

**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021**

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**FINANCIAL SECTION**

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## **FINANCIAL SECTION**

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**Independent Auditors' Report**

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**To the Members of the Board  
Roanoke Valley - Alleghany Regional Commission  
Roanoke, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Roanoke Valley - Alleghany Regional Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Roanoke Valley - Alleghany Regional Commission, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roanoke Valley - Alleghany Regional Commission's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2021, on our consideration of the Roanoke Valley - Alleghany Regional Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Roanoke Valley - Alleghany Regional Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Roanoke Valley - Alleghany Regional Commission's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
August 13, 2021

## Management's Discussion and Analysis (MD&A)

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### Roanoke Valley-Alleghany Regional Commission

This section of the Roanoke Valley-Alleghany Regional Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended June 30, 2021. Please read it in conjunction with the Commission's financial statements, which follow this section.

### Overview of the Financial Statements

This report consists of Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements and supplementary information. The first two financial statements are condensed and present a government-wide view of the Commission's finances. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Commission.

The statement of net position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the Commission has, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities are reported on the accrual basis of accounting. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities focuses on gross and net costs of the Commission's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The statement of activities presents information showing how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are recorded in this statement for some items that will only result in cash flows in future periods.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission uses a governmental fund to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental

fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Fund financial statements are presented as exhibits 3 and 5 in the accompanying financial statements. Fund financial statements are reconciled to the Government-wide (Governmental Activities) financial statements in exhibits 4 and 6 as presented in the accompanying financial statements.

The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the Commission's financial condition.

The MD&A is intended to explain the significant changes in financial position and the differences in operation between the current year and prior year.

### **Government-Wide Financial Statements**

The government-wide financial statements consist of the statement of net position and the statement of activities. The statement of net position presents the Commission's assets and liabilities, with the difference between the two reported as net position. The statement of activities shows in broad terms how net position changed during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the Commission's financial position is improving or deteriorating. Net position is reported in three categories; net position invested in capital assets, net position that is restricted in use and net position that is unrestricted.

In the statement of activities, revenues supporting activities and programs, of the Commission, are classified under three broad categories: operating grants and contributions, capital grants, and contributions and charges for services. Grant revenue received that is passed through to another entity is classified as operating even if the funds are ultimately used for capital purposes.

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## Financial Analysis

### Summary Statement of Net Position

	<u>2021</u>	<u>2020</u>
Assets:		
Current and Other Assets	\$ 1,183,146	\$ 1,178,551
Capital Assets	220,592	217,665
Total Assets	<u>\$ 1,403,738</u>	<u>\$ 1,396,216</u>
Liabilities:		
Current Liabilities	\$ 175,157	\$ 177,550
Noncurrent Liabilities	7,748	13,256
Total Liabilities	<u>\$ 182,905</u>	<u>\$ 190,806</u>
Net Position:		
Investment in Capital Assets	\$ 220,592	\$ 217,665
Unrestricted	1,000,241	987,745
Total Net Position	<u>\$ 1,220,833</u>	<u>\$ 1,205,410</u>

The Summary Statement of Activities - Governmental Activities shows an increase of \$15,423.

### Summary Statement of Revenues, Expenditures & Changes in Net Position

	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues	\$ 1,385,029	\$ 1,554,974
General revenues	1,679	81,305
Total revenues	<u>\$ 1,386,708</u>	<u>\$ 1,636,279</u>
Expenses:		
Community development	\$ 1,371,285	\$ 1,626,566
Total expenses	<u>\$ 1,371,285</u>	<u>\$ 1,626,566</u>
Change in Net Position	\$ 15,423	\$ 9,713
Net Position, Beginning of Year	1,205,410	1,195,697
Net Position, End of Year	<u>\$ 1,220,833</u>	<u>\$ 1,205,410</u>

Changes in net position for the current year are a result of reasonable and expected fluctuations in grant activity for the year.



## Revenues and Carryover Balances

In March 2021, the U.S. Economic Development Administration (EDA) advised the Commission to apply for the three-year round of planning and technical assistance grant funds of \$210,000, which require a \$210,000 match, in total, being provided by the Commission over the fiscal years FY22-FY24. Because of the switch from annual awards to a three-year term, the EDA did not fund any of the economic development planning work in FY21, once the FY20 grant was completed in December 2020.

