NEW RIVER VALLEY PLANNING DISTRICT COMMISSION

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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Independent Auditors' Report

To the Members of the Board
New River Valley Planning District 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 Planning District Commission, as of and for the year ended June 30, 2014, 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.

Opinion

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 Planning District Commission, as of June 30, 2014, 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 of pension and OPEB funding progress on pages 32-34 and 35 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New River Valley Planning District Commission's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 relate 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 September 19, 2014, on our consideration of the New River Valley Planning District 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New River Valley Planning District Commission’s internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
September 19, 2014

Basic Financial Statements

Exhibit 1

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION

Statement of Net Position

June 30, 2014

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	604,935
Accounts receivable		332,140
Due from governmental units		376,975
Capital assets (net of accumulated depreciation):		
Vehicles and equipment		10,177
Total assets	$	1,324,227
LIABILITIES		
Accounts payable	$	555,967
Accrued unemployment liability		16,251
Unearned revenue		28,810
Noncurrent liabilities:		
Due within one year		38,715
Due in more than one year		116,103
Total liabilities	$	755,846
NET POSITION		
Investment in capital assets	$	10,177
Restricted for Workforce Investment Act Program		22
Unrestricted		558,182
Total net position	$	568,381

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

Exhibit 2

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION
Statement of Activities
For the Year Ended June 30, 2014

		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	$ 2,549,554	$ -	$ 2,549,554	$ -
Community development	1,825,118	771,674	1,117,045	63,601
Total governmental activities	$ 4,374,672	$ 771,674	$ 3,666,599	$ 63,601
General revenues:				
Miscellaneous				$ 12,712
Total general revenues				$ 12,712
Change in net position				76,313
Net position - beginning				492,068
Net position - ending				$ 568,381

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

Exhibit 3

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION
Balance Sheet
Governmental Funds
At June 30, 2014

ASSETS		General Fund		WIA Fund		Total
Current assets:						
Cash and cash equivalents	$	476,296	$	128,639	$	604,935
Accounts receivable		330,566		1,574		332,140
Due from governmental units		-		376,975		376,975
Total assets	$	806,862	$	507,188	$	1,314,050
LIABILITIES AND FUND BALANCE						
Current liabilities:						
Accounts payable	$	48,801	$	507,166	$	555,967
Accrued unemployment liability		16,251		-		16,251
Unearned revenue		28,810		-		28,810
Total liabilities	$	93,862	$	507,166	$	601,028
Fund balance:						
Restricted for Workforce Investment Act Program	$	-	$	22	$	22
Unassigned		713,000		-		713,000
Total fund balance	$	713,000	$	22	$	713,022
Total liabilities and fund balance	$	806,862	$	507,188	$	1,314,050

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

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet		$ 713,022
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Vehicles		10,177
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	$ (51,620)	
Net OPEB obligation	(103,198)	(154,818)
Net position of governmental activities		$ 568,381

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

Exhibit 5

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	WIA Fund	Total
Revenues:			
Charges for services	$ 771,674	$ -	$ 771,674
Contributions from localities	223,379	-	223,379
Contributions from others	7,745	-	7,745
Miscellaneous revenue	12,712	-	12,712
Intergovernmental	885,921	2,549,554	3,435,475
Total revenues	$ 1,901,431	$ 2,549,554	$ 4,450,985
Expenditures:			
Community Development:			
Personnel	$ 702,024	$ -	$ 702,024
Fringe benefits	238,374	-	238,374
Office rent	60,856	-	60,856
Telephone	12,835	-	12,835
Office supplies	28,225	-	28,225
Postage	2,819	-	2,819
Printing	18,923	-	18,923
Advertising	720	-	720
Travel	44,794	-	44,794
Equipment maintenance and rent	13,565	-	13,565
Dues and publications	10,199	-	10,199
Training	2,433	-	2,433
Meeting expense	10,228	-	10,228
Insurance	10,497	-	10,497
Capital outlay	2,189	-	2,189
Contractual services	635,867	-	635,867
Audit fee	7,750	-	7,750
Miscellaneous	15,208	-	15,208
Health and Welfare:			
Administrative grant costs	-	287,085	287,085
Program grant costs	-	2,262,469	2,262,469
Total expenditures	$ 1,817,506	$ 2,549,554	$ 4,367,060
Excess (deficiency) of revenues over expenditures	$ 83,925	$ -	$ 83,925
Fund balance, beginning of year	629,075	22	629,097
Fund balance, end of year	$ 713,000	$ 22	$ 713,022

