

**RICHMOND REGIONAL PLANNING
DISTRICT COMMISSION**

**AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

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

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

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Dunham, Aukamp & Rhodes, PLC
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Independent Auditor's Report

To the Commissioners
Richmond Regional Planning District Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Richmond Regional Planning District Commission, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Richmond Regional Planning District 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 the aggregate remaining fund information of the Richmond Regional Planning District Commission as of June 30, 2017 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the net pension liability and related ratios, and the schedule of contributions on pages 4 through 10 and pages 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richmond Regional Planning District 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 23, 2017, on our consideration of the Richmond Regional 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 the 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 Richmond Regional Planning District Commission's internal control over financial reporting and compliance.

Dunham, Aukamp & Rhodes, PLLC

Certified Public Accountants
Chantilly, Virginia

October 23, 2017

**RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2017**

Presented here is the Management Discussion & Analysis Report for the Richmond Regional Planning District Commission (RRPDC) for the fiscal year ending June 30, 2017. Responsibility for the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management of the RRPDC. To the best of our knowledge and belief, the data contained herein are accurate in all material respects. These data are reported in a manner designed to fairly present the RRPDC's financial position, and the result of operations of the various funds of the RRPDC. All disclosures necessary to enable the reader to gain an accurate understanding of the RRPDC's financial activities have been included.

The Executive Director, under the direction of the Chair of the RRPDC, is responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the RRPDC are protected from loss, theft, and misuse. The Director of Finance is responsible to implement these controls, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that all assets are put to good and effective use. Therefore, the internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented in the Financial Audit Report for Fiscal Year ending June 30, 2017 include all of the activities of the RRPDC using the integrated approach as prescribed by GASB Statement 34. This discussion and analysis is intended to serve as an introduction to the RRPDC's financial statements as reported in the annual audit. The annual audit consists of three major components listed below. Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires employers to recognize a liability as employees earn their pension benefits and recognize annual pension cost under an earnings approach.

1. Management's Discussion and Analysis (this document)
2. Basic Financial Statements
3. Other Required Supplementary Information

Basic Financial Statements

The statement of net position presents information on all of the RRPDC's assets, deferred outflows of resources, liabilities, deferred inflow of resources and the resulting net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the RRPDC is improving or deteriorating. RRPDC has reported a fairly stable trend of increases in net position over the last 2 years with some fluctuation due to changes in expenses related to timing of staff vacancies and some variability in grant awards and draws.

The statement of activities shows the actual revenues and expenditures of the RRPDC for the fiscal year 2017 and the resulting change in net position. It is important to realize that the RRPDC, while not in the business of making a profit, should be managed in such a way to assure that adequate fund balances are maintained for the continuation of services. RRPDC does not currently have a target for revenues over expenses each year, but does strive to manage its finances in a manner that is financially conservative. Management strives to keep expenses in line with anticipated revenues and communicates regularly with the Commissioners if a deficit is anticipated. In

years such as this where a net income is realized, the funds received in excess of expenses for the year are contributed to the RRPDCs Fund Balance. In Fiscal Year 2017, RRPDC contributes \$29,838 to the Fund Balance as shown in detail on page 14 of the financial statements, "Statement of Revenues, Expenditures and Changes in Fund Balance".

The RRPDC adopts a preliminary annual operating budget for the upcoming fiscal year each December. The timing of this budget process provides member jurisdictions an estimate of dues that can be used for their budgeting purposes. A final budget which includes updated information on expenditures and revenues, is presented to the RRPDC Board for final approval prior to the start of the fiscal year.

A budgetary comparison has been provided to demonstrate compliance with the budget adopted for FY2017. The actual revenues and expenditures are compared to those budgeted for the fiscal year and the resulting variance is calculated and shown on page 41. In Fiscal Year 2017, the RRPDC finished the year incurring 94.8% of budgeted expenses for the period and collecting 94.4% of anticipated revenues. While the actual revenues exceeded expenses by \$29,838, this is approximately \$13,562 less than was anticipated in the final budget adopted in December 2016. This is largely due to a reduction in anticipated staff time spent in the urban transportation programs.

The resulting excess of revenues over expenditures is added to (or subtracted from if expenditures exceeded revenues) the fund balance at the beginning of the year. This results in the new fund balance or "operating reserve". The "operating reserve" represents the funds the RRPDC uses for those programs, studies, and tasks not otherwise funded by a specific grant or other current revenues, and capital expenditures. The "operating reserve" is also used to provide funding for grant programs until reimbursement is made by the grantor. This amount also includes a board designated \$1,000,000 reserve for continuing operations in the event of shortfalls in funding or unforeseen financial crises. Following the close of Fiscal Year 2017, RRPDC reports an increase to the Fund Balance of \$29,838 bringing the total to \$1,240,032. This change in position is less than the increase to the Fund Balance reported at the end of Fiscal Year 2016, but not significantly less and represents a modest margin that reflects effective budgeting and expense management.

The notes following the financial statements provide additional information that is essential to a full understanding of the data provided in the statement of financial position and the statement of revenues, expenditures and changes in fund balance statements.

