

**ROANOKE VALLEY-ALLEGHANY  
REGIONAL COMMISSION**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**DUNHAM, AUKAMP & RHODES, PLC**  
Certified Public Accountants  
Chantilly, VA

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**Independent Auditors' Report**

To the Commissioners  
Roanoke Valley-Alleghany Regional Commission

We have audited the accompanying basic financial statements of the Roanoke Valley-Alleghany Regional Commission as of and for the year ended June 30, 2011 as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

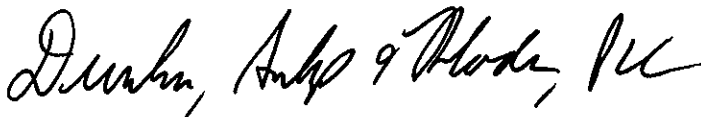
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Roanoke Valley-Alleghany Regional Commission as of June 30, 2011 and the results of its operations and cash flows of its business-type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2011 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 28 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Roanoke Valley-Alleghany Regional Commission's basic financial statements. The accompanying schedules of cost allocation by project, indirect costs, and revenues and expenditures – ARC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. Such 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.



Certified Public Accountants  
Chantilly, Virginia

September 9, 2011

## **Management's Discussion and Analysis**

### **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, 2011. Please read it in conjunction with the transmittal letter at the front of this report and 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, and the notes to the financial statements. The first two 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 Assets focuses on resources available for future operations. In simple terms, this statement presents a snap shot 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. Government activities are reported on the accrual basis of accounting. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities focuses 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 Revenue, Expenses and Changes in Net Assets presents information showing how the Commission's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise of the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are recorded in this statement for some items that will only result in cash flows in future periods.

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 years.

## Government-Wide Financial Statements

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

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

## Fund Financial Statements

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 as 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.

## **Financial Analysis**

### **Summary Statement of Net Assets**

	Governmental Activities 2011	Governmental Activities 2010
Assets:		
Current Assets	\$641,089	\$633,112
Capital Assets (net)	<u>261,597</u>	<u>268,330</u>
Total Assets	<u>\$902,686</u>	<u>\$901,442</u>
Liabilities:		
Current Liabilities	\$107,992	\$114,473
Noncurrent Liabilities	<u>69,033</u>	<u>89,157</u>
Total Liabilities	<u>\$177,025</u>	<u>203,630</u>
Net Assets:		
Invested in Capital Assets	\$187,592	\$174,573
Unrestricted	522,371	508,239
Restricted	<u>15,000</u>	<u>15,000</u>
Total Net Assets	<u>\$724,963</u>	<u>\$697,812</u>

The Summary of Net Assets - Governmental Activities shows an increase of \$27,151.

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

	Governmental Activities 2011	Governmental Activities 2010
Revenues	\$1,476,787	\$1,158,027
Expenses	<u>1,449,636</u>	<u>1,167,442</u>
Change in net assets	27,151	(9,415)
Net assets at beginning of year	<u>697,812</u>	<u>707,227</u>
Net assets at end of year	<u>\$ 724,963</u>	<u>\$ 697,812</u>

The Statement of Revenues, Expenditures & Change in Net Assets is a result of reasonable and expected fluctuations in grant activity for the year.

### Revenues and Carryover Balances

\$94,755 in Federal PL funds and \$11,845 in State match funds are to be carried over into the 2013/2014 planning year.

The Commission applied for and received \$625,000 grant from the U.S. Department of Housing and Urban Development's Office of Sustainable Housing and Communities to develop a regional sustainability plan. The in-kind match for the grant is \$217,549, and this match will come from consortium members as well as \$30,000 cash match from the Regional Commission. The project work will end on December 31, 2013 and close out activities will be completed January through February 2014.

The Virginia Department of Rail and Public Transportation provided an addition \$40,308 to the Commission's Ride Solutions program, which added a \$10,076 increase in local funds to provide for a part time technician.