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

Exhibit 6

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:				
Net change in fund balances - total governmental funds			$	83,925
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.				
Depreciation expense				(3,392)
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.				
(Increase) decrease in compensated absences	$	(138)		
(Increase) decrease in net OPEB obligation		(4,082)		(4,220)
Change in net position of governmental activities			$	76,313

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 Planning District Commission (the Commission) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The New River Valley Planning District 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 Planning District 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 (government and business-type activities). Governments will report all capital assets in the government-wade 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 either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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 fair market 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
Computer and related equipment	3-5
Furniture and fixtures	10
Vehicles	5

6. Compensated Absences

Vested or accumulated vacation leave 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 vacation pay is accrued when incurred in the government-wide financial statements.

7. 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.

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

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

8. *Fund equity*

The New River Valley Planning District Commission reports Fund balance in accordance with provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – 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 New River Valley Planning District Commission's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The New River Valley Planning District 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).

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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)

9. *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.

E. Net Position Flow Assumption

Sometimes the Authority 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.

F. 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) until then. The Commission does not have any deferred outflows of resources as of June 30, 2014.

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, 2014.

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). As of June 30, 2014 and for the year then ended the Commission did not have any investments.

Note 3-Due from Other Governmental Units:

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

	Amount Due
Due from Federal Government:	
U.S Department of Labor	
Pass through the Commonwealth of Virginia:	
Virginia Community College System	
Workforce Investment Act	$ 376,975

Note 4-Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Commission for the year ended June 30, 2014.

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Amount Due Within One Year
Net OPEB Obligation	$ 99,116	$ 9,725	$ (5,643)	$ 103,198	$ -
Compensated Absences	51,482	38,749	(38,612)	51,620	38,715
Total	$ 150,598	$ 48,474	$ (44,255)	$ 154,818	$ 38,715

Note 5- Pension Plans:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview -** VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

2. **Eligible Members -** Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

3. **Hybrid Opt-In Election -** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions -** Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Note 5- Pension Plans: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

5. **Creditable Service -** Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

6. **Vesting -** Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

   Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit -** The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

   An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation -** A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier -** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age -** Age 65.

11. **Earliest Unreduced Retirement Eligibility -** Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility -** Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Note 5- Pension Plans: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. **Eligibility -** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

    For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates -** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. **Disability Coverage -** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 5- Pension Plans: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

17. **Purchase of Prior Service -** Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

1. **Plan Overview -** VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

2. **Eligible Members -** Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

3. **Hybrid Opt-In Election -** VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** – Same as VRS Plan 1–Refer to Section 4.

5. **Creditable Service** – Same as VRS Plan 1– Refer to Section 5.

6. **Vesting** – Same as VRS Plan 1–Refer to Section 6.

7. **Calculating the Benefit** – Same as VRS Plan 1–Refer to Section 7.

8. **Average Final Compensation -** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Note 5- Pension Plans: (continued)

A. Plan Description (continued)

VRS – PLAN 2 (continued)

9. **Service Retirement Multiplier -** Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

10. **Normal Retirement Age -** Normal Social Security retirement age.

11. **Earliest Unreduced Retirement Eligibility -** Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility -** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement -** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. **Eligibility** – Same as VRS Plan 1–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1–Refer to Section 15.

16. **Disability Coverage -** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** – Same as VRS Plan 1–Refer to Section 17.

Note 5- Pension Plans: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

   - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

   - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

   - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

   - State employees*

   - School division employees

   - Political subdivision employees*

   - Judges appointed or elected to an original term on or after January 1, 2014

   - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

Note 5- Pension Plans: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

   - Members of the State Police Officers' Retirement System (SPORS)
   - Members of the Virginia Law Officers' Retirement System (VaLORS)
   - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

   Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions -** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. **Creditable Service**

   Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

   Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 5- Pension Plans: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation – Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Note 5- Pension Plans: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component – Not Applicable.

14. Eligibility – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. Exceptions to COLA Effective Dates – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 5- Pension Plans: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Commission is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Commission's contribution rate for the fiscal year ended 2014 was 6.94% of annual covered payroll.