Government-Wide Financial Analysis

<i>Statements of Net Position</i>	<u>2017</u>	<u>2016</u>
Current Assets	\$1,280,877	\$1,256,966
Capital Assets	<u>78,753</u>	<u>62,928</u>
Total Assets	\$1,359,630	\$1,319,894
Deferred Outflows of Resources	\$ <u>180,834</u>	\$ <u>125,871</u>
Current Liabilities	\$ 205,867	\$ 212,453
Net Pension Liability	<u>493,171</u>	<u>497,328</u>
Total Liabilities	\$ <u>699,038</u>	\$ <u>709,781</u>
Deferred Inflows of Resources	\$ <u>147,253</u>	\$ <u>120,689</u>
Total Net Position,	\$ <u>694,173</u>	\$ <u>615,295</u>

Current assets are comprised of cash and investments, accounts receivable and prepaid expenses. These are resources available to the Commission for on-going operations.

Capital assets consist primarily of furniture and equipment used for the operation of the Commission. In an effort to maximize the capacity of a reduced Computer Operations budget the Commission has begun leasing its computer equipment in an attempt to reduce the outlay of cash to cover disposal of the equipment as salvage at the end of useful life. It should also be noted that some assets purchased with funds from a grantor may revert to the grantor in the event the program for which they were purchased is discontinued. However, it should be noted that this option has not yet been exercised by any agency providing funding to the RRPDC.

Deferred outflows of resources represent current year pension payments which will be applied against the net pension liability in the actuarial report prepared as of June 30, 2017, which the Commission expects to receive in January 2018.

Current liabilities represent the obligations of the Commission. This category includes accounts payable and accrued expenses, compensated absences and deferred revenue.

Net pension liability represents the actuarially calculated pension obligation of the Commission.

Deferred inflow of resources represents current year differences between the projected and actual pension earnings per the actuarial report prepared as of June 30, 2016.

Statements of Activities

Changes in net position for the years ending June 30, 2017 as compared to 2016 are as follows:

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Expenses		
General and administration	\$ 592,448	\$ 686,000
Project costs	<u>2,149,197</u>	<u>1,911,788</u>
Total expenses	<u>2,741,645</u>	<u>2,597,788</u>
Program revenues		
Operating grants and contributions	742,866	735,385
Charges for services	<u>2,041,908</u>	<u>1,873,920</u>
Net program revenue (expense)	<u>43,129</u>	<u>11,517</u>
General revenue		
Miscellaneous and unrestricted investment earnings	<u>35,749</u>	<u>36,519</u>
Change in net position	78,878	48,036
Net position, beginning of year, as restated	<u>615,295</u>	<u>567,259</u>
Net position, end of year	<u>\$ 694,173</u>	<u>\$ 615,295</u>

RRPDC Activities

Actual Revenues, Expenses and Fund Balance for FY 2017

	<u>2017</u>	<u>2016</u>
REVENUES		
Grants and appropriations:		
Federal grants	\$ 1,699,176	\$ 1,532,514
State grants and appropriations	296,411	293,665
Local grants and appropriations	789,187	783,126
Other revenues:		
Miscellaneous and interest	<u>35,749</u>	<u>36,519</u>
TOTAL REVENUES	<u>2,820,523</u>	<u>2,645,824</u>
EXPENDITURES		
Salaries	1,605,108	1,622,312
Employee benefits and payroll taxes	455,881	486,922
Office rent	264,766	219,885
Professional services – pass-through	150,103	37,000
Computer operations	123,639	74,272
Printing	42,249	36,947
Audit and insurance	27,098	24,541
Travel	23,552	26,210
Miscellaneous	22,657	9,649
Training	19,240	8,158
Office supplies and expenses	17,657	25,991
Legal	11,861	8,619
Organizational dues	9,096	11,678
Telephone	7,964	9,288
Postage	5,226	5,555
Vehicle expense	3,670	4,441
Books and periodicals	<u>918</u>	<u>460</u>
TOTAL EXPENDITURES	<u>2,790,685</u>	<u>2,611,928</u>
Excess of Revenues over Expenditures	29,838	33,896
Fund Balance – Beginning of Year	<u>1,210,194</u>	<u>1,176,298</u>
Fund Balance – End of Year	<u>\$ 1,240,032</u>	<u>\$ 1,210,194</u>

The RRPDC manages its resources in such a way as to provide high quality services to its member jurisdictions in the most cost effective manner. In FY 2017, local membership dues covered approximately 23 percent of the total expenses of the RRPDC.

The ability of the RRPDC to maintain a fund balance above the \$1 million threshold without the need for a membership dues increase is the result of careful financial management, cost containment, and by deliberately seeking funding from non-traditional sources and project-based special assessments in accordance with the RRPDC Charter.

Income is shown in the budget at the amount the RRPDC can expect to receive from Member Dues, the Commonwealth's appropriation for Planning District Commissions, miscellaneous income, interest income, and the amounts that are reimbursable from grant funded sources and special assessments.