In December 2020, the Commonwealth of Virginia Department of Environmental Quality (DEQ) awarded \$58,000 to the Commission for the Chesapeake Bay Watershed Locality Implementation Program Grant to facilitate state-local cooperation of environmental management in the Bay watershed. The local governments included in this project are the Counties of Alleghany, Botetourt, Craig, and Roanoke, the City of Covington and the Towns of Clifton Forge, Fincastle, Buchanan, Troutville, and Iron Gate. The Commission provides a \$14,500 funding match on the project and it is expected the funding will be awarded annually.

The Virginia Department of Rail and Public Transportation (VDRPT) provides funding support for the RIDE Solutions' Transportation Demand Management program. Due to the COVID-19 pandemic, activities associated with this program were greatly curtailed. The decline in State revenue projections led VDRPT to freeze grant funding and only allowed wages and benefits to be paid out of the funding until spring of 2021, when a few limited activities were allowed. Carryforward funding, from FY20, was required to be used in FY21 fiscal year before FY21 funding could be used. The grant was therefore underspent per VDRPT's guidance by \$28,919.

The Commission continues to receive regional transportation planning funding from Virginia Department of Transportation (VDOT) for Metropolitan Planning Organization activities in the amount \$264,415, VDOT Rural Transportation funding of \$56,915 and Virginia Department of Rail and Transportation funds of \$159,819. The Commission matches each funding stream, as required, with local funds.

Near the end of FY20 the Commission was awarded an \$80,000 grant by Virginia Housing to perform a comprehensive regional housing study. The Commission hired consultants from RKG Associates, Inc. and managed their work throughout the course of the study. The Roanoke Valley-Alleghany Regional Market Study Analysis was completed in FY21.

The Commission continued to provide administrative and accounting services to the Western Virginia Regional Industrial Facility Authority for which the Commission was paid \$25,000.

The Commission received \$75,971 from the Virginia Department of Housing and Community Development, which was allocated by the Virginia General Assembly to Planning District Commissions.

The per capita dues paid to the Commission by its member governments remained at \$1.00 for FY21. Dues paid by the localities at \$1.00 per capita were as follows: Alleghany County \$11,636, Botetourt County \$33,288, Clifton Forge \$3,508, Covington \$5,716, Craig County \$5,094, Franklin County \$51,379, Town of Rocky Mount \$4,748, City of Roanoke \$100,033, County of Roanoke \$85,576, City of Salem \$25,704 and Town of Vinton \$8,096 for total dues in the amount of \$334,778.

The Regional Commission received, from localities in the urbanized area that are covered by the Roanoke Valley Transportation Planning Organization, .15 cents per capita to assist with 10 percent of the required match for federal transportation planning funds. Per capita funds received were as follows: Bedford County \$263, Botetourt County \$2,688, Montgomery County \$210, Roanoke County \$11,426, City of Roanoke \$15,005, City of Salem \$3,856, and the Town of Vinton \$1,214 for total dues in the amount of \$34,661.

## **Expenditures**

Staff travel, training and conferences came in under budget by \$39,000 due to many meetings, trainings and conferences being carried out via electronic means due to the COVID-19 pandemic.

Meeting costs came in under budget by \$9,214 due to many meetings being carried out via electronic means due to the COVID-19 pandemic.

Supplies expense came in over budget, by \$5,620, due to the 2021 Arbor Day grant being received and completed, after the FY21 rebudget had been completed in January 2021. Trees and tree supplies for the Arbor Day grant are included in the Commission's Supplies Expense line item. The 2021 grant covered all Arbor Day expenses; the supplies expense overage is just a variance to the original projected budget.

Consultant costs came in under budget by \$65,060 due to \$50,000 not being used in FY21, for the VDOT planning grant long-range plan but being carried forward for use in FY22 for the long-range plan, as well as \$15,000 not used in Blueways but to be carried forward for future use on blueway projects.

Miscellaneous expense budget includes funds set aside for certain grant carryforwards and operating contingencies that may be used in a future year, if not used in the current funding year or limited by the granting authorities. The variance to budget for this line item was \$124,225. The funds included in this balance are for Blueways, transportation funding and Commission reserves. Of this amount, at the time of the Commission's rebudget in January 2021, \$49,375 of Ride Solutions funding was being held out, due to VDRPT's

uncertainty with allowing certain spending and activities to take place due to the COVID-19 pandemic.

### **Capital Asset and Debt Administration**

Capital assets include the Commission's building, computer equipment and furniture. There were no significant changes to capital assets during the fiscal year aside from depreciation charges.