C. Annual Pension Cost:

For fiscal year 2014, New River Valley Planning District Commission's annual pension cost of $43,157 was equal to the New River Valley Planning District Commission's required and actual contributions.

Three - Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	$ 43,157	100.00%	$ -
6/30/2013	52,173	100.00%	-
6/30/2012	6,930	100.00%	-

Note 5-Pension Plans: (continued)

C. Annual Pension Cost (continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Commission's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Commission's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Commission's plan was 85.56% funded. The actuarial accrued liability for benefits was $1,955,808, and the actuarial value of assets was $1,673,388, resulting in an unfunded actuarial accrued liability (UAAL) of $282,420. The covered payroll (annual payroll of active employees covered by the plan) was $729,072 and ratio of the UAAL to the covered payroll was 38.74%.

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Note 6-Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Vehicles	$ 80,481	$ -	$ (31,098)	$ 49,383
Furniture, fixtures and equipment	22,032	-	(22,032)	-
Total capital assets being depreciated	$ 102,513	$ -	$ (53,130)	$ 49,383
Accumulated depreciation:				
Vehicles	$ (66,912)	$ (3,392)	$ 31,098	$ (39,206)
Furniture, fixtures and equipment	(22,032)	-	22,032	-
Total accumulated depreciation	$ (88,944)	$ (3,392)	$ 53,130	$ (39,206)
Total capital assets, net	$ 13,569	$ (3,392)	$ -	$ 10,177

All depreciation expense was charged to the Community Development function in the Statement of Activities.

Note 7-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.

Note 8-Compensated Absences:

Commission employees earn vacation leave each month at a scheduled rate in accordance with years of service. Accumulated unpaid vacation is accrued when incurred. At June 30, 2014 the liability for accrued vacation pay totaled $51,620.

Note 9-Other Postemployment Benefits – Health Insurance:

The Commission recognizes the cost of retiree health benefits during the period of active employment, while the benefits are being earned, and discloses the unfunded actuarial accrued liability (UAAL) in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Commission. As the Commission has less than 100 employees and is not required to have an actuarial valuation performed, the alternative measurement method was utilized to determine the amounts that follow.

A. Plan Description

The Commission allows retirees to participate in health insurance programs offered by the Commission. To participate, a retiree must have reached age 55 and completed at least 5 years of full-time service with the Commission. Retirees are required to contribute 100% of their health insurance premiums to the Commission. The retirees' health insurance rates are not age adjusted; rather the retirees pay the same premium as active employees.

B. Funding Policy

The contribution requirements of the plan members and the Commission are established and may be amended by the Commission. The Commission currently pays for post-retirement health care benefits on a pay-as-you-go basis. Retirees are responsible for the payment of 100% of the health care insurance rates shown below:

Participants	Monthly Premium
Employee	$ 541.00
Employee / Spouse	1,001.00
Family	1,461.00

C. Annual OPEB Cost and Net OPEB Obligation

The Commission is required to compute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB costs for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligations:

Annual required contribution	$ 19,506
Interest on net OPEB obligation	3,965
Adjustment to annual required contribution	(13,746)
Annual OPEB cost (expense)	9,725
Contributions made	(5,643)
Increase in net OPEB obligation	4,082
Net OPEB obligation - beginning of year	99,116
Net OPEB obligation - end of year	$ 103,198

Note 9-Other Postemployment Benefits – Health Insurance: (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2012	$ 51,488	31.00%	$ 93,144
6/30/2013	22,056	73.00%	99,166
6/30/2014	9,725	58.00%	103,198

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2013, the most recent valuation date was as follows:

Actuarial accrued liability (AAL)	$	99,166
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability (UAAL)	$	99,166
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active plan members)	$	597,005
UAAL as a percentage of covered payroll		16.61%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and inflation. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Note 9-Other Postemployment Benefits – Health Insurance: (continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions for the Commission include:

	Assumptions
Amortization period	30 years
Investment rate of return	4%
Payroll growth	3.00%
Age adjustment factor	1.8

The UAAL is being amortized as a level percentage of payroll over the remaining amortization period, which at June 30, 2013, was 30 years. Amortizations are open ended in that they begin anew at each valuation date. The Commissions UAAL decreased significantly during the 2013 fiscal year and this actuarial gain is being amortized over 30 years. As a result the net OPEB liability exceeds the actuarial accrued liability.