The term "reimbursable" refers to programs that require the RRPDC to submit invoices monthly, quarterly, or semi-annually as stated in a funding agreement or contract to be reimbursed for work already completed and

expenses already paid on behalf of that program. Some programs require the PDC to provide matching funds. For example; PL funds received from the Virginia Department of Transportation require a ten percent match in personnel and direct expenses from the RRPDC. Other grants require matching funds as high as fifty percent while others will cover most all of the associated expenses.

Additionally, the RRPDC maintains insurance to protect from losses of assets from negligence, accident, theft, or fire. Policies are issued through the agency's insurance carrier—Virginia Commonwealth Corporation. The underwriters of these policies are The Travelers, Fidelity and Deposit Company of Maryland, and the Virginia Department of Treasury, Division of Risk Management. The policies are evaluated annually and are adjusted per need, economics, and advice from insurance professionals.

The RRPDC has legal representation with the law firm of Hefty Wiley & Gore, PC. The current retainer agreement is effective through December 31, 2017 and automatically renewable.

The RRPDC maintains a professional relationship with the accounting firm of Dunham, Aukamp and Rhodes, PLC. The contract for audit services has been open to competitive bidding several times. The current engagement with Dunham, Aukamp and Rhodes expires following the completion of the audit for fiscal year 2021.

The RRPDC participates in the Local Government Investment Pool managed by the Virginia Department of the Treasury. It provides the RRPDC with an investment vehicle with rates equaling or exceeding those offered by most commercial banks and liquidity in the event that funds are needed for current obligations.

Also, as part of the agency's banking with SunTrust, the RRPDC is paid some interest for its deposits on hand.

Capital Asset and Debt Administration

The capital assets in the governmental funds consist of technology equipment, furniture and building improvements.

Economic Factors, Rates, and Fiscal Year 2017 Budget

The Richmond Regional Planning District Commission serves the third largest planning district measured by population in the Commonwealth after the Northern Virginia Regional Commission and the Hampton Roads Planning District Commission. The Richmond Region is poised for further growth and to that end the RRPDC is positioning itself to broaden the level of service to and in support of its member governments. This has required an entrepreneurial approach to provide services that are valuable, and clearly establish a benefit to the investment to the region. RRPDC is currently undergoing significant internal restructuring to promote operational efficiencies, leverage technology opportunities when appropriate and focus on core capabilities and functions of the organization.

Every effort is made on the part of the staff leadership team to accurately predict revenues and expenses for the upcoming year so that the Commissioners have available to them the best estimates for budgeting and planning. Factors such as the regional economy, past spending patterns, prior funding, and population growth estimates are taken into consideration to develop estimates for current and future revenues and expenses.

Contacting RRPDC's Financial Management

This financial report is intended to provide Federal, State, and Local grantors, as well as member localities with a general overview of the RRPDC's finances and to show accountability for the funds it receives and expends. If you have questions about this report or need additional information, contact the Executive Director or the Director of Finance at the Richmond Regional Planning District Commission, 9211 Forest Hill Avenue, Suite 200, Richmond, Virginia 23235, and telephone (804) 323-2033.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 675,819
Grants receivable	534,503
Prepaid expenses	70,555
Capital assets, net	<u>78,753</u>
Total Assets	<u>1,359,630</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions after the measurement date	91,316
Net difference between projected and actual earnings on plan investments	<u>89,518</u>
Total Deferred Outflows of Resources	<u>180,834</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	38,927
Compensated absences	112,544
Security deposit	1,918
Noncurrent liabilities:	
Deferred rent liability	52,478
Net pension liability	<u>493,171</u>
Total Liabilities	<u>699,038</u>
 DEFERRED INFLOWS OF RESOURCES	
Net difference between expected and actual experience	<u>147,253</u>
 NET POSITION	
Investment in capital assets	78,753
Unrestricted	<u>615,420</u>
Total Net Position	<u><u>\$ 694,173</u></u>

See accompanying notes.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets
Governmental Activities				
General government and administration	\$ 592,448	\$ -	\$ 742,866	\$ 150,418
Projects	<u>2,149,197</u>	<u>2,041,908</u>	<u>-</u>	<u>(107,289)</u>
Total Governmental Activities	<u>\$ 2,741,645</u>	<u>\$ 2,041,908</u>	<u>\$ 742,866</u>	<u>43,129</u>
General revenues:				
Miscellaneous				7,774
Rental income				24,781
Investment earnings				<u>3,194</u>
Total general revenues				<u>35,749</u>
Change in net position				78,878
Net position at beginning of year				<u>615,295</u>
Net position at end of year				<u>\$ 694,173</u>

See accompanying notes.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund
ASSETS	
Cash and investments	\$ 675,819
Grants receivable	534,503
Prepaid expenses	<u>70,555</u>
Total Assets	<u><u>\$ 1,280,877</u></u>
LIABILITIES	
Accounts payable	\$ 38,927
Security deposit	<u>1,918</u>
Total Liabilities	<u>40,845</u>
FUND BALANCE	
Unreserved, reported in:	
General fund	<u>1,240,032</u>
Total Fund Balance	<u>1,240,032</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,280,877</u></u>

