

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

| | | |
|--|------------------|-----------------------|
| Net change in fund balances - total governmental funds | \$ | 246,668 |
| 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 | \$ | 1,859 |
| Change in pension related items | <u>(110,149)</u> | <u>(108,290)</u> |
| Change in net position of governmental activities | \$ | <u><u>138,378</u></u> |

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

NEW RIVER VALLEY REGIONAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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, Pembroke, 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 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.

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.

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

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

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.

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.

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

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.

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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 liability and contributions to the pension plan made during the current year and subsequent to the net pension liability 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 does not have any deferred inflows of resources as of June 30, 2021.

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.

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

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

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 fiduciary net 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 balance*

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;
- 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.

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

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

10. Fund balance (continued)

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.

Note 2-Deposits and Investments: (continued)

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 that has received at least two of the following ratings: P-1 by Moody’s Investor Service, Inc; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), 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, 2021, consists of a non-negotiable certificate of deposit with an original maturity date of thirty months and has a balance of \$108,586 at year end.

Note 3-Due from Other Governmental Units:

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

| | <u>Amount Due</u> |
|-------------------------------|-------------------|
| Local: | |
| Counties and Town | \$ 112,109 |
| New River Health District | 1,512 |
| Virginia’s First Regional IFA | 6,749 |
| Commonwealth of Virginia: | |
| Categorical aid | 232,231 |
| Federal government: | |
| Categorical aid | 540,355 |
| Total | <u>\$ 892,956</u> |

Note 4-Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Commission for the year ended June 30, 2021.

| | Balance | | | Balance | Amount Due |
|----------------------|------------------|------------------|--------------------|------------------|------------------|
| | July 1, 2020 | Increases | Decreases | June 30, 2021 | Within One Year |
| Compensated Absences | \$ 96,385 | \$ 70,430 | \$ (72,289) | \$ 94,526 | \$ 70,895 |
| Total | <u>\$ 96,385</u> | <u>\$ 70,430</u> | <u>\$ (72,289)</u> | <u>\$ 94,526</u> | <u>\$ 70,895</u> |

Note 5-Capital Assets:

Capital asset activity for the year ended June 30, 2021 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.

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 with a membership date 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 service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

Note 6-Pension Plan: (continued)

Benefit Structures (continued)

- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before 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 service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date 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 service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. 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 service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% 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.

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 service credit 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 service credit 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.

Note 6-Pension Plan: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|----------------------|
| Inactive members or their beneficiaries currently receiving benefits | 14 |
| Inactive members: | |
| Vested inactive members | 7 |
| Non-vested inactive members | 8 |
| Inactive members active elsewhere in VRS | 9 |
| Total inactive members | <u>24</u> |
| Active members | <u>21</u> |
| Total covered employees | <u><u>59</u></u> |

Contributions

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

The Commission's contractually required contribution rate for the year ended June 30, 2021 was 4.80% 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$51,568 and \$25,972 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension asset (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 New River Valley Regional Commission, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Note 6-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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Mortality rates:

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.

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Note 6-Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

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

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Note 6-Pension Plan: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; 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, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2019 | \$ 2,701,045 | \$ 2,708,252 | \$ (7,207) |
| Changes for the year: | | | |
| Service cost | \$ 102,015 | \$ - | \$ 102,015 |
| Interest | 177,512 | - | 177,512 |
| Differences between expected and actual experience | 116,750 | - | 116,750 |
| Contributions - employer | - | 25,972 | (25,972) |
| Contributions - employee | - | 52,247 | (52,247) |
| Net investment income | - | 50,883 | (50,883) |
| Benefit payments, including refunds of employee contributions | (142,489) | (142,489) | - |
| Administrative expenses | - | (1,779) | 1,779 |
| Other changes | - | (61) | 61 |
| Net changes | \$ 253,788 | \$ (15,227) | \$ 269,015 |
| Balances at June 30, 2020 | \$ 2,954,833 | \$ 2,693,025 | \$ 261,808 |

Note 6-Pension Plan: (continued)

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| New River Valley Regional Commission's Net Pension Liability (Asset) | \$ 695,752 | \$ 261,808 | \$ (89,452) |