Note 10-Litigation:

At June 30, 2014, there were no matters of litigation involving the New River Valley Planning District 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.

Required Supplementary Information

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION

Schedule of Revenues, Expenditures and Changes in Fund Balances -- General Fund
Budget and Actual
Year Ended June 30, 2014

Revenues:	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue from local sources:				
Charges for Services	$ 909,980	$ 771,674	$ 771,674	$ -
Contributions from Localities	223,379	223,379	223,379	-
Contributions from others	30,000	7,745	7,745	-
Miscellaneous Revenue	-	12,712	12,712	-
Total revenue from local sources	$ 1,163,359	$ 1,015,510	$ 1,015,510	$ -
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
DHCD Grants (Administrative)	$ 75,971	$ 75,971	$ 75,971	$ -
Conservation Grant	65,000	93,853	93,853	-
Virginia Department of Transportation	63,000	294,469	294,469	-
Total revenue from the Commonwealth	$ 203,971	$ 464,293	$ 464,293	$ -
Revenue from the Federal Government:				
Categorical aid:				
ARC Grant	$ 68,436	$ 64,964	$ 64,964	$ -
Housing and Urban Development Grant	250,000	215,842	215,842	-
Department of Commerce Grant	200,000	80,822	80,822	-
EDA Grant	60,000	60,000	60,000	-
Total revenue from the Federal Government	$ 578,436	$ 421,628	$ 421,628	$ -
Total revenues	$ 1,945,766	$ 1,901,431	$ 1,901,431	$ -

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION

Schedule of Revenues, Expenditures and Changes in Fund Balances -- General Fund
Budget and Actual
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:				
Community Development:				
Personnel	$ 712,001	$ 696,638	$ 702,024	$ (5,386)
Fringe benefits	234,692	239,021	238,374	647
Office rent	59,686	60,856	60,856	-
Telephone	9,980	12,830	12,835	(5)
Office supplies	21,884	29,074	28,225	849
Postage	4,000	3,870	2,819	1,051
Printing	695	19,226	18,923	303
Advertising	2,225	1,320	720	600
Travel	81,413	44,164	44,794	(630)
Equipment maintenance and rent	14,300	15,541	13,565	1,976
Dues and publications	10,845	10,208	10,199	9
Training	1,150	2,533	2,433	100
Meeting expense	7,433	9,720	10,228	(508)
Insurance	6,200	10,506	10,497	9
Capital outlay	-	2,189	2,189	-
Contractual services	510,811	635,870	635,867	3
Audit fee	7,500	7,500	7,750	(250)
Miscellaneous	48,000	15,589	15,208	381
Total expenditures	$ 1,732,815	$ 1,816,655	$ 1,817,506	$ (851)
Excess (deficiency) of revenues over (under) expenditures	$ 212,951	$ 84,776	$ 83,925	$ (851)
Net change in fund balance	$ 212,951	$ 84,776	$ 83,925	$ (851)
Fund balance, beginning of year	-	-	629,075	629,075
Fund balance, end of year	$ 212,951	$ 84,776	$ 713,000	$ 628,224

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION

Schedule of Revenues, Expenditures and Changes in Fund Balances -- WIA Fund
Budget and Actual
Year Ended June 30, 2014

Revenues:	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Intergovernmental:				
Revenue from the Federal Government:				
Categorical aid:				
Workforce Investment Act	$ 2,213,395	$ 2,213,395	$ 2,402,378	$ 188,983
Job Training Grants	-	-	147,176	147,176
Total revenue from the Federal Government	$ 2,213,395	$ 2,213,395	$ 2,549,554	$ 336,159
Total revenues	$ 2,213,395	$ 2,213,395	$ 2,549,554	$ 336,159
Expenditures:				
Health and Welfare:				
Administrative grant costs	$ -	$ -	$ 287,085	$ (287,085)
Program grant costs	2,213,395	2,213,395	2,262,469	(49,074)
Total expenditures	$ 2,213,395	$ 2,213,395	$ 2,549,554	$ (336,159)
Net change in fund balance	$ -	$ -	$ -	$ -
Fund balance, beginning of year	-	-	22	22
Fund balance, end of year	$ -	$ -	$ 22	$ 22