Reconciliation of fund balances on the balance sheet for governmental funds to net position of governmental activities on the statement of net position:

Fund balances - total governmental funds	\$ 1,240,032
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Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities and related deferred items are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet but are reported on the government-wide statement of net position

Pension contributions	91,316
Net difference between projected and actual earnings on plan investments	89,518
Net pension liability	(493,171)
Net difference between expected and actual experience	(147,253)
Compensated absences	(112,544)
Deferred rent liability	<u>(52,478)</u>
	(624,612)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet.	<u>78,753</u>
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Net Position of Governmental Activities	<u><u>\$ 694,173</u></u>
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See accompanying notes.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

REVENUES

Grants and appropriations:	
Federal grants	\$ 1,699,176
State grants and appropriations	296,411
Local grants and appropriations	789,187
Other revenue:	
Miscellaneous and interest	35,749
TOTAL REVENUES	<u>2,820,523</u>

EXPENDITURES

Salaries	1,605,108
Employee benefits and payroll taxes	455,881
Office rent	264,766
Professional and contractual service	150,103
Computer operations	123,639
Printing	42,249
Travel	23,552
Audit and insurance	27,098
Miscellaneous	22,657
Training	19,240
Office supplies and expense	17,657
Legal	11,861
Organizational dues	9,096
Telephone	7,964
Postage	5,226
Vehicle expense	3,670
Books and periodicals	918
TOTAL EXPENDITURES	<u>2,790,685</u>

Excess of Revenues over Expenditures	29,838
Fund Balance - Beginning of Year	<u>1,210,194</u>
Fund Balance - End of Year	<u>\$ 1,240,032</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Net Changes in Fund Balance - Total Governmental Funds	\$ 29,838
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Capital outlays are reported as expenditures in the governmental funds. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. In the current period these amounts are:

Capital outlay	\$ 23,328
Depreciation expense	(7,108)
Loss on disposal of property and equipment	(395) 15,825

Payments on the net pension liability is reported as an expenditure in governmental funds, but the payment reduces net pension liability in the statement of net position.	91,316
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Some expenses reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Pension expense	(58,760)
Increase in compensated absence liability	(9,181)
Decrease in deferred rent liability	<u>9,840</u>

Change in net position reported on the Statement of Activity	<u>\$ 78,878</u>
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See accompanying notes.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Accounting Policies

The Richmond Regional Planning District Commission (the "Commission") is a political subdivision of the Commonwealth of Virginia. The purpose of the Commission is to promote the orderly and efficient development of the physical, social and economic elements of the Richmond Regional Planning District by encouraging and assisting governmental subdivisions in planning for the future. The accounting policies of the Commission conform to generally accepted accounting principals as applicable to governments.

The Commission acts as the legal entity that receives funding while the Richmond Area Metropolitan Planning Organization, generally referred to as the Richmond Regional Transportation Planning Organization (RRTPO), is responsible for the utilization of the funding. The RRTPO is the federally designated regional transportation planning organization that serves as the forum of cooperative transportation decision-making in the Richmond Metropolitan Area. The RRTPO was established under Section 134 of the Federal Aid Highway Act of 1973, as amended, for maintaining and conducting a "continuing, cooperative and comprehensive" transportation planning process that results in plans and programs consistent with the comprehensively planned development of the Richmond urbanized area.

- (a). Financial Statement Presentation - The government-wide financial statements (the statement of net position and the statement of activities) report information of all the nonfiduciary activities. The governmental activities of the Commission are supported by intergovernmental revenues.

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include charges to customers, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The government-wide Statement of Net Position reports assets as restricted when externally imposed constraints on those assets are in effect. Internally imposed designations or resources are not presented as restricted net assets.

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary funds. The individual governmental fund of the Commission is comprised of the General Fund, which accounts for all revenues and expenditures applicable to the general operation of the Commission.

- (b). Basis of Accounting - The economic resources measurement focus and the accrual basis of accounting is used for the Governmental Funds. Under the accrual method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, not to exceed sixty days. The Commission considers grant revenues to be available when the grant expenditure is made since the expenditure is the prime factor for determining eligibility. Expenditures are recorded when the related fund liability is incurred.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

(b). Basis of Accounting - (Continued)

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

- (c). Revenue Recognition - Intergovernmental revenues, consisting primarily of federal, state, local and other grants for the purpose of funding specific expenditures, are recognized when earned. The Commission considers grant revenue as earned when the grant expenditure is incurred. Contributions of the member governments are based on population and are assessed annually. There is also provision for special assessments when warranted. Funding received prior to expenditures being incurred are recognized as a deferred revenue liability.

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

- (d). Cash and Cash Equivalents - State statute authorizes the Commission to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the local government investment pool. Deposits are carried at cost, which approximates fair value. At June 30, 2017 cash and cash equivalents include the following:

Local banks	\$280,594
Local government investment pool	<u>395,225</u>
Total	<u>\$675,819</u>

Deposits - Custodial risk is the risk that in the event of a bank failure, the government deposits might not be returned to it. There is no custodial credit risk to these accounts, as the entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FSLIC limits. The State Treasury Board is responsible for monitoring compliance by banks and savings and loans.