On October 1, 2010, the Commission entered into a Capacity Building Program with the U.S. Economic Development Administration in the amount of \$60,000, with \$60,000 cash match from the Regional Commission. This is the third phase of a plan to become designated as an Economic Development District. This grant is used to develop and implement the regional Comprehensive Economic Development Strategy and will end on September 30, 2011.

Also, on October 1, 2010 the Commission entered into a three year Community Trade Adjustment Assistance Agreement with the U.S. Economic Development Administration in cooperation with the New River Valley and Mount Rogers Planning District Commissions in the amount of \$1,499,000. These funds will be used to increase the competitiveness of the transportation manufacturing sector in southwestern Virginia. The Regional Commission is to receive \$688 per year for technical assistance support for this regional effort.

Continuing toward compliance with water supply planning Regulation 9 VAC25-780, the Commission entered into an agreement with the Virginia Department of Environmental Quality to develop a regional water supply plan for the Greater Roanoke Valley. Thirteen local governments are participating in this planning process. VDEQ provided the Commission \$2,000 to conduct the required public hearings before adoption of the plan.

The Regional Commission applied for a grant to fund the Volunteers for Energy Project. On May, 10, 2010, the Commission was awarded a grant in the amount \$277,571 from the Virginia Department of Mines, Minerals and Energy. During the current fiscal year, 17 energy auditors have been hired and are currently providing energy audits to businesses and non profits in the region. This grant will expire April 30, 2012. Additionally, the Commission received \$11,103 from the Department of Mines, Minerals & Energy to monitor the reporting requirements for the Volunteers for Energy Program, this will also end in April 2012

The Regional Commission entered into an interagency contract with the Virginia Department of Environmental Quality in the amount of \$269,000 to complete an analysis of Total Maximum Daily Load for the Jackson River in the Alleghany Highlands. Louis Berger and Associates was hired as contractor in the amount of \$267,400. Work was completed June 30, 2011.

The Regional Commission entered into a grant agreement with the Virginia Department of Emergency Management with funds provided through the Federal Emergency Management Agency in the amount of \$46,520 to complete a Pre-Disaster Hazard Mitigation Plan Update by August 30, 2012.

The Commission received \$66,062 from the Virginia Department of Housing and Community Development, which was allocated by the General Assembly to Planning District Commissions.

Dues paid by the localities at seventy cents per capita are as follows: Alleghany County \$9,010, Botetourt County \$22,730, Clifton Forge \$2,752, Covington \$4,080, Craig County \$3,632, Franklin County \$33,220, Town of Rocky Mount \$3,175, City of Roanoke \$64,417, County of Roanoke \$57,840, Salem \$17,226 and Vinton \$5,508 for total dues in the amount of \$223,590.

### **Expenditures**

Salaries and fringe benefits were over spent due to the hiring of a part-time GIS intern in the amount of \$12,371, Volunteers for Energy were paid stipends in the amount of \$6,874 and there was an increase in the accrued annual leave balance of \$8,115.

Fringe benefits were underspent due to employee not added to health plan until November 2010.

Supplies were overspent due to purchase of two tool kits and stickers for the Volunteers for Energy Program.

Furniture expenses were underspent because the upgrade of the first floor was completed in the prior year.

Advertising was overspent in an effort to increase participation in the Ride Solutions program in the spring months.



The Commission hired several consultants to assist with program development and implementation this fiscal year:

- Berger & Associates was paid \$267,400 for the Jackson River TMDL,
- Terry Albrecht was paid \$28,000 to provide training for the Volunteers for Energy Program,
- New River Valley PDC was paid \$26,800 for their work with the Ride Solutions program, and
- Kathy Baske-Young was paid \$4,300 for her assistance in updating the Commission's strategic plan.

The contract service line item was under spent because the on-call consultant for transportation was not needed this year and the Commission did not use VDRPT funds to hire bus riders for a survey in the amount of \$8,819, part-time GIS intern in the amount of \$12,371 became an employee and not a contract for service line item.

Utilities were under budget due to the conservation efforts of the staff as a part of our efforts to reduce energy usage and promote a "Green" operation.

The Commission paid \$15,000 on our building loan, bringing the balance of the loan down to \$74,000.