In the current and prior fiscal year, the Commission was debt free and there are no current plans to pursue additional debt.

### **Economic Factors and Future Outlook**

On July 1, 2021 the Commission was awarded, by Virginia Housing, \$2,000,000 to assist with building or renovating 20 housing units that may be owned or rented to individuals or families. This new funding covers a three-year period.

### **Contacting the Commission's Financial Management Staff**

This financial report is designed to provide a general overview of the Commission's finances and show the Commission's accountability for the funds it receives. If you have questions about this report or need additional information, contact the Commission's Director of Finance at 313 Luck Avenue SW in Roanoke, Virginia 24016-5013, telephone 540-343-4417, or at [sdean@rvarc.org](mailto:sdean@rvarc.org).

## **Basic Financial Statements**

**Roanoke Valley - Alleghany Regional Commission**  
**Statement of Net Position**  
**June 30, 2021**

		<u>Governmental Activities</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	930,041
Accounts receivable		1,001
Grants receivable		226,350
Prepaid items		25,754
Capital assets (net of accumulated depreciation)		<u>220,592</u>
Total assets	\$	<u>1,403,738</u>
<b>LIABILITIES</b>		
Accounts payable	\$	56,684
Accrued payroll		51,303
Unearned revenue		43,925
Noncurrent liabilities:		
Due within one year		23,245
Due in more than one year		<u>7,748</u>
Total liabilities	\$	<u>182,905</u>
<b>NET POSITION</b>		
Investment in capital assets	\$	220,592
Unrestricted		<u>1,000,241</u>
Total net position	\$	<u><u>1,220,833</u></u>

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

Roanoke Valley - Alleghany Regional Commission  
Statement of Activities  
For the Year Ended June 30, 2021

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>	Charges for <u>Services</u>	Operating Grants and <u>Contributions</u>	Primary Government Activities	
Primary Government:				
Governmental activities:				
Community Development	\$ 1,371,285	\$ 45,443	\$ 1,339,586	\$ 13,744
Total primary government	\$ 1,371,285	\$ 45,443	\$ 1,339,586	\$ 13,744
General revenues:				
Unrestricted revenues from use of money and property			\$	1,085
Miscellaneous			\$	594
Total general revenues			\$	1,679
Change in net position			\$	15,423
Net position - beginning				1,205,410
Net position - ending			\$	1,220,833

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

Roanoke Valley - Alleghany Regional Commission  
 Balance Sheet  
 Governmental Fund  
 At June 30, 2021

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<b>ASSETS</b>	<u>General Fund</u>
Current assets:	
Cash and cash equivalents	\$ 930,041
Accounts receivable	1,001
Grants receivable	226,350
Prepaid items	<u>25,754</u>
Total assets	<u><u>\$ 1,183,146</u></u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 56,684
Accrued payroll	51,303
Unearned revenue	<u>43,925</u>
Total liabilities	<u>\$ 151,912</u>
 <b>FUND BALANCES</b>	
Nonspendable:	
Prepaid items	\$ 25,754
Unassigned	<u>1,005,480</u>
Total fund balances	<u>\$ 1,031,234</u>
Total liabilities and fund balances	<u><u>\$ 1,183,146</u></u>

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

**Roanoke Valley - Alleghany Regional Commission**  
**Reconciliation of the Balance Sheet of Governmental Fund**  
**To the Statement of Net Position**  
**June 30, 2021**

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

Total fund balances per Exhibit 3 - Balance Sheet	\$	1,031,234
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		220,592
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		<u>(30,993)</u>
Net position of governmental activities	\$	<u><u>1,220,833</u></u>

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



**Roanoke Valley - Alleghany Regional Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended June 30, 2021**

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	General Fund
Revenues:	
Grants and appropriations:	
Federal grants	\$ 623,399
State grants and appropriations	327,184
Local grants and appropriations	389,003
Contract services	45,443
Miscellaneous	594
Interest income	1,085
	1,085
Total revenues	\$ <u>1,386,708</u>
Expenditures:	
Current:	
Community Development	\$ <u>1,396,242</u>
Total expenditures	\$ <u>1,396,242</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (9,534)
Fund balance, beginning of year	<u>1,040,768</u>
Fund balance, end of year	\$ <u><u>1,031,234</u></u>

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

**Roanoke Valley - Alleghany Regional Commission**  
**Reconciliation of Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Fund**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2021**