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

For the year ended June 30, 2021, the Commission recognized pension expense of \$161,717. At June 30, 2021, the Commission reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources |
|--|-----------------------------------|
| Differences between expected and actual experience | \$ 99,364 |
| Changes in assumptions | 24,565 |
| Net difference between projected and actual earnings on pension plan investments | 81,044 |
| Employer contributions subsequent to the measurement date | 51,568 |
| Total | \$ 256,541 |

Note 6-Pension Plan: (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$51,568 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, 2022. 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:

| <u>Year ended June 30</u> | |
|---------------------------|-------------------|
| 2022 | \$ 88,616 |
| 2023 | 63,096 |
| 2024 | 27,324 |
| 2025 | 25,937 |
| Total | <u>\$ 204,973</u> |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 Obligations:

At June 30, 2021, the general fund was due \$280,396 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, 2021 the liability for accrued paid time off totaled \$94,526.

Note 10-Loans Receivable:

Loans receivable include amounts due the Commission under their re-lending programs. The total amount due the Commission at June 30, 2021 was \$35,845. The Commission has recorded no allowance for doubtful accounts.

Note 11-Litigation:

At June 30, 2021, 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 12-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, 2021, the Commission's overall indirect cost rate of 31.13% was calculated as follows:

| | |
|---|---------------|
| Indirect costs | \$ 331,135 |
| Total direct personnel, including fringe benefits | 1,063,884 |
| Rate | <u>31.13%</u> |

Note 13-Subsequent Event:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Authority's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Commission is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

Note 14-Upcoming Pronouncements:

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 June 15, 2021.

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, 2020.

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, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Note 14-Upcoming Pronouncements: (continued)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

Required Supplementary Information

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, 2021

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|---------------------|--|
| Revenues: | | | | |
| Revenue from local sources: | | | | |
| Interest Income | \$ - | \$ - | \$ 279 | \$ 279 |
| Charges for services | 669,867 | 669,867 | 904,528 | 234,661 |
| Contributions from localities | 235,826 | 235,826 | 235,827 | 1 |
| Contribution from NRV Development Corp. | - | - | 101,285 | 101,285 |
| Miscellaneous revenue | - | - | 2,333 | 2,333 |
| Total revenue from local sources | \$ 905,693 | \$ 905,693 | \$ 1,244,252 | \$ 338,559 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| DHCD grants (administrative) | \$ 75,971 | \$ 75,971 | \$ 75,971 | \$ - |
| DEQ Grant | 5,250 | 5,250 | 11,445 | 6,195 |
| Virginia Department of Health | 10,000 | 10,000 | 8,205 | (1,795) |
| Virginia Department of Transportation | 25,600 | 25,600 | 11,945 | (13,655) |
| VDRPT RideSolutions | 77,160 | 77,160 | 62,622 | (14,538) |
| Total revenue from the Commonwealth | \$ 193,981 | \$ 193,981 | \$ 170,188 | \$ (23,793) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| ARC grant | \$ 83,666 | \$ 83,666 | \$ 80,324 | \$ (3,342) |
| Federal Department of Transportation | 102,400 | 102,400 | 47,779 | (54,621) |
| EDA grant | 70,000 | 70,000 | 70,000 | - |
| CDBG | 258,500 | 258,500 | 60,788 | (197,712) |
| CARES | 225,000 | 225,000 | 166,782 | (58,218) |
| Total revenue from the federal government | \$ 739,566 | \$ 739,566 | \$ 425,673 | \$ (313,893) |
| Total revenues | \$ 1,839,240 | \$ 1,839,240 | \$ 1,840,113 | \$ 873 |