The Commission investments consist of investments in the local government investment pool of \$395,225. There is no custodial risk for these investments as the amounts are fully collateralized. In addition there is no interest rate risk as the interest rates are adjusted daily for the repurchase agreement and periodically for the investment in the local government investment pool.

- (e). Use of Estimates - The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

- (f). Property and Equipment - Property and equipment are recorded as expenditures in the Governmental Fund and capitalized at cost in the government-wide financial statements for items exceeding \$1,000 in value. Contributed fixed assets are recorded at their estimated fair market value at the time received. Depreciation has been provided over the following estimated useful lives of the respective assets on the straight-line method.

Equipment	5 years
Furniture	7 years
Office improvements	39 years

Assets that have been purchased with grantor funds may revert to the grantor in the event the program is discontinued prior to the end of the assets' useful life.

- (g). Compensated Absences - Commission employees are granted annual and sick leave in varying amounts, according to years of service. Accrued but unused annual leave only, not more than twice the amount earned in a year, is paid to the employee at the time they leave employment with the Commission. Sick leave and annual leave expenditures are recognized in the governmental fund to the extent it is paid during the year. The amount of unpaid annual leave as of June 30, 2017 was \$112,544.
- (h). Deferred Outflows/Inflows of Resources - The Commission reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. The Commission has two items that qualify for reporting in this category. They are the employer pension contributions made after the actuarial measurement date and the net difference between projected and actual earning on plan investments. Employer contributions made after the measurement date of June 30, 2016, were \$91,316. The net difference between projected and actual earnings on plan investments, per the actuarial report dated of June 30, 2016, was \$89,518.

The Commission reports deferred inflows of resources on its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. The Commission only has one item that qualifies for reporting in this category. The difference between the expected and actual experience, per the actuarial report dated of June 30, 2016, of \$147,253 is reported as a deferred inflow of resources at June 30, 2017.

- (i). Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's Virginia Retirement System (VRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by 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.
- (j) Advertising Costs - Advertising costs are expensed when incurred. Advertising expense for the year ended June 30, 2017 is \$2,578.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - Grants Receivable

Grants receivable consist of the following at June 30, 2017:

Virginia Department of Transportation	\$287,279
Virginia Department of Emergency Management	124,750
Virginia Department of Rail and Public Transportation	101,037
Greater Richmond Chamber of Commerce	11,156
Virginia Department of Environmental Quality	<u>10,281</u>
Total	<u>\$534,503</u>

NOTE 3 - Budgets and Budgetary Accounting

The Commission adheres to the following procedures in establishing budgetary data reflected in the financial statements. The Commission staff completes preparation of a proposed operating budget in November for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them. The proposed budget is submitted to the Commissioners for approval no later than December. Prior to the start of each fiscal year, the Commission staff prepares a revised budget, based on the actual contracts and grant agreements anticipated for that fiscal year, for the Commission to review. The budget is employed throughout the year as a management control device. The budget is adopted on the modified accrual basis consistent with the federal, state and local grant agreements that support the Commission. Contracted services and the related grant revenues are budgeted by the Commission, but the timing of the services is controlled by entities other than the Commission and, therefore, can vary significantly. The Commission prepares its budget on a basis of accounting that is substantially the same as generally accepted accounting principles.

NOTE 4 - Property and Equipment

A summary of changes in property and equipment follows:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2017</u>
Capital assets being depreciated				
Office furniture and equipment	\$327,339	\$ 23,328	\$ 1,395	\$349,272
Leasehold improvements	<u>68,098</u>	<u>-</u>	<u>-</u>	<u>68,098</u>
Total capital assets being depreciated	<u>395,437</u>	<u>23,328</u>	<u>1,395</u>	<u>417,370</u>
Less accumulated depreciation for:				
Office furniture and equipment	310,704	5,577	1,000	315,281
Leasehold improvements	<u>21,805</u>	<u>1,531</u>	<u>-</u>	<u>23,336</u>
Capital Assets, net	<u>\$ 62,928</u>	<u>\$ 16,220</u>	<u>\$ 395</u>	<u>\$ 78,753</u>

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan

Pensions

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

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 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 Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan 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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • 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.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>About the Hybrid Retirement Plan (continued)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages</p>
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or 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.</p>

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

<p>Vesting (continued) Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>Vesting (continued) <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p> <p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

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

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

<p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability 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. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one- year waiting period before becoming eligible for non-work-related disability benefits.</p>

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as 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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. / After that one-year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component: Not applicable.</p>
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Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, PO Box 2500 Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits	4
Inactive Members	
Vested inactive members	4
Non-vested inactive members	2
Active members active elsewhere in VRS	7
Total Inactive Members	13
Active Members	19
Total covered employees	36

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The Commission's contractually required contribution rate for the year ended June 30, 2017 was 6.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$91,316 for the year ended June 30, 2017.