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

Net change in fund balances - governmental fund	\$	(9,534)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$	14,900	
Depreciation expense		<u>(11,973)</u>	2,927

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.  
(Increase) decrease in compensated absences

22,030

Change in net position of governmental activities	\$	<u><u>15,423</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**Note 1-Summary of Significant Accounting Policies:**

The financial statements of the Roanoke Valley-Alleghany Regional Commission (the Commission) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Commission is a multi-jurisdictional entity created for the purpose of promoting the orderly and efficient development of the physical, social, and economic elements in its district. The Commission draws its corporate powers from Virginia Code section 15.1-1404 which defines it as a body corporate and politic. The Commission consists of 38 members who are appointed by and serve at the pleasure of the eleven member governments.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission (primary government).

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

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

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

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)

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

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

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

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

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

The Commission reports the following major governmental fund:

The General Fund is the Commission's operating fund. It accounts for and reports all financial resources of the Commission.

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

1. *Cash and Cash Equivalents*

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

2. *Allowance for Uncollectible Accounts*

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

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2021 (CONTINUED)

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

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

3. *Use of Estimates*

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

4. *Capital assets*

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

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

<u>Assets</u>	<u>Years</u>
Office Equipment	2-5
Buildings and improvements	30

5. *Compensated Absences*

The Commission has accrued the liability arising from outstanding compensated absences. Commission employees earn sick leave at the rate of 9 days per year, 15 days per year after 5 years of service. A maximum of 60 days of sick leave may be accumulated. No benefits or pay is received for unused sick leave upon termination. Commission employees earn 7 days of personal leave. No benefits or pay is received for unused personal leave upon termination.

Commission employees earn annual leave based on the number of years of services as follows:

<u>Years of Service</u>	<u>Days per Year</u>
1-4 years	12
5-9 years	15
10-14 years	18
15-20 years	21
21+ years	24

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)

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

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

5. *Compensated Absences (continued)*

Accumulated annual leave up to a maximum of 30 days is paid upon termination. The Commission has outstanding accrued annual leave pay totaling \$30,993 at the end of the fiscal year.

6. *Fund Equity*

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

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

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

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

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)

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

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

7. *Net Position*

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

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

8. *Net Position Flow Assumption*

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

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission does not have any deferred outflows of resources as of June 30, 2021.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission does not have any deferred inflows of resources as of June 30, 2021.

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2021 (CONTINUED)

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**Note 2-Stewardship, Compliance, and Accountability:**

The following procedures are used by the Commission in establishing the budgetary data reflected in the financial statements.

1. The Executive Director submits to the Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them.
2. Prior to June 30, the budget is legally adopted by the Commissioners.
3. Only the Commissioners can revise the budget.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund.
5. All budgets are adopted on a basis consistent with the modified accrual basis of accounting.
6. Any unused budget amounts lapse on June 30.

**Note 3-Deposits and Investments:**

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

**Investments:** Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investor Service, Inc; A-1 by Standard and Poor’s; or F1 by Fitch Ratings Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

**Interest Rate Risk:** The Commission has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

<b>Investment Maturities (in years)</b>			
Investment Type	Fair Value	1 Year	1-5 Years
Local Government Investment Pool	\$ 686,882	\$ 686,882	\$ -
Totals	\$ 686,882	\$ 686,882	\$ -



ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2021 (CONTINUED)

**Note 3-Deposits and Investments: (Continued)**

**Credit Risk of Debt Securities:** The Commission has not adopted an investment policy for credit risk. The Commission's rated debt investments as of June 30, 2021 were rated by Standard and Poor's rating scale and the ratings are presented below.

**Commission's Rated Debt Investments' Values**

Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 686,882

**External Investment Pools:** The value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

**Note 4-Grants Receivable:**

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

	<u>Amount Due</u>
Due from the Federal Government	\$ 188,602
Due from the State Government	<u>37,748</u>
Total Grants Receivable	<u>\$ 226,350</u>

**Note 5-Long-Term Obligations:**

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

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Amount Due Within One Year
Compensated Absences	\$ 53,023	\$17,737	\$(39,767)	\$ 30,993	\$ 23,245