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, 2021

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|-------------------------|-------------------------|----------------------------|--|
| Expenditures: | | | | |
| Community Development: | | | | |
| Personnel | \$ 869,513 | \$ 869,513 | \$ 1,008,496 | \$ (138,983) |
| Fringe benefits | 222,602 | 222,602 | 263,199 | (40,597) |
| Office rent | 49,968 | 49,968 | 61,741 | (11,773) |
| Telephone | 11,401 | 11,401 | 21,012 | (9,611) |
| Office supplies | 101,034 | 101,034 | 86,975 | 14,059 |
| Postage | 2,126 | 2,126 | 1,174 | 952 |
| Printing | 4,500 | 4,500 | 4,791 | (291) |
| Advertising | 9,533 | 9,533 | 11,135 | (1,602) |
| Travel | 33,211 | 33,211 | 3,530 | 29,681 |
| Equipment maintenance and rent | 14,243 | 14,243 | 6,053 | 8,190 |
| Dues and publications | 16,835 | 16,835 | 18,220 | (1,385) |
| Training | 10,845 | 10,845 | 7,288 | 3,557 |
| Meeting expense | 11,125 | 11,125 | 1,776 | 9,349 |
| Insurance | 3,605 | 3,605 | 3,474 | 131 |
| Contractual services | 457,484 | 457,484 | 119,312 | 338,172 |
| Audit fee | 4,540 | 4,540 | 4,493 | 47 |
| Miscellaneous | 4,700 | 4,700 | 17,186 | (12,486) |
| Total expenditures | <u>\$ 1,827,265</u> | <u>\$ 1,827,265</u> | <u>\$ 1,639,855</u> | <u>\$ 187,410</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 11,975</u> | <u>\$ 11,975</u> | <u>\$ 200,258</u> | <u>\$ 188,283</u> |
| Net change in fund balance | \$ 11,975 | \$ 11,975 | \$ 200,258 | \$ 188,283 |
| Fund balance, beginning of year | <u>-</u> | <u>-</u> | <u>822,892</u> | <u>822,892</u> |
| Fund balance, end of year | <u><u>\$ 11,975</u></u> | <u><u>\$ 11,975</u></u> | <u><u>\$ 1,023,150</u></u> | <u><u>\$ 1,011,175</u></u> |

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, 2020

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total pension liability | | | | | | | |
| Service cost | \$ 102,015 | \$ 88,611 | \$ 74,436 | \$ 63,594 | \$ 60,289 | \$ 58,178 | \$ 73,896 |
| Interest | 177,512 | 163,344 | 156,893 | 148,310 | 135,569 | 144,082 | 134,557 |
| Changes of assumptions | - | 88,369 | - | (17,049) | - | - | - |
| Differences between expected and actual experience | 116,750 | 79,347 | (40,686) | 19,759 | 78,828 | (238,023) | - |
| Benefit payments | (142,489) | (104,227) | (92,744) | (91,265) | (94,061) | (77,634) | (67,136) |
| Net change in total pension liability | \$ 253,788 | \$ 315,444 | \$ 97,899 | \$ 123,349 | \$ 180,625 | \$ (113,397) | \$ 141,317 |
| Total pension liability - beginning | \$ 2,701,045 | \$ 2,385,601 | \$ 2,287,702 | \$ 2,164,353 | \$ 1,983,728 | \$ 2,097,125 | \$ 1,955,808 |
| Total pension liability - ending (a) | \$ 2,954,833 | \$ 2,701,045 | \$ 2,385,601 | \$ 2,287,702 | \$ 2,164,353 | \$ 1,983,728 | \$ 2,097,125 |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 25,972 | \$ 27,748 | \$ 25,518 | \$ 22,496 | \$ 47,681 | \$ 45,215 | \$ 43,157 |
| Contributions - employee | 52,247 | 52,583 | 47,502 | 40,211 | 41,419 | 33,981 | 31,093 |
| Net investment income | 50,883 | 171,551 | 178,103 | 264,347 | 37,797 | 94,586 | 279,654 |
| Benefit payments | (142,489) | (104,227) | (92,744) | (91,265) | (94,061) | (77,634) | (67,136) |
| Administrative charges | (1,779) | (1,681) | (1,525) | (1,525) | (1,321) | (1,274) | (1,486) |
| Other | (61) | (108) | (159) | (235) | (16) | (22) | 15 |
| Net change in plan fiduciary net position | \$ (15,227) | \$ 145,866 | \$ 156,695 | \$ 234,029 | \$ 31,499 | \$ 94,852 | \$ 285,297 |
| Plan fiduciary net position - beginning | \$ 2,708,252 | \$ 2,562,386 | \$ 2,405,691 | \$ 2,171,662 | \$ 2,140,163 | \$ 2,045,311 | \$ 1,760,014 |
| Plan fiduciary net position - ending (b) | \$ 2,693,025 | \$ 2,708,252 | \$ 2,562,386 | \$ 2,405,691 | \$ 2,171,662 | \$ 2,140,163 | \$ 2,045,311 |
| Commission's net pension liability (asset) - ending (a) - (b) | \$ 261,808 | \$ (7,207) | \$ (176,785) | \$ (117,989) | \$ (7,309) | \$ (156,435) | \$ 51,814 |
| Plan fiduciary net position as a percentage of the total pension liability | 91.14% | 100.27% | 107.41% | 105.16% | 100.34% | 107.89% | 97.53% |
| Covered payroll | \$ 1,119,239 | \$ 1,122,452 | \$ 1,007,089 | \$ 849,852 | \$ 749,202 | \$ 702,092 | \$ 621,860 |
| Commission's net pension asset as a percentage of covered payroll | 23.39% | -0.64% | -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.