Exhibit 9

New River Valley Planning District Commission
Schedule of Pension and OPEB Funding Progress
As of June 30, 2014

Planning District Commission Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	$ 1,673,388	$ 1,955,808	$ 282,420	85.56%	$ 729,072	38.74%
6/30/2012	1,576,097	1,751,875	175,778	89.97%	597,005	29.44%
6/30/2011	1,576,751	1,674,103	97,352	94.18%	678,293	14.35%

OPEB Healthcare Plan:

Actuarial Valuation Date *	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	$ -	$ 99,166	$ 99,166	0%	$ 597,005	16.61%
6/30/2010	-	252,877	252,877	0%	706,240	35.81%

*Valuation performed once every three years, beginning in 2010

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 Planning District 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 New River Valley Planning District Commission as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise New River Valley Planning District Commission's basic financial statements and have issued our report thereon dated September 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New River Valley Planning District 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 Planning District Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of New River Valley Planning District Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (ref. 2014-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New River Valley Planning District 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 no disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard.*

New River Valley Planning District Commission's Response to Findings

New River Valley Planning District Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. New River Valley Planning District Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
September 19, 2014

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited New River Valley Planning District Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of New River Valley Planning District Commission's major federal programs for the year ended June 30, 2014. New River Valley Planning District 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of New River Valley Planning District 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 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 New River Valley Planning District 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 New River Valley Planning District Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, New River Valley Planning District 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, 2014.

Report on Internal Control Over Compliance

Management of New River Valley Planning District 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 New River Valley Planning District 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 OMB Circular A-133, 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 New River Valley Planning District 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
September 19, 2014

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Labor:			
Pass-through payments from:			
Commonwealth of Virginia - Virginia Community College System:			
County of Pulaski, Virginia:			
Workforce Investment Act (Cluster)			
WIA Adult Program	17.258	PY13, PY12	$ 782,685
WIA Dislocated Worker Formula Grants	17.278	PY13, PY12	743,459
WIA Youth Activities	17.259	PY13, PY12	876,234
Pass-through payments from:			
Shenandoah Valley Workforce Investment Board			
H-1B Job Training Grants	17.268	NA	$ 147,176
Total Department of Labor			$ 2,549,554
Appalachian Regional Commission:			
Direct Payments:			
Appalachian Local Development District Assistance	23.009	N/A	$ 64,964
Department of Housing and Urban Development:			
Direct Payments:			
Sustainable Communities Regional Planning Grant Program	14.703	N/A	$ 215,842
Department of Commerce:			
Direct Payments:			
Community Trade Adjustment Assistance	11.010	N/A	$ 80,822
Economic Development - Support for Planning Organizations	11.302	N/A	60,000
Total Department of Commerce			$ 140,822
Total Expenditures of Federal Awards			$ 2,971,182

See accompanying notes to schedule of expenditures of federal awards.

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 grant activity of the New River Valley Planning District Commission under programs of the federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States*, *Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the New River Valley Planning District 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 Planning District 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 Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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-Relationship to the Financial Statements:

Intergovernmental federal revenues per the basic financial statements:	
General Fund	$ 421,628
WIA Fund	2,549,554
Total	$ 2,971,182

NEW RIVER VALLEY PLANNING DISTRICT COMMISSION

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
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 Circular A-133 Section 510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
17.258	Workforce Investment Act Cluster - Adult Program
17.259	Workforce Investment Act Cluster - Youth Activities
17.278	Workforce Investment Act Cluster - Dislocated Worker Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs	$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

2014-001

Criteria: Per Statement on Auditing Standards 115, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report.

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

Effect: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Cause: The auditee is small and does not have staff with significant experience in preparing financial statements in accordance with current reporting standards. As such, the auditee relies on the auditor for technical advice related to same.

Recommendation: The auditor recommends that the auditee review audit adjustments annually and replicate same in future periods to the extent possible. It is noted that the auditee has made great strides in posting year end adjustments and is gaining a good understanding of the year end audit process.

Management's Response To comply with Standard 115, we would be required to hire staff and/or consultants with expertise in the preparation of financial statements using standards referred to above. The additional cost required exceeds any identified benefits. As such, management will continue to review year end audit entries and will work toward preparing financials statements in accordance with current reporting standards in future periods.

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 audit findings.