Miscellaneous expenses are mainly bank fees and in-kind matches for various grants.

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

The capital assets in the governmental funds consist of computer equipment and furniture. The capital assets in the proprietary fund consist of land and office building.

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

Presently, management of the Commission is not aware of any other significant changes in conditions that would have a significant effect on the financial position or on the activities of the Commission in the near future.

### **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 [odooley@rvarc.org](mailto:odooley@rvarc.org).

**Roanoke Valley-Alleghany Regional Commission**  
**Statement of Net Assets**  
**June 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 342,819
Due from grantors	123,419
Due from contracts	172,939
Prepaid expenses	1,912
Capital assets, net	<u>261,597</u>
Total Assets	<u><u>\$ 902,686</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 26,953
Deferred revenue	27,542
Accrued annual leave	49,223
Long-term liabilities	
Due within one year	4,972
Due in more than one year	<u>69,033</u>
Total Liabilities	<u>177,723</u>
 <b>NET ASSETS</b>	
Investment in capital assets, net of related debt	187,592
Reserve for capital improvements	15,000
Unrestricted	<u>522,371</u>
Total Net Assets	<u>724,963</u>
Total Liabilities and Net Assets	<u><u>\$ 902,686</u></u>

See accompanying notes

**Roanoke Valley-Alleghany Regional Commission**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Total
<b>Governmental activities</b>				
General government and administration	\$ 92,671	\$ -	\$ -	\$ (92,671)
Projects	1,356,965	1,187,489	286,682	117,206
<b>Total Governmental Activities</b>	<b>1,449,636</b>	<b>1,187,489</b>	<b>286,682</b>	<b>24,535</b>
General revenues:				
Investment earnings				2,616
Change in net assets				27,151
Net assets at beginning of year				697,812
Net assets at end of year				<u>\$ 724,963</u>

See accompanying notes

**Roanoke Valley-Alleghany Regional Commission  
Balance Sheet  
Governmental Fund  
June 30, 2011**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 342,819
Due from grantors	123,419
Due from contracts	172,939
Prepaid expenses	<u>1,912</u>
<b>Total Assets</b>	<u><u>641,089</u></u>
<b>LIABILITIES</b>	
Accounts payable	26,953
Deferred revenue	<u>27,542</u>
<b>Total Liabilities</b>	<u>54,495</u>
<b>FUND BALANCE</b>	
Reserve for capital improvements	15,000
Unrestricted	<u>571,594</u>
<b>Total Fund Balance</b>	<u>586,594</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 641,089</u></u>
Reconciliation of fund balances on the balance sheet for governmental funds to net assets of governmental funds on the statement of net assets:	
Fund Balances - total governmental funds	\$ 586,594
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds	(123,228)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>261,597</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 724,963</u></u>

See accompanying notes

**Roanoke Valley-Alleghany Regional Commission**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2011**

Revenue	
Grants and appropriations	
Federal grants	\$ 653,858
State grants and appropriations	535,062
Local grants and appropriations	223,590
Other revenue	
Miscellaneous and interest	64,277
Total Revenues	<u>1,476,787</u>
Expenditures	
Salaries	637,352
Contract services	326,492
Fringe benefits	211,725
Advertising	57,606
Miscellaneous	36,843
Debt service	25,097
Maintenance	22,158
Travel	21,001
Computer services	15,442
Supplies	15,032
Dues and subscriptions	11,485
Utilities	10,451
Meetings	9,547
Legal and accounting	9,249
Training	7,284
Telephone	6,861
Lease payments	6,120
Printing	5,130
Conferences	4,942
Postage	4,613
Insurance	3,985
Capital outlay	3,348
Furniture and equipment	1,019
Public Relations	1,000
Library and maps	633
Recruitment	125
Total Expenditures	<u>1,454,540</u>
Excess of Revenues over Expenditures	22,247
Fund Balance - Beginning of Year	<u>564,347</u>
Fund Balance - End of Year	<u>\$ 586,594</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	
Net Changes in Fund Balances - Total Governmental Funds	\$ 22,247
Capital outlays are reported as expenditures in the government funds. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. In the current period these amounts are:	
Capital outlay	3,348
Depreciation Expense	(10,081)
Some expenses reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the government funds.	
Principal payments on long term debt	19,752
Increase in compensated absence liability	<u>(8,115)</u>
Change in net assets reported on the Statement of Activity	<u>\$ 27,151</u>

See accompanying notes

# ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of the Roanoke Valley-Alleghany Regional Commission (the “Commission”) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant policies.