New River Valley Regional Commission
 Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2012 through June 30, 2021

| 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) |
|------|--|---|---|---|---|
| 2021 | \$ 51,568 | \$ 51,568 | \$ - | \$ 1,309,283 | 3.94% |
| 2020 | 25,972 | 25,972 | - | 1,119,239 | 2.32% |
| 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% |

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, 2021**

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

COMPLIANCE SECTION



**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, 2021, 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 22, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 22, 2021



**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, 2021. 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, 2021.

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 22, 2021

New River Valley Regional Commission
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Grantor/ Pass-through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Federal Expenditures | Expenditures to Subrecipients |
|---|--|--|-------------------------|----------------------------------|
| Department of Labor: | | | | |
| Direct Payments: | | | | |
| H-1B Job Training Grants | 17.268 | Not applicable | \$ 634,480 | |
| 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-33260-19-55-A-51 /AA-32183-18-55-A-51 | 560,745 | 409,454 |
| WIOA Dislocated Worker Formula Grants | 17.278 | AA-33260-19-55-A-51 /AA-32183-18-55-A-51 | 434,403 | 233,661 |
| WIOA Youth Activities | 17.259 | AA-33260-19-55-A-51 /AA-32183-18-55-A-51 | <u>503,051</u> | 374,211 |
| Total Workforce Innovation and Opportunity Act (WIOA) Cluster | | | <u>\$ 1,498,199</u> | |
| Pass-through payments from: | | | | |
| Virginia Employment Commission: | | | | |
| Employment Service Cluster: | | | | |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | Not available | <u>\$ 421,830</u> | |
| Total Department of Labor | | | <u>\$ 2,554,509</u> | |
| Social Security Administration: | | | | |
| Direct Payments: | | | | |
| Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries | 96.009 | Not applicable | <u>\$ 19,681</u> | |
| Appalachian Regional Commission: | | | | |
| Direct Payments: | | | | |
| Appalachian Local Development District Assistance | 23.009 | Not applicable | \$ 68,667 | |
| Appalachian Area Development | 23.002 | Not applicable | <u>117,827</u> | |
| Total Appalachian Regional Commission | | | <u>\$ 186,494</u> | |
| U.S. Department of Housing and Urban Development: | | | | |
| Pass-through payments from: | | | | |
| County of Giles, Virginia: | | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | Not available | <u>\$ 60,788</u> | |
| Department of Transportation: | | | | |
| Pass-through payments from: | | | | |
| Virginia Department of Transportation: | | | | |
| Highway Planning and Construction Cluster: | | | | |
| Highway Planning and Construction (Federal-Aid Highway Program) | 20.205 | Not available | <u>\$ 47,779</u> | |
| Department of Commerce: | | | | |
| Direct Payments: | | | | |
| Economic Development - Support for Planning Organizations | 11.302 | Not applicable | \$ 70,000 | |
| Economic Development Cluster: | | | | |
| Economic Adjustment Assistance | 11.307 | Not applicable | <u>166,782</u> | |
| Total Department of Commerce | | | <u>\$ 236,782</u> | |
| Department of Treasury: | | | | |
| Pass-through payment from: | | | | |
| Virginia Employment Commission: | | | | |
| COVID-19 Coronavirus Relief Fund | 21.019 | SLT0022 | <u>\$ 12,763</u> | |
| Total Expenditures of Federal Awards | | | <u>\$ 3,118,796</u> | <u>\$ 1,039,527</u> |

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, 2021. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget's 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 identifying 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 | \$ 3,743,464 |
| Less: Aid from the Commonwealth of Virginia | (624,668) |
| Federal revenue as reported above | <u>\$ 3,118,796</u> |

New River Valley Regional Commission
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

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:

| <u>Assistance Listing #</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------|---|
| 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? | Yes |

Section II - Financial Statement Findings

There are no financial statement findings 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

There were no prior year audit findings reported.