Net Pension Liability

The Commission's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including Inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

Mortality rates: 14 % of deaths are assumed to be service related Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Long-Weighted Average Term
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.33%

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Change in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2015	<u>\$3,527,958</u>	<u>\$3,030,630</u>	<u>\$497,328</u>
Changes for the year:			
Service cost	139,877	-	139,877
Interest	237,166	-	237,166
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(144,632)	-	(144,632)
Contributions – employer	-	125,871	(125,871)
Contributions – employee	-	67,944	(67,944)
Net investment income	-	45,278	(45,278)
Benefit payments, including refunds of employee contributions	(279,758)	(279,758)	-
Administrative expense	-	(1,872)	1,872
Other changes	-	(653)	653
Net changes	<u>(47,347)</u>	<u>(43,190)</u>	<u>(4,157)</u>
Balances at June 30, 2016	\$3,480,611	\$2,987,440	\$493,171

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Commission's Net Pension Liability	\$991,609	\$493,171	\$79,109

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

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

For the year ended June 30, 2017, the Commission recognized pension expense of \$58,760. At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 147,253
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	89,518	-
Employer contributions subsequent to the Measurement Date	<u>91,316</u>	<u>-</u>
Total	<u>\$180,834</u>	<u>\$147,253</u>

\$91,316 reported as deferred outflows of resources related to pensions resulting from Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2018	\$ (43,816)
2019	(43,816)
2020	7,547
2021	22,350
2022	
Thereafter	-

ICMA Retirement Corporation 401 Plan

Prior to becoming a VRS participating employer, the Commission participated in a multi-employer defined contribution pension plan that covered all of its full-time employees. This plan was frozen by the Commission effective July 1, 2001 and existing employees were given the choice of remaining in the ICMA 401 plan or becoming a member of VRS. Two employees remain in the IMCA plan. Contributions to the plan by the Commission are based on 9.5% of the employees' annual covered compensation as defined in the plan. Plan contributions for the year ended June 30, 2017, totaled \$ 8,780. Employees can contribute to the plan and they can direct their portion of the employer's portion of the contribution among forty-one types of investment funds. Employees became vested in the employer's portion of the contribution after three years of continuous service. The Commission's policy is to fund all pension costs as incurred.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Retirement Plan (Continued)

ICMA Retirement Corporation 457 Plan

ICMA Eligible employees of the Commission may also participate in a deferred compensation plan in accordance with Internal Revenue Service Code 457. The deferred compensation is not available to employees until termination of employment, retirement, death or an unforeseen emergency. An independent administrator, ICMA Retirement Corporation, monitors contributions to the plan. The plan assets are maintained in custodial accounts for the exclusive use of the plan's participants and beneficiaries. In accordance with GASB 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, these assets and the related liability are not included in the accompanying financial statements.

NOTE 6 - Assessments to Participating Localities and State Appropriation

The Commission's revenues are derived mainly from federal, state and local grants from assessments to participating localities and state appropriation. Assessments to participating localities and state appropriation consist of the following for the year ended June 30, 2017.

Assessments to participating localities:	
County of Chesterfield	\$197,913
County of Henrico	192,430
City of Richmond	130,763
County of Hanover	58,011
County of Powhatan	16,522
County of Goochland	12,717
County of New Kent	11,837
Town of Ashland	4,397
County of Charles City	4,319
State appropriation	<u>113,957</u>
Total	<u>\$742,866</u>

NOTE 7 - Long-Term Obligations

The Commission has an operating lease for office space in Richmond, Virginia, which expires October 31, 2022. The lease calls for an annual rent increase of 3%. The Commission also leases a vehicle under operating leases which expire in 2018. Rental expense for all operating leases for the year ended June 30, 2017, was \$254,926.

Future minimum rental payments under these leases are as follows:

Year ending June 30,	
2018	\$ 239,191
2019	265,661
2020	273,597
2021	281,800
2022	290,282
Thereafter	<u>99,158</u>
Total minimum lease payments	<u>\$1,449,689</u>

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - Compliance with Grant Provisions

The Commission participates in several federal financial assistance programs. Although the Commission's grant programs have been audited in accordance with the provisions of the Single Audit Act, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

The Commission serves as the fiscal agent for the Richmond Regional Transportation Planning Organization (RRTPO). The RRTPO has no staff, no bank account, and cannot contract on its own behalf. Accordingly, the Commission contracts on behalf of the RRTPO, as per federal regulation, and Commission staff performs the work of the RRTPO. All contracts with the Commonwealth of Virginia are cost reimbursable, so only when the costs have been expended and the work has been completed can the PDC request reimbursement.

