

**CENTRAL SHENANDOAH
PLANNING DISTRICT COMMISSION**

FINANCIAL REPORT

June 30, 2021

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

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INTRODUCTORY SECTION

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

DIRECTORY OF COMMISSIONERS

June 30, 2021

COMMISSIONERS

Frank Friedman, Chairperson, Lexington
Carolyn Dull, Vice Chair, Staunton
Butch Wells, Augusta County
Leslie Tate, Augusta County
Edward Hicklin, Bath County
Laura Dent, Harrisonburg
George Hirschmann, Harrisonburg
Sharon Angle, Staunton
Jay Lewis, Rockbridge County
Kim Sandum, Rockingham County
Warren Johnson, Waynesboro

Rhonda Cooper, Rockingham County
Terry Short, Treasurer, Waynesboro
Veronica Moran, Augusta County
Pam Carter, Augusta County
Bill Fitzgerald, Buena Vista
Adam Fletcher, Harrisonburg
David Blanchard, Highland County
Steve Schofield, Rockingham County
Chris Slaydon, Rockbridge County
Dewey Ritichie, Rockingham County

APPOINTED OFFICIALS

Bonnie Riedesel Executive Director
Lee Bell Finance Director

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Commission
Central Shenandoah Planning District Commission
Staunton, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Central Shenandoah Planning District Commission (the "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.

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, 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 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 each major fund of the Central Shenandoah Planning District Commission, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Shenandoah Planning District Commission's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the 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* (Uniform Guidance), 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 Information (Continued)

The introductory section 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2021 on our consideration of the Central Shenandoah 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 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 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 Central Shenandoah Planning District Commission's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 11, 2021

BASIC FINANCIAL STATEMENTS

EXHIBIT 1**CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION****STATEMENT OF NET POSITION****June 30, 2021**

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents (Note 2)	\$ 357,287
Investments (Note 2)	1,371,837
Cash and cash equivalents restricted (Notes 1 and 2)	42,284
Receivables (Note 3)	1,892,355
Prepays	27,256
Capital assets: (Note 5)	
Nondepreciable	721,697
Depreciable, net	<u>2,826,933</u>
Total assets	<u>7,239,649</u>
LIABILITIES	
Accounts payable and accrued liabilities	1,422,259
Accrued payroll and related liabilities	44,039
Unearned revenues	822,602
Noncurrent liabilities: (Note 6)	
Due within one year	28,168
Due in more than one year	<u>348,889</u>
Total liabilities	<u>2,665,957</u>
NET POSITION	
Net investment in capital assets	3,282,199
Restricted for debt service (Notes 1 and 2)	40,201
Restricted for Central Shenandoah Development Corporation (Notes 1 and 2)	2,083
Unrestricted	<u>1,249,209</u>
Total net position	<u><u>\$ 4,573,692</u></u>

The Notes to Financial Statements are an integral part of this statement.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions/Programs	Primary Government - Governmental Activities				
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Economic and community development	\$ 5,485,379	\$ 371,385	\$ 5,278,658	\$ 2,199	\$ 166,863
Interest on long-term debt	13,350	-	-	-	(13,350)
Total governmental activities	<u>\$ 5,498,729</u>	<u>\$ 371,385</u>	<u>\$ 5,278,658</u>	<u>\$ 2,199</u>	<u>\$ 153,513</u>

General revenues:

Unrestricted revenue from the use of money and property	<u>\$ 17,454</u>
Total general revenues and transfers	<u>17,454</u>
Change in net position	170,967
NET POSITION AT JULY 1	<u>4,402,725</u>
NET POSITION AT JUNE 30	<u>\$ 4,573,692</u>