#### A. The 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 36 members who are appointed by and serve at the pleasure of the eleven member governments.

#### B. Financial Statement Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the nonfiduciary activities.

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

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

Separate fund financial statements are provided for governmental fund. The governmental fund is reported on separate balance sheet and statement of revenues, expenditures, and change in fund balances.

#### C. Basis of Accounting

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

# ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

#### **C. Basis of Accounting (Continued)**

The Commission's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. Under the modified accrual method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally ninety days. The Commission considers grant revenue as available when the grant expenditure is made since the expenditure is the prime factor for determining eligibility. Expenditures are recorded when the related fund liability is incurred.

#### **D. Budgets/Legal Compliance**

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 the means of financing them.
2. Prior to June 30, the Commissioners adopt the budget.
3. Only the Commissioners can revise the budget for each department or category.
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 cash basis of accounting.
6. Unused budget amounts lapse on June 30.

#### **E. Cash and Cash Equivalents**

State statute authorizes the Commission to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the local government Investment pool. Cash and cash equivalents include amounts in demand deposits as well as short-term, highly liquid investments with a maturity date within three months of the date acquired by the Commission. Deposits are carried at cost, which approximates fair value. At yearend, the carrying value of the Commission's money market fund was \$219,002, the checking account balance was \$445 and a Certificate of deposit had a \$123,222 balance.

**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**E. Cash and Cash Equivalents (Continued)**

There is no custodial credit risk to these accounts, as the entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FSLIC limits. The State Treasury Board is responsible for monitoring compliance by banks and savings and loans. Accordingly, there is no custodial risk for either of the accounts as they are fully collateralized. In addition there is no interest risk as the interest rates are adjusted daily.

**F. Property and Equipment**

The Commission records property and equipment at cost for all items exceeding \$1,000 and provides for depreciation using the straight-line method over the useful lives of the assets. Maintenance and repairs are charged to earnings.

The estimated lives are as follows:

Buildings and improvements	30 years
Furniture and other equipment	5 years
Computer equipment	2 years

**G. Estimates**

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

**NOTE 2 – CAPITAL ASSETS**

Property, plant and equipment purchased are stated at cost. Depreciation for Propriety Fixed Assets has been provided over estimated useful lives of 30 years for buildings and their improvements.



**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2011</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ <u>43,240</u>	\$ _____	\$ _____	\$ <u>43,240</u>
Total capital assets not being depreciated	<u>43,240</u>	_____	_____	<u>43,240</u>
Capital Assets being depreciated				
Office equipment	2,351	-	(760)	1,591
Building	<u>606,589</u>	<u>3,348</u>	<u>(130,316)</u>	<u>479,621</u>
Total capital assets being depreciated	<u>608,940</u>	<u>3,348</u>	<u>(131,076)</u>	<u>481,212</u>
Less accumulated depreciation for:				
Office Equipment	(1,609)	(318)	(760)	(1,167)
Building	<u>(382,241)</u>	<u>(9,763)</u>	<u>(130,316)</u>	<u>(261,688)</u>
Total accumulated depreciation	<u>(383,850)</u>	<u>(10,081)</u>	<u>(131,076)</u>	<u>(262,855)</u>
Governmental activities capital assets, net	<u>\$268,330</u>	<u>\$ (6,733)</u>	<u>\$ _____</u>	<u>\$261,597</u>

**NOTE 3 – 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 3 days of personal leave after 1 year of service. No benefits or pay is received for unused personal leave upon termination.