**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 (CONTINUED)**

**Note 6-Capital Assets:**

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciation:				
Land	\$ 113,240	\$ -	\$ -	\$ 113,240
Capital assets, being depreciated:				
Office equipment	\$ 20,928	\$ -	\$ -	\$ 20,928
Buildings and improvements	440,641	14,900	-	455,541
Total capital assets being depreciated	\$ 461,569	\$ 14,900	\$ -	\$ 476,469
Accumulated depreciation:				
Office equipment	\$ (12,321)	\$ (1,475)	\$ -	\$ (13,796)
Buildings and improvements	(344,823)	(10,498)	-	(355,321)
Total accumulated depreciation	\$ (357,144)	\$ (11,973)	\$ -	\$ (369,117)
Total capital assets being depreciated, net	\$ 104,425	\$ 2,927	\$ -	\$ 107,352
Capital assets, net	\$ 217,665	\$ 2,927	\$ -	\$ 220,592

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

**Note 7-Operating Lease:**

In July 2019, the Commission entered into a sixty(60) month operating lease agreement with Wells Fargo Financial Leasing for a copier. Lease payments are \$393.52 per month. Future minimum lease payments due under this non-cancelable operating lease as of June 30, 2021 are:

Year Ended June 30,	Amount Due
2022	\$ 4,722
2023	4,722
2024	4,722
2025	394
Total	\$ 14,560

The Commission's lease expense for operating leases for the year ended June 30, 2021 was \$4,722.

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2021 (CONTINUED)

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**Note 8-Litigation:**

At June 30, 2021, there were no matters of litigation involving the Commission which would materially affect the Commission's financial position should any court decision on pending matters not be favorable to the Commission.

**Note 9-Allocation of Indirect Costs:**

The Commission has entered into various agreements to assist in the management of various projects and grants. The Commission charges for direct costs incurred plus a portion of indirect costs. Indirect costs are allocated on the ratio of the individual project's personnel services, including fringe benefits, to total personnel, including fringe benefits. The indirect cost rate for the year ended June 30, 2021 was 27.44% and was calculated as follows:

Indirect costs	\$	296,966
Total direct personnel, including fringe benefits		917,416
Indirect cost rate		32.37%

**Note 10-Allocation of Fringe Benefits:**

Fringe benefit expenditure is allocated using the percentage of benefits to total personnel services. Components of fringe benefit expenditure for the year ended June 30, 2021 and the allocation computation are as follows:

Fringe Benefits:		
Health insurance premiums		\$154,259
Social security		63,389
Retirement contributions		57,838
Life & disability insurance		14,795
State unemployment insurance		320
Workers compensation premium		648
Total Fringe Benefits		\$ 291,249
Total Personnel Services		790,910
Allocation rate		36.82%

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2021 (CONTINUED)

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**Note 11-Employer’s Deferred Compensation Plan:**

The Commission offers this plan to employees in order to provide retirement income and other deferred benefits in accordance with the provisions of Section 457 of the Internal Revenue Code of 1986, as amended. Employer and participant must pay social security tax on the amount of the deferred compensation. Benefits accrue as follows:

0 - 1 years of service	0% of gross income
1 - 2 years of service	3% of gross income
2 - 3 years of service	4% of gross income
3 - 4 years of service	5% of gross income
4 - 9 years of service	6% of gross income
10 - 20 years of service	8% of gross income
20 + years of service	10% of gross income

The Commission’s required and actual contribution was \$57,838 for the fiscal year ending June 30, 2021.

**Note 12-Contingent Liabilities:**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

**Note 13-Risk Management:**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission participates with other government entities in a public entity risk pool for their coverage of general liability, public officials’ liability, property coverage, fidelity/crime coverage and worker’s compensation coverage through the Virginia Municipal League (VML). Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Commission makes contributions to a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Commission continues to carry commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The Commission’s insurance coverages are summarized below:

Liability Coverage	\$1,000,000 Combined Single Limit
No Fault Property Damage	\$10,000
Auto Coverage	\$1,000,000
Property Coverage	\$1,680,162
Business Interruption	\$1,000,000
Fidelity Bond	\$500,000 per occurrence
Computer fraud	\$25,000 per occurrence
Worker’s Compensation	\$1,000,000 per occurrence
Cyber Coverage	\$2,000,000

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)

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**Note 14-Subsequent Event:**

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

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

**Note 15-Upcoming Pronouncements:**

Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

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

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

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)

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**Note 15-Upcoming Pronouncements: (Continued)**

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

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

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

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

## **Required Supplementary Information**

Roanoke Valley - Alleghany Regional Commission  
 Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund  
 Budget and Actual  
 For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Grants and appropriations:				
Federal grants	\$ 786,858	\$ 802,706	\$ 623,399	\$ (179,307)
State grants and appropriations	398,242	369,400	327,184	(42,216)
Local grants and appropriations	392,931	392,931	389,003	(3,928)
Contractual services	36,366	42,821	45,443	2,622
Miscellaneous	42,128	37,661	594	(37,067)
Interest income	7,000	1,500	1,085	(415)
<b>Total revenues</b>	<b>\$ 1,663,525</b>	<b>\$ 1,647,019</b>	<b>\$ 1,386,708</b>	<b>\$ (260,311)</b>
<b>Expenditures:</b>				
<b>Community Development:</b>				
Salaries	\$ 816,943	\$ 791,425	\$ 790,910	\$ 515
Fringe benefits	304,983	291,738	291,249	489
Insurance	5,000	5,000	4,519	481
Supplies	18,175	17,494	23,114	(5,620)
Postage	2,000	2,000	679	1,321
Subscriptions	1,750	1,750	404	1,346
Dues	14,400	13,400	14,236	(836)
Printing	6,700	3,500	316	3,184
Training	5,930	5,430	2,382	3,048
Telephone	9,000	9,000	7,356	1,644
Travel	35,808	30,008	456	29,552
Legal and accounting	13,500	13,500	10,888	2,612
Conferences	10,825	10,400	3,580	6,820
Furniture and fixtures	11,000	10,500	9,310	1,190
Miscellaneous	42,913	126,094	1,869	124,225
Advertising	82,740	19,774	17,958	1,816
Recruitment	500	3,000	573	2,427
Meetings	9,500	9,600	386	9,214
Computer services	28,466	29,266	29,599	(333)
Utilities	13,500	13,500	11,984	1,516
Subcontractors	15,000	24,422	23,822	600
Consultants	172,392	173,718	108,658	65,060
Operating lease payments	5,000	5,000	4,722	278
Building maintenance	37,500	37,500	37,272	228
<b>Total expenditures</b>	<b>\$ 1,663,525</b>	<b>\$ 1,647,019</b>	<b>\$ 1,396,242</b>	<b>\$ 250,777</b>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (9,534)	\$ (9,534)
Fund balance, beginning of year	-	-	1,040,768	1,040,768
Fund balance, end of year	\$ -	\$ -	\$ 1,031,234	\$ 1,031,234

GAAP serves as the Commissions budgetary basis of accounting.



## **Other Supplementary Information**

**Roanoke Valley - Alleghany Regional Commission**  
**Schedule of Indirect Expenses**  
**For the Year Ended June 30, 2021**

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Salaries	\$	119,456
Fringe Benefits		45,287
Audit Fees		10,800
Building Maintenance		22,371
Computer Services		22,782
Conferences		2,110
Depreciation Physical Assets		11,972
Furniture and Equipment		142
Furniture and Equipment Maintenance		6,990
Insurance-General		4,518
Leases		4,722
Legal Fees		88
Meetings		386
Miscellaneous		360
Postage		636
Printing		316
Professional Dues		10,191
Recruitment		573
Subscriptions		404
Supplies		11,044
Telephone & Internet		7,356
Training		2,275
Travel		203
Utilities		11,984
		<hr/>
Total Indirect Expenses	\$	<u><u>296,966</u></u>



Roanoke Valley - Alleghany Regional Commission  
 Statement of Revenues and Expenditures - ARC  
 For the Period of January 1, 2020 to December 31, 2020

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Appalachian Regional Commission  
 Contract No.: VA-711-E-C48-R1-18

Revenues:

Federal grant contributions	\$	58,482
Local contributions		58,483
 Total revenues	 \$	 <u>116,965</u>

Expenditures:

Salaries and wages	\$	63,095
Fringe benefits		23,772
Temporary Labor		65
Indirect costs		30,033
 Total expenditures	 \$	 <u>116,965</u>

Excess (deficiency) of revenues over (under) expenditures	\$	-
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## **COMPLIANCE SECTION**

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

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To the Members of the Board  
Roanoke Valley - Alleghany Regional Commission  
Roanoke, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Roanoke Valley - Alleghany Regional Commission as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Roanoke Valley - Alleghany Regional Commission's basic financial statements and have issued our report thereon dated August 13, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Roanoke Valley - Alleghany Regional Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Roanoke Valley - Alleghany Regional Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Roanoke Valley - Alleghany Regional Commission's internal control.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Roanoke Valley - Alleghany Regional Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
August 13, 2021