NOTE 9 - Fringe Benefit Allocation

Fringe benefit expense is allocated using the percentage of benefits to total labor costs. Components of fringe benefit expense for the year ended June 30, 2017, and the allocation computations are shown below:

Health insurance	\$182,727
Payroll taxes	118,806
Pension	71,732
Other fringe	39,001
Life and disability insurance	<u>12,058</u>
Total Fringe Benefits	<u>\$424,324</u>
Fringe benefit expenses	\$ <u>424,324</u>
Total labor costs	\$1,614,289 = 26.29 %

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - Indirect Costs

Indirect costs, which support all projects, are allocated to the various projects based on the allocation rate applied to the project's direct labor and fringe benefit charges. The indirect cost rate developed by the Commission for the fiscal year ending June 30, 2017 is calculated as follows:

Total indirect costs	<u>\$1,179,524</u>
Total direct labor and fringe	\$1,306,010 = 90.32%

The following items are included in indirect costs allocated to projects:

Salaries and fringe benefits	\$ 732,603
Rent	254,926
Computer	62,766
Printing	22,964
Training	19,240
Audit and insurance	17,089
Legal fees	11,861
Supplies	11,227
Dues	9,096
Travel	4,839
Telephone	7,964
Miscellaneous	7,632
Depreciation	7,108
Postage	5,226
Vehicles	3,670
Books and periodicals	918
Loss on disposal	<u>395</u>
Total Indirect Costs	<u>\$1,179,524</u>

NOTE 11 - Evaluation of Subsequent Events

The Commission has evaluated subsequent events through October 23, 2017, the date which the financial statements were available to be issued.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2017

<u>FEDERAL AGENCY AND PROJECT</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>
Major Program		
Department of Transportation		
Pass-through Payments – Virginia Department of Transportation		
Public Law (PL) Funds	20.205	\$ 964,725
MPO Pass-thru	20.205	71,590
State Planning and Research (SPR) Funds	20.205	58,000
		<u>1,094,315</u>
Other Federal Awards		
Department of Transportation		
Pass-through Payments – Virginia Department of Rail and Public Transportation		
Section 5303 Funds	20.505	<u>351,727</u>
Department of Homeland Security		
Pass-through Payments – Virginia Department of Emergency Management		
Regional Coordination-Planning Support (6508)	97.067	127,237
Pre-Disaster Mitigation Grant Program	97.047	77,287
		<u>204,524</u>
National Oceanic and Atmospheric Administration		
Pass-through Payments – Virginia Department of Environmental Quality		
Coastal Resources Management Program (NA-16N0S4190171 task 48)	11.419	23,433
Coastal Resources Management Program (Lower Chickahominy task 93)	11.419	21,718
Coastal Resources Management Program (NA-15N0S4190164 task 48)	11.419	1,857
Coastal Resources Management Program (NA142NOS4190141 task 55)	11.419	1,602
		<u>48,610</u>
Total Federal Awards		<u>\$1,699,176</u>

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Commission for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operation of the Commission, it is not intended to and does not present the financial position, change in net position, or cash flows of the Commission.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
Chantilly, VA 20151

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Commissioners
Richmond Regional Planning District Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Richmond Regional Planning District Commission as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Richmond Regional Planning District Commission's basic financial statements, and have issued our report thereon dated October 23, 2017.

Internal Control over Financial Reporting

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

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

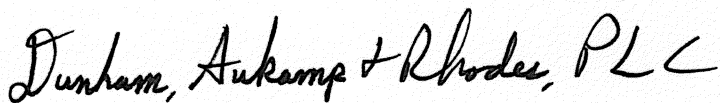
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during 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 Richmond Regional 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 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.

A handwritten signature in black ink that reads "Dunham, Aukamp & Rhodes, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants
Chantilly, Virginia

October 23, 2017

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
Chantilly, VA 20151

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Commissioners
Richmond Regional Planning District Commission

Report on Compliance for Each Major Federal Program

We have audited Richmond Regional Planning District Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Richmond Regional Planning District Commission's major federal programs for the year ended June 30, 2017. Richmond Regional Planning District Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Richmond Regional 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 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 Richmond Regional 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 Richmond Regional Planning District Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Richmond Regional 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 its major federal program for the year ended June 30, 2017.

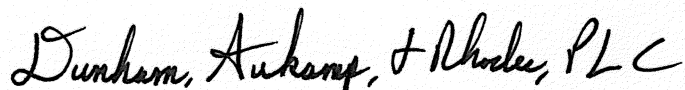
Report on Internal Control over Compliance

Management of Richmond Regional 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 Richmond Regional 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 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 Richmond Regional 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing 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



Certified Public Accountants
Chantilly, Virginia

October 23, 2017

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting

- Material weakness(es) identified

___ Yes X No

- Significant deficiency(ies) identified

___ Yes X None Reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified

___ Yes X No

- Significant deficiency(ies) identified

___ Yes X None Reported

Type of auditor’s report issued on compliance for major federal award programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