The Notes to Financial Statements are an integral part of this statement.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	Special Revenue Funds						Total
	General	Appalachian Regional Commission	Economic Development Administration	Harrisonburg- Rockingham Metropolitan Planning Organization	Staunton-Augusta- Waynesboro Metropolitan Planning Organization	Public Transit	
ASSETS							
Cash and cash equivalents (Note 2)	\$ 268,330	\$ 2,297	\$ 12,987	\$ -	\$ -	\$ 73,673	\$ 357,287
Investments (Note 2)	742,777	-	-	-	-	629,060	1,371,837
Cash and cash equivalents restricted (Notes 1 and 2)	42,284	-	-	-	-	-	42,284
Receivables (Note 3)	1,401,176	3,257	36,827	47,741	51,266	352,088	1,892,355
Prepaid items	27,256	-	-	-	-	-	27,256
Due from other funds (Note 4)	163,314	-	-	-	-	-	163,314
Total assets	<u>\$ 2,645,137</u>	<u>\$ 5,554</u>	<u>\$ 49,814</u>	<u>\$ 47,741</u>	<u>\$ 51,266</u>	<u>\$ 1,054,821</u>	<u>\$ 3,854,333</u>
LIABILITIES AND FUND BALANCES							
Accounts payable	\$ 1,234,869	\$ -	\$ 4,995	\$ -	\$ 7,456	\$ 174,939	\$ 1,422,259
Accrued payroll and related liabilities	24,295	1,590	6,377	3,412	2,799	5,566	44,039
Unearned revenues	8,359	-	12,987	33,738	26,061	741,457	822,602
Due to other funds (Note 4)	-	3,964	25,455	10,591	14,950	108,354	163,314
Total liabilities	<u>1,267,523</u>	<u>5,554</u>	<u>49,814</u>	<u>47,741</u>	<u>51,266</u>	<u>1,030,316</u>	<u>2,452,214</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	<u>38,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,924</u>
Fund balances:							
Nonspendable:							
Prepays	27,256	-	-	-	-	-	27,256
Restricted:							
Debt service (Notes 1 and 2)	40,201	-	-	-	-	-	40,201
Central Shenandoah Development Corporation (Notes 1 and 2)	2,083	-	-	-	-	-	2,083
Transit facility future capital	-	-	-	-	-	24,505	24,505
Committed:							
Capital improvement	272,315	-	-	-	-	-	272,315
Development	109,559	-	-	-	-	-	109,559
Paid time off	117,037	-	-	-	-	-	117,037
Assigned:							
Transportation services	737,804	-	-	-	-	-	737,804
Unassigned	32,435	-	-	-	-	-	32,435
Total fund balances	<u>1,338,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,505</u>	<u>1,363,195</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,645,137</u>	<u>\$ 5,554</u>	<u>\$ 49,814</u>	<u>\$ 47,741</u>	<u>\$ 51,266</u>	<u>\$ 1,054,821</u>	<u>\$ 3,854,333</u>

The Notes to Financial Statements are an integral part of this statement.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2021

Ending fund balances – governmental funds	\$ 1,363,195
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Amounts reported for governmental activities in the statement of net position are different because:

Certain revenues are not available to pay for current period expenditures and therefore are deferred in the funds.	38,924
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Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.

Nondepreciable capital assets	\$ 721,697	
Depreciable capital assets, net	<u>2,826,933</u>	
		3,548,630

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences	(110,626)	
Long-term debt	<u>(266,431)</u>	
		<u>(377,057)</u>

Total net position – governmental activities	<u><u>\$ 4,573,692</u></u>
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CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

		Special Revenue Funds					Total
		Appalachian Regional Commission	Economic Development Administration	Harrisonburg- Rockingham Metropolitan Planning Organization	Staunton-Augusta- Waynesboro Metropolitan Planning Organization	Public Transit	
	General						
REVENUES							
Assessments	\$ 215,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,450
Charges for services	373,676	-	-	-	-	1,900	375,576
Intergovernmental - State and Local	1,649,790	-	60,178	45,143	37,835	517,407	2,310,353
Intergovernmental - Federal	236,562	40,709	222,282	180,571	151,339	1,923,591	2,755,054
Revenues from the use of money and property	14,810	-	-	-	-	2,644	17,454
Total revenues	2,490,288	40,709	282,460	225,714	189,174	2,445,542	5,673,887
EXPENDITURES							
Current:							
Economic and community development	2,338,692	81,418	282,460	225,714	189,174	2,445,391	5,562,849
Debt service:							
Principal retirement	26,850	-	-	-	-	-	26,850
Interest and other fiscal charges	13,350	-	-	-	-	-	13,350
Total expenditures	2,378,892	81,418	282,460	225,714	189,174	2,445,391	5,603,049
Excess (deficiency) of revenues over expenditure	111,396	(40,709)	-	-	-	151	70,838
Transfers in	0	40,709	-	-	-	-	40,709
Transfers out	(40,709)	-	-	-	-	-	(40,709)
Net change in fund balances	70,687	-	-	-	-	151	70,838
FUND BALANCES AT JULY 1	1,268,003	-	-	-	-	24,354	1,292,357
FUND BALANCES AT JUNE 30	<u>\$ 1,338,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,505</u>	<u>\$ 1,363,195</u>

The Notes to Financial Statements are an integral part of this statement.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Net change in fund balances – total governmental funds	\$ 70,838
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(4,191)
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	199,562
Depreciation expense	(113,828)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has an effect on net position.	
Principal repayments	26,850
Long-term compensated absences are reported in the statement of activities but they do not require the use of current financial resources and, therefore are not recorded as expenditures in governmental funds.	(8,264)
Change in net position of governmental activities	<u><u>\$ 170,967</u></u>

The Notes to Financial Statements are an integral part of this statement.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Central Shenandoah Planning District Commission (the “Commission”) operates as an agent for the Counties of Augusta, Bath, Highland, Rockbridge, and Rockingham; the Towns of Bridgewater, Broadway, Craigsville, Dayton, Elkton, Glasgow, Goshen, Grottoes, Monterey, Mt. Crawford, and Timberville; and the Cities of Buena Vista, Harrisonburg, Lexington, Staunton, and Waynesboro in the establishment and operation of Community Improvement Projects, Local Planning Assistance, and Public Transit Systems all activities that improve the economic and community development goals of each participating locality

B. Government-Wide and Fund Financial Statements

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Revenues from local sources consist primarily of assessments and grants. Assessments are recognized when susceptible to accrual. Federal, state, and local grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from grants are considered to be available if they are collected within one year 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.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Commission reports the following major governmental funds:

The *general fund* is the Commission's primary operating fund. It accounts for and reports all financial resources of the commission, except those required to be accounted for and reported in another fund.

Special revenue funds account and report for the proceeds of the specific revenue sources that are legally restricted to expenditures. The special revenue funds are the Appalachian Regional Commission Fund, the Economic Development Administration Fund, the Harrisonburg-Rockingham Metropolitan Planning Organization Fund, the Staunton-Augusta-Waynesboro Metropolitan Planning Organization Fund, and the Public Transit Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased. All certificates of deposit, regardless of maturity, are considered to be cash and cash equivalents.

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include intergovernmental grants.

The Commission does not have an allowance for uncollectible accounts as historically there has not been difficulty in collecting payments. Management believes any allowance would be immaterial.

F. Restricted Cash and Cash Equivalents

Amounts held for debt service reserves are reported as restricted investments. Restricted investments at June 30, 2021 was \$40,201 as required by Rural Development, the lender.

Additionally, \$2,083 is reported as restricted cash which is held by a 501(c)3 not-for-profit entity called Central Shenandoah Development Corporation. This not-for-profit was created solely to apply for various federal grants and is included as part of the general fund.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets include property, plant, and equipment. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$2,500 and a useful life of more than one year. The Public Transit Fund capitalizes assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over an estimated useful life of five to seven years for furniture and equipment and thirty-nine years for buildings.

H. Unearned Revenues

The Commission receives matching amounts from member localities. These funds are based on budgets and grant matching requirements and were not earned as of year-end.

I. Deferred Inflows of Resources

Governmental funds report revenues that are unavailable as deferred inflows of resources. Availability of revenues is defined at Note 1C. These amounts are deferred and recognized as revenue in the period that the amounts become available.

J. Compensated Absences

The Commission has policies which allow for the accumulation and vesting of limited amounts of annual leave, sick time, and holidays until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds when the leave is due and payable.

K. Long-Term Debt

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt generally consists of a note payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as an expenditure.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

L. Net Position/Fund Balance

Net position in government-wide statements are classified as investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

Fund balance is divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources in the governmental fund.

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- **Restricted** – 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** – Amounts constrained to specific purposes by the Commission, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Commission intends to use for a specified purpose; intent can be expressed by the governing body.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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 of commitment of the fund (such as for special incentives). Assigned fund balance is established by the Commission 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).

M. Restricted Resources

When 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.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

N. Minimum Fund Balance Policy

Governmental funds of the Commission do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by the Commission.

O. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds.

P. Post-Retirement Health Benefits

The Commission allows retirees to participate in the Commission's medical insurance plan through the Local Choice. Since employees must be 65 in order to retire from the Commission, they are eligible to participate in the Medicare supplement plan. The Commission does not participate in the cost of premiums for retiree and there is no impact on the cost of premiums for current employees.

Q. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Note 2. Deposits and Investments

Deposits:

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

Restricted cash consists of debt service held in a reserve account as well as cash held by a not-for-profit that was created to apply to various federal grants.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments:

Statutes authorize the Commission to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the Virginia Investment Pool (VIP). The VIP is not registered with the SEC but is overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the Commission’s position in the pool is the same as the value of the pool shares.

The Commission has no investment policies that would further limit its investment choices.

The Commission holds deposits in the VIP consisting of the Stable NAV Liquidity Pool. This VIP pool includes short-duration, high-quality, fixed income securities. The NAV Pool offers a competitive yield with a stable net asset value, and daily liquidity which is ideal for managing operating funds. The NAV pool is rated AAAm by Standard and Poor’s. At June 30, 2021, all investments were held in VIP.

As of June 30, the Commission had the following deposits and investments:

	<u>2021</u>
Investments: VIP	\$ 1,371,837
Deposits	<u>399,571</u>
Total deposits and investments	<u><u>\$ 1,771,408</u></u>
Statement of Net Position:	
Cash and cash equivalents	\$ 357,287
Investments	1,371,837
Cash and cash equivalents, restricted	<u>42,284</u>
Total statement of net position	<u><u>\$ 1,771,408</u></u>

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 3. Receivables

Receivables are as follows:

Federal grants	\$ 457,328
State grants	1,381,174
Other	<u>53,853</u>
Total receivables	<u>\$ 1,892,355</u>

Note 4. Interfund Activity and Transfers

Interfund balances are the result of short term cash flows needs or services provided by the general fund that have not been reimbursed by special revenue funds. Due to/from balances between the funds consisted of the following:

	<u>Due To</u>	<u>Due From</u>
General	\$ 163,314	\$ -
Appalachian Regional Commission	-	3,964
Economic Development Administration	-	25,455
HRMPO	-	10,591
SAWMPO	-	14,950
Public Transit	-	108,354
	<u>\$ 163,314</u>	<u>\$ 163,314</u>

Due to the COVID-19 pandemic, the Commission did not assess localities to fund the Appalachian Regional Commission (ARC) activities during 2021. Instead, a transfer was made from the General Fund to the ARC fund in the amount of \$40,709.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 528,600	\$ 193,097	\$ -	\$ 721,697
Capital assets, depreciated:				
Buildings	3,455,727	-	-	3,455,727
Furniture and equipment	153,879	6,465	-	160,344
Total capital assets, depreciated	3,609,606	6,465	-	3,616,071
Less accumulated depreciation:				
Buildings	577,807	99,396	-	677,203
Furniture and equipment	97,503	14,432	-	111,935
Total accumulated depreciation	675,310	113,828	-	789,138
Total capital assets, depreciated, net	2,934,296	(107,363)	-	2,826,933
Governmental activities capital assets, net	\$ 3,462,896	\$ 85,734	\$ -	\$ 3,548,630

Depreciation is included as part of economic and community development expenditures on the Statement of Activities.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable:					
Rural Housing Service	\$ 293,281	\$ -	\$ (26,850)	\$ 266,431	\$ 28,168
Compensated absences	102,362	14,708	(6,444)	110,626	-
Total governmental activities	<u>\$ 395,643</u>	<u>\$ 14,708</u>	<u>\$ (33,294)</u>	<u>\$ 377,057</u>	<u>\$ 28,168</u>

Details of outstanding long-term debt are as follows:

On June 28, 1999, the Commission issued a note payable secured by a deed of trust. The note is being repaid in monthly installments of \$3,350, including interest at 4.75 percent. The note matures May 2029.

The annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year	Principal	Interest
2022	\$ 28,168	\$ 12,032
2023	29,536	10,664
2024	30,970	9,230
2025	32,473	7,727
2026	34,050	6,150
2027-2029	<u>111,234</u>	<u>8,200</u>
	<u>\$ 266,431</u>	<u>\$ 54,003</u>

Note 7. Retirement Plans

Defined Contribution Pension Plan

The Commission provides a defined contribution plan for all full-time employees administered by Mass Mutual. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Plan payments are based on basic annual compensation with contributions by the Commission and employees. The Commission matched 13.85% for the year ended June 30, 2021. Commission contributions for each employee are fully vested after three years of continuous service. Contributions for, and investment income forfeited by, employees who leave employment before three years of service are allocated to plan participants. Employer contributions for the year ended June 30, 2021 were \$129,408 and employee contributions for the year ended June 30, 2021 were \$71,478.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 7. Retirement Plans (Continued)

457 Plan

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible Commission employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Commission matched 1% for the year ended June, 30 2021 given the condition of at least 2% employee deferral. Employer contributions for the year ended June 30, 2021 were \$7,259 and employee contributions for the year ended June 30, 2021 were \$41,992.

Note 8. Federal Transit Administration

The Commission was approved to oversee the Federal Transit Administration funds for Staunton-Augusta-Waynesboro MPO member localities beginning January 2014. The Commission has contracted with Virginia Regional Transit (VRT) to provide public transit service. A contract was signed on July 1, 2017 through June 2022 for a total of \$7,552,510. During 2021, the contract was extended through June 2024. The total paid to VRT during fiscal year 2021 is \$1,689,703 and is recorded in the Public Transit Fund.

Note 9. Operating Leases

During 2018, the Commission entered into a three year operating lease in which the Commission would lease office space located at 112 MacTanly Place. As the lessor, the Commission would receive monthly rental payments that would increase by 3% each year. In March 2021, the lease was extended for an additional three years, set to terminate in March 2024. Rental revenue of \$13,565 was received for the year ended June 30, 2021. The future rental income is expected to be \$12,000 for 2022, which increase annually through the end of the agreement.

The Commission contracted to purchase land located at 240 North Lewis Street, Staunton, Virginia during fiscal year 2021. Prior to the sale, the City of Staunton, Virginia, had entered into a commercial lease agreement with the prior lessor to use parking space on the land. This agreement was re-assigned to the Commission effective April 20, 2021 for a period of five years. As part of that agreement, certain payments to the prior lessor were to be credited against their monthly license fee through the end of June 2021, thus reducing monthly payments to the Commission in May and June 2021. Starting in July 2021, the lessee will pay monthly rent to the Commission of \$917 per month, which will increase annually based on the Consumer Price Index. Rental income in the amount of \$2,700 was received by the Commission for fiscal year ending June 30, 2021.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 10. 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. To reduce insurance costs and the need for self-insurance, the Commission has joined with other Commissions and municipalities in the Commonwealth of Virginia in a public entity risk pool that operates as common risk management and insurance program for member municipalities. The Commission is not self-insured.

The Commission has insurance coverage with VML Insurance Programs. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Commission pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Commission's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 11. Indirect Cost Allocation

Indirect costs, which support all projects, are allocated based on the ratio of the individual project's direct salaries and fringe benefits to total direct salaries and fringe benefits. The indirect cost rate for the year ended June 30, 2021 was 45.62%.

The rate was calculated as follows:

Indirect costs ÷	\$	465,811		
Direct chargeable salary & benefits	\$	1,021,031	=	45.62%

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 11. Indirect Cost Allocation (Continued)

The following indirect costs have been used in the above calculations:

Salaries and benefits	\$ 303,181
Auditing services	28,475
IT Services and subscriptions	18,849
Legal services	2,296
Repairs and maintenance	18,322
Printing	2,198
Advertising	988
Utilities	6,933
Telecommunications	17,966
Insurance (property, liability, etc.)	4,718
Travel, training, and meetings	11,359
Administrative costs	10,878
Dues and association memberships	5,025
Office supplies	9,075
Books and subscriptions	1,141
Other program costs	581
Depreciation expense	13,659
Interest payments on debt service	10,767
Income received against administrative costs	<u>(600)</u>
Total indirect costs	<u>\$ 465,811</u>

Note 12. Fringe Benefit Allocation

Fringe benefit expense is allocated using the percentage of benefits to total chargeable salaries. The fringe benefit rate for the fiscal year ending June 30, 2021 was calculated as follows:

Fringe benefit expense ÷	\$ 477,670	
Total chargeable salaries	\$ 846,542	= 56.43%

Components of fringe benefit expense are:

Health, disability, and life insurance	\$ 174,526
Medicare, social security, retirement	154,638
Unemployment tax, worker's comp. insurance	5,147
Value of release time including vac., sick, holiday	<u>143,359</u>
Total fringe benefit expense	<u>\$ 477,670</u>

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 13. Commitments and Contingencies

Operating leases:

In August 2019, the Commission entered into a three year operating lease agreement for a vehicle. During fiscal year 2021, the Commission entered into another operating lease agreement for a second vehicle. Lease payments totaled \$8,519 for the year ended June 30, 2021. Future rental expense is as follows:

<u>Year Ended June 30,</u>	<u>Rental Expense</u>
2022	\$ 7,519
2023	298

Contractual commitments:

At June 30, the Commission had outstanding contractual commitments for grant funded transit projects totaling \$6,387,771. These commitments, where they do not create negative unassigned fund balance, are included in assigned fund balance in the governmental funds balance sheet.

Note 14. COVID-19

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 Commission’s operations are dependent on participating locality’s ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may increase, decrease, or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the Commission received revenue during fiscal year 2021. As such, the Commission’s financial condition and liquidity may be negatively impacted for the fiscal year 2022.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Commission’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the 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.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 15. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after June 15, 2021.

The GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. This Statement 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.

In January 2020, the GASB issued **Statement No. 92, *Omnibus***. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93, *Replacement of Interbank Offered Rates***. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96, *Subscription-Based Information Technology Arrangements***. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 15. New Accounting Standards (Continued)

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 208,999	\$ 208,402	\$ 215,450	\$ 7,048
Charges for services	189,675	310,732	373,676	62,944
Intergovernmental - State and Local	451,071	2,104,853	1,649,790	(455,063)
Intergovernmental - Federal	225,500	285,150	236,562	(48,588)
Revenues from the use of money and property	21,227	16,862	14,810	(2,052)
Total revenues	1,096,472	2,925,999	2,490,288	(435,711)
EXPENDITURES				
Current:				
Economic and community development	1,078,219	2,898,863	2,338,692	560,170.51
Debt service:				
Principal retirement	26,808	26,808	26,850	(42)
Interest and other fiscal charges	13,392	13,392	13,350	42
Total expenditures	1,118,419	2,939,063	2,378,892	560,171
Transfers	(40,000)	(35,750)	(40,709)	4,959
Net change in fund balance	\$ (61,947)	\$ (48,814)	\$ 70,687	\$ 129,419

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – APPALACHIAN REGIONAL COMMISSION FUND

Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - Federal	\$ 35,750	\$ 40,000	\$ 40,709	\$ 709
Total revenues	35,750	40,000	40,709	709
EXPENDITURES				
Current:				
Economic and community development	71,500	80,000	81,418	(1,418)
Total expenditures	71,500	80,000	81,418	(1,418)
Transfers	35,750	40,000	40,709	(709)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – ECONOMIC DEVELOPMENT ADMINISTRATION FUND

Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - State and Local	\$ 70,000	\$ 65,363	\$ 60,178	\$ (5,185)
Intergovernmental - Federal	220,000	265,363	222,282	(43,081)
Total revenues	290,000	330,726	282,460	(48,266)
EXPENDITURES				
Current:				
Economic and community development	290,000	330,726	282,460	48,266
Total expenditures	290,000	330,726	282,460	48,266
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – HARRISONBURG-ROCKINGHAM MPO FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - State and Local	\$ 71,951	\$ 68,784	\$ 45,143	\$ (23,641)
Intergovernmental - Federal	287,807	275,127	180,571	(94,556)
Total revenues	359,758	343,911	225,714	(118,197)
EXPENDITURES				
Current:				
Economic and community development	359,758	343,911	225,714	118,197
Total expenditures	359,758	343,911	225,714	118,197
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – STAUNTON-AUGUSTA-WAYNESBORO MPO FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - State and Local	\$ 51,317	\$ 55,350	\$ 37,835	\$ (17,515)
Intergovernmental - Federal	205,267	221,392	151,339	(70,053)
Total revenues	256,584	276,742	189,174	(87,568)
EXPENDITURES				
Current:				
Economic and community development	256,584	276,742	189,174	87,568
Total expenditures	256,584	276,742	189,174	87,568
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – PUBLIC TRANSIT FUND

Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ -	\$ 1,600	\$ 1,900	\$ 300
Intergovernmental - State and Local	806,132	928,950	517,407	(411,543)
Intergovernmental - Federal	1,718,644	1,554,097	1,923,591	369,494
Revenues from the use of money and property	8,500	2,476	2,644	168
Total revenues	2,533,276	2,487,123	2,445,542	(41,581)
EXPENDITURES				
Current:				
Economic and community development	2,533,276	2,487,123	2,445,391	41,732
Total expenditures	2,533,276	2,487,123	2,445,391	41,732
Net change in fund balance	\$ -	\$ -	\$ 151	\$ 151

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021

Note 1. Budgets and Budgetary Accounting

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

- 1) Prior to June 30th, the budget is approved by the Commission through passage of a resolution. The Commission may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 2) Formal budgetary integration is employed as a management control device during the year.
- 3) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- 4) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30th.

COMPLIANCE SECTION

**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**

Honorable Members of the Commission
Central Shenandoah Planning District Commission
Staunton, 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 Central Shenandoah Planning District Commission (the "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, and have issued our report thereon dated November 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing 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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2021-001, to be a material weakness.**

A *significant deficiency* is a deficiency, or 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. **We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2021-002, to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.**

Commission's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 11, 2021

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

To the Honorable Members of the Commission
Central Shenandoah Planning District Commission
Staunton, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Central Shenandoah Planning District Commission's (the "Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal programs for the year ended June 30, 2021. The Commission's major federal programs are 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 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 the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Report on Compliance for Each Major Federal Program (Continued)

Opinion on Each Major Federal Program

In our opinion, the 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 programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each of the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major federal programs 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 Commission's internal control over compliance.

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

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

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 11, 2021

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Granting Agency/Recipient State Agency	Assistance Listing Number	Pass-through Identification Number	Federal Expenditures
U.S. Environmental Protection Agency			
Pass-through payments:			
Chesapeake Bay Program	66.466	16883	\$ 17,516
Chesapeake Bay Program	66.466	17021	25,765
Total U.S. Department of Agriculture			43,281
U.S. Department of Commerce Economic Development Administration			
Direct payments:			
Economic Development Administration:			
Economic Development Support for Planning Organizations	11.302	N/A	60,178
COVID-19 Economic Development Support for Planning Organizations	11.307	N/A	162,104
Total U.S. Department of Commerce Economic Development Administration			222,282
U.S. Department of Agriculture			
Direct Payments:			
U.S. Department of Agriculture	10.175	N/A	85,000
U.S. Department of Transportation			
Direct payments:			
Federal Transit Cluster:			
COVID-19 Federal Transit Formula Grants	20.507	N/A	1,213,601
Federal Transit Formula Grants	20.507	N/A	2,199
			1,215,800
Pass-through payments:			
Highway Planning and Construction Cluster:			
Virginia Department of Transportation			
Highway Planning and Construction	20.205	UPC 0000117282	138,985
Highway Planning and Construction	20.205	UPC 0000117290	100,629
Highway Planning and Construction	20.205	UPC 0000117261	58,000
Department of Rail & Public Transportation			
Highway Planning and Construction	20.205	VA-2020-026	26,451
Highway Planning and Construction	20.205	VA-2020-044	15,135
Highway Planning and Construction	20.205	VA-2020-026	23,072
Highway Planning and Construction	20.205	VA-2020-044	27,638
			389,910
Formula Grants for Rural Areas	20.509	VA-2018-034	
COVID-19 Capital Cost of Contracting	20.509	VA-2020-019-01	268,910
COVID-19 Operating	20.509	VA-2020-019	338,123
COVID-19 Operating	20.509	VA-2020-019-02	100,757
COVID-19 Formula Grants for Rural Areas	20.509	VA-2020-019-02	7,566
			715,356
Total U.S. Department of Transportation			2,321,066
Appalachian Regional Commission			
Direct payments:			
Appalachian Local Development District Assistance	23.009	N/A	40,709
Total Appalachian Regional Commission			40,709
U.S. Department of Homeland Security			
Pass-through payments:			
Hazard Mitigation Grant	97.039	FEMA-DR-4291-VA-001	3,957
Hazard Mitigation Grant	97.047	PDM-2016-001	1,258
Total U.S. Department of Homeland Security			5,215
U.S. Department of Homeland Security			
Pass-through payments:			
Department of Housing and Community Development			
HOME Investment Partnership Program	14.239	2020-2021 DPA	37,500
Total U.S. Department of Homeland Security			42,715
Total Expenditures of Federal Awards			\$ 2,755,053

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

Note 2: Indirect Cost Rate

The entity did not elect to use the 10% de minimis indirect cost rate.

Note 3: Outstanding Loan Balances

At June 30, 2021, the Commission had no outstanding loan balances requiring disclosure.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SUMMARY OF COMPLIANCE MATTERS

June 30, 2021

As more fully described in the 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*, we performed tests of the Commission's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency and one material weakness** relating to the audit of the financial statements were reported in the 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **no findings relating to the major programs tested**.
7. The programs tested as major were:

Name of Program	Assistance Listing #
Federal Transit Formula Grants	20.507
Formula Grants for Rural Areas	20.509

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The Commission was determined to be a **low-risk auditee**.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001: Financial Reporting (Material Weakness)

Condition:

Multiple material audit adjustments were proposed.

Cause:

Certain of these adjustments were related to transactions or determinations made by management that did not involve the proper accounting treatment.

Effect:

Audit adjustments were required to ensure the financial statements are materially correct.

Recommendation:

We suggest management make the appropriate adjustments when misstatements have been identified. We also recommend implementing procedures such as review of transactions near year end to ensure that services received and rendered during the year have been appropriately reflected in accounts receivable, prepaid expenses, and accounts payable. Additionally, all adjustments that were made as a result of our current year audit should be reviewed during the next year as a reminder of matters needing accounting attention in preparing for the fiscal year 2022 audit.

Views of Responsible Officials:

We agree with the auditors' comments. Several invoices received after June 30, 2021, were inadvertently recorded on the date they were processed rather than during the period in which services were received. During fiscal year 2022, we took the following actions to reduce the likelihood that misstatements are made: (1) We hired a Fiscal Technician to assist the Finance Director with, among other tasks, processing receivables and payables; and, (2) We prepared a check list of accounts and transactions that may require accounting attention during the year-end closing process. Use of this resource helps ensure that transactions are recorded accurately during the year in which services are received and rendered.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2021-002: Segregation of Duties (Significant Deficiency)

Condition:

The Finance Director and Fiscal Technician can enter journal entries without review or approval.

Criteria:

Due to the size of the Commission, proper segregation of duties is not always possible, therefore review of manual journal entries by someone not involved in the daily finance operations is necessary.

Cause:

The size of the Commission does not allow for adequate segregation of duties.

Effect:

There is no way to ensure that the underlying accounting records agree to the financial reports provided to the Executive Director and Board.

Recommendation:

Before each Board meeting, we recommend that the Executive Director compare the financial statements prepared for the CSPDC members directly to the underlying QuickBooks system reports. This will help ensure that there are no discrepancies, and that all transactions recorded in QuickBooks are fully reflected in the statements provided to the Executive Director and Board for their review. We also recommend that the Executive Director periodically review manual journal entries made, and inquire about any that do not appear reasonable.

Views of Responsible Officials:

We agree with the auditor's comments, and we expect the following corrective action will improve the situation. (1) Effective July 1, 2021, the Executive Director regularly reviews manual journal entries; and, (2) Effective December 1, 2021, before each board meeting, the Executive Director reviews the financial statements prepared for the Commission Members, and the Executive Director compares the statements directly with the underlying QuickBooks system reports.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None