Commission employees' annual leave is based on the number of years of service as follows:

1 - 4 years of service	12 days per year
5 - 9 years of service	15 days per year
10 - 14 years of service	18 days per year
15 - 20 years of service	21 days per year
After 20 years of service,	1 day for each year of service

Accumulated annual leave up to a maximum of 30 days is paid upon termination. The Commission has outstanding accrued annual leave pay totaling \$49,223 in the current liabilities of the General Fund at the end of the fiscal year. The Commission reports accrued compensated absences in the General Fund, and the related cost is included in the Indirect Cost Allocation Pool.

**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – LEASES**

In February 2010, the Commission entered into a 60 month operating lease agreement with Wells Fargo Financial Leasing, Inc. for a copier. Lease payments are \$510 per month. Future minimum lease under non-cancelable operating leases as of June 30, 2011 are:

<u>Year ended June 30</u>	
2012	\$ 6,120
2013	6,120
2014	6,120
2015	<u>4,080</u>
Total	<u>\$22,440</u>

The Commission's lease expense for operating leases for the year ended June 30, 2011 was \$6,120.

**NOTE 5 – LONG TERM DEBT**

Long-term debt was comprised of the following at June 30, 2011:

Mortgage note, bearing interest at 5.875%, payable in monthly installments of \$841 including interest, with one final payment of all remaining principal and accrued interest due February 15, 2014. The note is secured by real property.	\$74,005
Less current maturities	<u>4,972</u>
Long-term debt, net of current portion	<u>\$69,033</u>

The annual aggregate maturities of long term are as follows:

Year ended June 30,	Principal	Interest
2012	\$ 4,972	\$ 5,126
2013	5,272	4,826
2014	<u>63,761</u>	<u>2,348</u>
Total	<u>\$74,005</u>	<u>\$12,300</u>

**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – ALLOCATION OF INDIRECT COSTS**

The Commission has entered into various agreements to assist the management of various projects and grants. The Commission charges for direct costs incurred plus a portion of indirect costs. Indirect costs are allocated on the ratio of the individual project's personnel services, including fringe benefits, to total personnel, including fringe benefits. The indirect cost rate for the year ended June 30, 2011 was 38.09% and is calculated as follows:

Indirect costs	<u>\$276,881</u>
Total personnel, including fringe benefits	\$726,838 = 38.09%

**NOTE 7 – 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, 2011 and the allocation computation are as follows:

Fringe Benefits	
Health insurance premiums	\$116,948
Social security	48,685
Retirement contributions	41,950
Life and disability insurance	9,385
State unemployment insurance	1,816
Workers compensation insurance	<u>1,056</u>
Fringe benefits expenditures	<u>\$219,840</u>
Total personnel services	\$637,352 = 34.49%

**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYER'S DEFERRED COMPENSATION PLAN AND TRUST**

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

**NOTE 9 - RISK MANAGEMENT**

The Commission is a member of the Virginia Municipal Liability Pool (VML). The Commission has automobile coverage, local government liability, coverage for no fault property damage, property coverage and crime coverage.

Liability Coverage	\$1,000,000 Combined Single Limit
No Fault Property Damage	\$10,000
Uninsured Motorist Coverage	\$25,000 Bodily Injury per Person \$50,000 Bodily Injury per Accident \$20,000 Property Damage
Property Coverage	\$1,262,000
Business Interruption	\$100,000
Fidelity Bond	\$100,000 Per Occurrence

**NOTE 10 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, which may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial. At June 30, 2011, there were no matters of litigation involving the Commission that would materially affect the financial position of the Commission.

**NOTE 11 - EVALUATION OF SUBSEQUENT EVENTS**

The Commission has evaluated subsequent events through October 28, 2011, the date which the financial statements were available to be issued.

**Roanoke Valley-Alleghany Regional Commission**  
**Cost Allocation by Project**  
**For the Year Ended June 30, 2011**

	Total	General Operations	ARC 2010	ARC 2011	VDOT PL	VDOT SPR	VDRPT Trans	VDRPT TIEF	Sustainable Communities	EDA CEDS	EECBG Grant	EECBG Grant	Regional Projects	Hazard Mitigation	Water Supply	Jackson River TMDL	Contracts
<b>Revenues:</b>																	
Federal contributions	\$ 653,838	\$ -	\$ 30,875	\$ 29,051	\$ 259,180	\$ 57,695	\$ 69,618	\$ -	\$ 13,572	\$ 39,264	\$ 6,630	\$ 6,630	\$ 123,580	\$ 24,393	\$ -	\$ -	\$ -
State contributions	535,062	-	33,317	29,051	32,397	3,694	8,703	156,000	-	-	-	-	-	-	2,000	269,900	-
Local contributions	223,590	23,907	-	-	32,398	10,730	8,702	29,634	-	39,263	-	-	70,770	8,131	(46)	101	-
Interest income	2,616	2,616	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contract income	2,443	-	-	-	-	-	-	2,442	-	-	-	-	-	-	-	-	-
In-Kind income	35,445	-	-	-	-	-	-	9,179	26,266	-	-	-	-	-	-	-	-
Miscellaneous income	23,773	22,528	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,245
<b>Total revenues</b>	<b>1,476,787</b>	<b>49,051</b>	<b>64,192</b>	<b>58,102</b>	<b>323,975</b>	<b>72,119</b>	<b>87,023</b>	<b>197,255</b>	<b>39,838</b>	<b>78,527</b>	<b>6,630</b>	<b>123,580</b>	<b>70,770</b>	<b>32,524</b>	<b>1,954</b>	<b>270,001</b>	<b>1,245</b>
<b>Expenditures:</b>																	
Salaries and wages	540,547	(107)	33,843	31,771	173,556	38,199	46,728	54,391	7,299	40,413	3,566	47,123	38,136	23,182	1,048	1,399	-
Fringe benefits	186,291	(20)	11,236	11,487	59,464	13,146	16,102	18,850	2,529	13,996	1,236	16,330	13,111	7,976	363	485	-
Advertising	56,288	1,000	-	-	1,010	755	54	49,609	-	732	-	2,804	-	324	-	-	-
Conferences	1,430	-	-	-	200	-	-	1,230	-	-	-	-	-	-	-	-	-
Computer services	821	-	-	-	750	-	-	71	-	-	-	-	-	-	-	-	-
Consultants/contracts	322,967	-	-	-	-	-	-	27,153	-	-	-	28,414	-	-	-	267,400	-
Dues	3,458	1,833	-	-	-	-	-	1,125	-	-	-	500	-	-	-	-	-
In-Kind	35,445	-	-	-	-	-	-	9,179	26,266	-	-	-	-	-	-	-	-
Interest	5,345	5,345	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal fees	478	478	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraby and maps	230	-	-	-	230	-	-	-	-	-	-	-	-	-	-	-	-
Meetings	4,613	2,336	-	5	-	-	201	226	-	1,064	-	781	-	-	-	-	-
Miscellaneous	131	131	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	1,230	-	-	-	-	-	3	1,225	-	-	-	2	-	-	-	-	-
Printing	1,164	-	-	-	-	-	-	1,164	-	-	-	-	-	-	-	-	-
Supplies	5,744	-	-	-	-	-	-	3,079	-	219	-	2,399	-	47	-	-	-
Training	1,399	-	-	-	-	-	-	524	-	425	-	450	-	-	-	-	-
Travel	5,174	-	33	269	-	460	-	1,529	-	951	-	604	-	83	-	1,245	-
Indirect costs	276,881	10,905	19,080	14,570	88,765	19,559	23,935	27,900	3,744	20,727	1,828	24,173	19,523	912	543	717	-
<b>Total expenditures</b>	<b>\$ 1,449,636</b>	<b>\$ 21,901</b>	<b>\$ 64,192</b>	<b>\$ 58,102</b>	<b>\$ 323,975</b>	<b>\$ 72,119</b>	<b>\$ 87,023</b>	<b>\$ 197,255</b>	<b>\$ 39,838</b>	<b>\$ 78,527</b>	<b>\$ 6,630</b>	<b>\$ 123,580</b>	<b>\$ 70,770</b>	<b>\$ 32,524</b>	<b>\$ 1,954</b>	<b>\$ 270,001</b>	<b>\$ 1,245</b>

**Dunham, Aukamp & Rhodes, PLC**  
*Certified Public Accountants*

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P.O. Box 2584  
Winchester, VA 22604

**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

To the Commissioners  
Roanoke Valley-Alleghany Regional Commission:

We have audited the financial statements of the Roanoke Valley-Alleghany Regional Commission as of and for the year ended June 30, 2011 and have issued our report thereon dated September 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Roanoke Valley-Alleghany Regional Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Executive Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants  
Chantilly, Virginia

September 9, 2011

**Dunham, Aukamp & Rhodes, PLC**  
*Certified Public Accountants*

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

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**Report on Compliance with Requirements Applicable  
to the Major Program and Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

To the Commissioners  
Roanoke Valley-Alleghany Regional Commission:

Compliance

We have audited the compliance of the Roanoke Valley-Alleghany Regional Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2011. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Roanoke Valley-Alleghany Regional Commission's management. Our responsibility is to express an opinion on the Roanoke Valley-Alleghany Regional Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Roanoke Valley-Alleghany Regional Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Roanoke Valley-Alleghany Regional Commission's compliance with those requirements.

In our opinion, the Roanoke Valley-Alleghany Regional Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2011.



### Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended for the information and use of the Executive Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants  
Chantilly, Virginia

September 9, 2011

**Roanoke Valley-Alleghany Regional Commission  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

<u>Federal Program</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>Major Programs</b>		
Department of Transportation		
Pass-through payments - Virginia Department of Transportation SPR Funds	20.205	\$ 57,695
PL Funds	20.205	<u>259,180</u> <u>316,875</u>
Department of Energy		
Pass-through payments - Virginia Department of Mines, Minerals and Energy Energy Efficiency and Conservation Block Grant Program (EECBG) American Reinvestment & Recovery Act	81.128	6,630
Energy Efficiency and Conservation Block Grant Program (EECBG) American Reinvestment & Recovery Act	81.128	123,580
		<u>130,210</u>
<b>Other Federal Awards</b>		
Appalachian Regional Commission		
Contract No. VA-0711E-C40	23.009	30,875
Contract No. VA-0711E-C39	23.009	<u>29,051</u> <u>59,926</u>
Department of Homeland Security		
Emergency Management Agency Hazard Mitigation Grant	97.047	24,393
Economic Development Administration		
Contract No. 01-86-08545.01 <i>ceds</i>	11.303	39,264
Department of Housing & Urban Development		
Sustainable Communities	14.703	13,572
Department of Transportation		
Pass-through payments - Virginia Department of Rail and Public Transportation Section 5303 Funds (41009-11)	20.505	<u>69,618</u>
Total Federal Awards		<u>\$ 653,858</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Roanoke Valley - Alleghany Regional Commission. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of the basic financial statements.

**Roanoke Valley-Alleghany Regional Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

Section I – Summary of Auditors’ Results

**Financial Statements**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting

- Material weakness(es) identified \_\_\_ Yes   X   No

- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_ Yes   X   No

Noncompliance material to financial statements noted? \_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified \_\_\_ Yes   X   No

- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_ Yes   X   No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_ Yes   X   No

Identification of major programs

CFDA Number

Name of Federal Program or Cluster

81.128  
20.205

Energy Efficiency and Conservation Block Grant  
Transportation Planning

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Dollar threshold used to distinguish between type A and type B programs:   \$300,000  

Auditee qualified as low-risk auditee?   X   Yes \_\_\_ No

None

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
 SCHEDULE OF INDIRECT EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2011**

SALARIES	\$ 96,805
FRINGE BENEFITS	33,549
ADVERTISING	1,318
AUDIT FEES	8,600
BUILDING MAINTENANCE	19,086
COMPUTER SERVICES	14,621
CONFERENCES	3,512
CONSULTANTS	3,525
DEPRECIATION PHYSICAL ASSETS	9,763
FURNITURE AND EQUIPMENT	1,019
FURNITURE AND EQUIPMENT DEPRECIATION	318
FURNITURE AND EQUIPMENT MAINTENANCE	3,072
INSURANCE-GENERAL	3,985
LEASES	6,120
LEGAL FEES	171
LIBRARY/MAPS	403
MEETINGS	4,934
MISCELLANEOUS	1,266
POSTAGE	3,383
PRINTING	3,966
PROFESSIONAL DUES	7,566
PUBLIC RELATIONS	1,000
RECRUITMENT	125
SUBSCRIPTIONS	461
SUPPLIES	9,287
TELEPHONE	6,861
TRAINING	5,886
TRAVEL	15,828
UTILITIES	10,451
	<hr/>
TOTAL INDIRECT COSTS	<u>\$ 276,881</u>

**Roanoke Valley-Alleghany Regional Commission**  
**Statement of Revenues and Expenditures**  
**For the Period January 1, 2010 to December 31, 2010**

Appalachian Regional Commission  
Contract No. VA-0711E-C-40

Revenues:

Federal grant contributions	\$ 61,205
Local contributions	<u>63,646</u>

Total Revenues	<u>124,851</u>
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Expenditures:

Salaries and wages	65,372
Fringe Benefits	21,630
Indirect costs	37,333
Direct costs	<u>516</u>

Total Expenditures	<u>124,851</u>
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Excess of revenues over expenditures	<u>\$ -</u>
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**Roanoke Valley-Alleghany Regional Commission**  
**Schedule of Revenues and Expenses - Budget and Actual (Budgetary Basis)**  
**For the Year Ended June 30, 2011**

	Initial Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Grants and appropriations				
Federal grants	\$ 692,160	\$ 1,025,870	\$ 653,858	\$ (372,012)
State grants and appropriations	333,089	333,089	535,062	201,973
Local grants and appropriations	223,589	223,589	223,590	1
Other revenue				
Rental income	-	-	-	-
Miscellaneous and interest	90,010	57,010	64,276	7,266
Total Revenues	<u>1,338,848</u>	<u>1,639,558</u>	<u>1,476,786</u>	<u>(162,772)</u>
<b>Expenditures</b>				
Salaries	607,275	608,974	637,352	(28,378)
Fringe benefits	214,945	226,340	219,840	6,500
Insurance	3,400	3,800	3,985	(185)
Supplies	5,800	13,050	15,032	(1,982)
Postage	4,000	4,000	4,613	(613)
Dues and subscriptions	13,400	16,400	11,485	4,915
Printing	8,000	8,000	5,130	2,870
Public relations	2,000	2,000	1,000	1,000
Training	34,656	12,000	7,284	4,716
Telephone	7,000	7,000	6,861	139
Travel	21,807	21,868	21,001	867
Legal and accounting	9,100	9,100	9,249	(149)
Conferences	7,075	6,000	4,942	1,058
Furniture and equipment	6,500	7,500	1,019	6,481
Maintenance	30,500	30,500	22,158	8,342
Miscellaneous	65,500	32,500	36,842	(4,342)
Advertising	42,279	48,361	57,606	(9,245)
Recruitment	500	500	125	375
Meetings	4,700	15,000	9,547	5,453
Library and maps	500	500	633	(133)
Contract services	184,111	480,043	326,492	153,551
Computer services	12,100	16,100	15,442	658
Utilities	15,000	15,000	10,451	4,549
Lease payments	6,500	6,500	6,120	380
Interest	5,400	5,400	5,345	55
Principal payments on notes	4,800	4,800	19,752	(14,952)
Depreciation	10,800	10,800	10,081	719
Total Expenditures	<u>1,327,648</u>	<u>1,612,036</u>	<u>1,469,387</u>	<u>142,649</u>
Net gain - budgetary basis	<u>\$ 11,200</u>	<u>\$ 27,522</u>	<u>\$ 7,399</u>	<u>\$ -</u>
Reconciliation of financial statements prepared under generally accepted accounting principles				
Net gain - budgetary basis			\$ 7,399	
Effect of recording principal payments as expenses in budget			<u>19,752</u>	
Net income under generally accepted accounting principles			<u>\$ 27,151</u>	

See accompanying notes