___ Yes X No

Identification of major federal programs

CFDA Number

Name of Federal Program or Cluster

20.205

Transportation Planning

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes ___ No

Section II – Financial Statement Findings

No matters were reported

Section III – Federal Award Findings

No matters were reported

RICHMONT REGIONAL PLANNING DISTRICT COMMISSION
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGETARY BASIS)
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	INITIAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Grants and appropriations:				
Federal grants	\$ 1,899,600	\$ 2,043,000	\$ 1,699,176	\$ (343,824)
State grants and appropriations	113,900	113,900	296,411	182,511
Local grants and appropriations	776,200	773,700	789,187	15,487
Other revenue:				
Miscellaneous and interest	31,600	55,600	35,749	(19,851)
TOTAL REVENUES	<u>2,821,300</u>	<u>2,986,200</u>	<u>2,820,523</u>	<u>(165,677)</u>
EXPENDITURES				
Salaries and fringe benefits	2,012,800	1,977,700	1,956,701	20,999
Office rent	265,600	265,600	264,766	834
Retirement	133,100	133,100	104,288	28,812
Computer operations	88,000	108,500	123,639	(15,139)
Professional services - pass through	127,000	215,500	150,103	65,397
Printing	53,800	53,800	42,249	11,551
Travel	34,500	41,200	23,552	17,648
Office supplies and expense	9,900	9,900	17,657	(7,757)
Audit and insurance	24,600	32,100	27,098	5,002
Organizational dues	17,400	26,800	9,096	17,704
Miscellaneous	4,600	4,600	22,657	(18,057)
Telephone	9,000	9,000	7,964	1,036
Legal	10,500	15,800	11,861	3,939
Training	11,600	33,200	19,240	13,960
Postage	10,400	10,400	5,226	5,174
Vehicle expense	4,400	4,400	3,670	730
Books and periodicals	1,200	1,200	918	282
TOTAL EXPENDITURES	<u>2,818,400</u>	<u>2,942,800</u>	<u>2,790,685</u>	<u>152,115</u>
NET GAIN - BUDGETARY BASIS	<u>\$ 2,900</u>	<u>\$ 43,400</u>	<u>\$ 29,838</u>	<u>\$ (13,562)</u>

Reconciliation of financial statements prepared under
generally accepted accounting principles

Net gain - budgetary basis	\$ 29,838
Effect of depreciation expense not budgeted	(7,108)
Effect of change in compensated absences not reported in budget	(9,181)
Effect of pension outlays reported as expenditures in budget	91,316
Effect of pension expense reported by actuary	(58,760)
Effect of deferred rent reported as a reduction in rent expense	9,840
Effect of capital outlays reported as expenditures in budget	<u>23,328</u>
Net income under generally accepted accounting principles	<u>\$ 78,878</u>

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY
AND RELATED RATIOS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 139,877	\$ 136,215	\$ 155,179
Interest on total pension liability	237,166	227,050	203,413
Differences between expected and actual experience	(144,632)	(67,500)	-
Changes in assumptions	-	-	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(279,758)	(22,745)	(19,105)
Net change in total pension liability	(47,347)	273,020	339,487
Total pension liability - beginning	3,527,958	3,254,938	2,915,451
Total pension liability - ending (a)	<u>\$ 3,480,611</u>	<u>\$ 3,527,958</u>	<u>\$ 3,254,938</u>
 Plan fiduciary net position			
Contributions - employer	\$ 125,871	\$ 119,147	\$ 152,795
Contributions - employee	67,944	64,838	66,699
Net investment income	45,278	131,334	362,257
Benefits payments, including refunds of employee contributions	(279,758)	(22,745)	(19,105)
Administrative expense	(1,872)	(1,606)	(1,768)
Other	(653)	(27)	19
Net change in plan fiduciary net position	(43,190)	290,941	560,897
Plan fiduciary net position - beginning	3,030,630	2,739,689	2,178,792
Plan fiduciary net position - ending (b)	<u>\$ 2,987,440</u>	<u>\$ 3,030,630</u>	<u>\$ 2,739,689</u>
 Commission's Net pension liability - ending (a)-(b)	<u>\$ 493,171</u>	<u>\$ 497,328</u>	<u>\$ 515,249</u>
 Plan fiduciary net position as a percentage of the total			
Pension liability	85.83%	85.90%	84.17%
 Covered payroll	\$ 1,392,494	\$ 1,331,118	\$ 1,242,044
 Commission's net pension liability as percentage of covered payroll	35.42%	37.36%	41.48%

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2008 THROUGH 2017

Date	Contractually Required Contributions (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	\$ 80,975	\$ 91,316	\$ (10,341)	\$ 1,199,635	7.61%
2016	\$ 128,806	\$ 125,871	\$ 2,935	\$ 1,392,494	9.04%
2015	\$ 123,128	\$ 119,147	\$ 3,981	\$ 1,331,118	8.95%
2014	\$ 142,214	\$ 152,795	\$ (10,581)	\$ 1,242,044	12.30%
2013	\$ 153,804	\$ 165,094	\$ (11,290)	\$ 1,343,270	12.29%
2012	\$ 265,995	\$ 135,505	\$ 130,490	\$ 1,312,259	10.33%
2011	\$ 279,391	\$ 271,013	\$ 8,378	\$ 1,378,345	19.66%
2010	\$ 231,421	\$ 267,451	\$ (36,030)	\$ 1,205,947	22.18%
2009	\$ 192,730	\$ 216,993	\$ (24,263)	\$ 1,004,325	21.61%
2008	\$ 152,374	\$ 179,690	\$ (27,316)	\$ 794,030	22.63%

See accompanying notes.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – Change of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

NOTE 2 – Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four- year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability