

**RICHMOND REGIONAL PLANNING
DISTRICT COMMISSION**

**AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

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

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

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INDEPENDENT AUDITORS' REPORT

To the Commissioners
Richmond Regional Planning District Commission

We have audited the accompanying financial statements of the governmental activities of the Richmond Regional Planning District Commission, as of and for the year ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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 *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 the 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 Richmond Regional Planning District Commission as of June 30, 2006, and the results of its operations 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 August 14, 2006 on our consideration of Richmond Regional Planning District Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 - 5 and budgetary comparison information on page 22 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 consisted 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.



Certified Public Accountants

August 14, 2006

**RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2006**

Presented here is the Management Discussion & Analysis Report for the Richmond Regional Planning District Commission (RRPDC) for the fiscal year ending June 30, 2006. Responsibility for the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the RRPDC's financial position, and the result of operations of the various funds of the RRPDC. All disclosures necessary to enable the reader to gain an accurate understanding of the RRPDC's financial activities have been included.

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

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the RRPDC using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the RRPDC's financial statements. This annual report consists of three components:

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

Basic Financial Statements

The statement of net assets presents information on all of the RRPDC's assets, liabilities, and net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the RRPDC is improving or deteriorating.

The statement of activities shows the actual revenues and expenditures of the RRPDC for the fiscal year 2006 and the resulting excess of revenues over (under) expenditures. It is important to realize that the RRPDC, while not in the business of making a profit, should be managed in such a way to assure that adequate fund balances are maintained for the continuation of services.

The RRPDC adopts an annual operating budget for the upcoming fiscal year in May of each fiscal year. A budgetary comparison has been provided to demonstrate compliance with the budget. The actual revenues and expenditures are compared to those budgeted for the fiscal year and the resulting variance is calculated.

Finally, the resulting excess of revenues over expenditures is added (or subtracted if expenditures exceeded revenues) from the fund balance at the beginning of the year. This results in the new unrestricted net asset balance or “operating reserve”. The “operating reserve” is the funds the RRPDC uses for those programs, studies, and tasks not otherwise funded by a specific grant or other current revenues.

The MD&A is intended to explain significant changes in financial position and differences in operations between the current and prior years. Significant changes from the prior year are explained in the following paragraphs.

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

Government-Wide Financial Analysis

<i>Statement of Net Assets</i>	<u>2006</u>	<u>2005</u>
Current Assets	\$1,884,882	\$1,878,967
Capital Assets	<u>163,272</u>	<u>175,914</u>
Total Assets	<u>\$2,048,154</u>	<u>\$2,054,881</u>
Current Liabilities	<u>\$ 125,161</u>	<u>\$ 85,848</u>
Total Net Assets	<u>\$1,922,993</u>	<u>\$1,969,033</u>

Current assets are comprised of cash and investments, accounts receivable and prepaid expenses. These are resources available to the Commission for on-going operations. Current assets for fiscal 2006 increased slightly due largely to the recognition of prior year deferred revenues against the current year operating deficit.

Capital assets consist primarily of furniture and equipment used for the operation of the Commission. As new staff has been hired, some office furnishings have been replaced. Also, the Commission has changed its computer replacement policy from a three year to a four-year cycle. Assets that have been purchased with funds from a grantor may revert to the grantor in the event the program is discontinued.

Current liabilities are the obligations of the Commission. This category includes accounts payable and accrued expenses, compensated absences and deferred revenue. The amount of liabilities from fiscal 2005 to 2006 increased due to costs associated with the 2006 GIS Conference accrued and paid subsequent to year end.

Statement of Activities

Changes in net assets for the year ending June 30, 2006 are as follows:

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Expenses		
General and administration	\$ 911,256	\$ 843,564
Project costs	<u>974,029</u>	<u>917,826</u>
Total expenses	<u>1,885,285</u>	<u>1,761,390</u>
Program revenues		
Operating grants and contributions	718,042	711,840
Charges for services	<u>1,066,724</u>	<u>1,060,573</u>
Net program revenue (expense)	<u>(100,519)</u>	<u>11,023</u>
General revenue		
Miscellaneous and investment earnings	<u>54,479</u>	<u>23,584</u>
Change in net assets	(46,040)	34,607
Net assets, beginning of year	<u>1,969,033</u>	<u>1,934,426</u>
Net assets, end of year	<u><u>1,922,993</u></u>	<u><u>1,969,033</u></u>

RRPDC Activities

As shown in the preceding statement there was a decrease in the net assets of \$46,040. This is largely due to the current year budget expenses to upgrade the Commission's information technology capabilities. The Commission's conservative operating policies of management are to keep costs down while maximizing the agency's resources. It is the intent of management to guide the PDC in such a manner as to continue service to our member localities at current levels without putting strain on the PDC's operating reserves.

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

Also, as part of our banking with BB&T, the RRPDC has access to a repurchase agreement. Funds are taken from our account each night and used to buy federally backed investments. Those funds are returned to our account each day with interest.

Economic Factors, Rates, and 2005-2006 Budget

The Richmond Regional Planning District Commission is the third largest planning district in the Commonwealth behind the Northern Virginia Regional Commission and the Hampton Roads Planning District Commission. The Richmond Region is poised for further growth and to that end the RRPDC is positioning itself to maintain and increase the level of service to its member governments.

Every effort is made on the part of the Administrative staff to accurately predict revenues and expenses for the upcoming year so that staff can provide the Board with the best estimates for the current and upcoming fiscal years. Factors such as the regional economy, past spending patterns, past funding, and population growth estimates are taken into consideration to develop estimates for current and future revenues and expenses.

Contacting RRPDC's Financial Management

This financial report is to provide Federal, State, and Local grantors, as well as member localities with a general overview of the RRPDC's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact the Executive Director or the Finance and Contracts Administrator at 2104 West Laburnum Avenue, Suite 101, Richmond, Virginia 23227, phone (804) 367-6001.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,620,659
Accounts receivable	227,845
Prepaid expenses	36,378
Capital assets, net	<u>163,272</u>
Total Assets	<u><u>2,048,154</u></u>
 LIABILITIES	
Accounts payable	53,633
Compensated absences	<u>71,528</u>
Total Liabilities	<u>125,161</u>
 NET ASSETS	
Investment in capital assets	163,272
Unrestricted	<u>1,922,993</u>
Total Net Assets	<u>2,086,265</u>
Total Liabilities and Net Assets	<u><u>\$ 2,211,426</u></u>

See accompanying notes.

**RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
STATEMENT OF ACTIVITIES
JUNE 30, 2006**

Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets
Governmental Activities				
General government and administration	\$ 911,256	\$ -	\$ 718,042	\$ (193,214)
Projects	<u>974,029</u>	<u>1,066,724</u>	<u>-</u>	<u>92,695</u>
Total Governmental Activities	<u>\$ 1,885,285</u>	<u>\$ 1,066,724</u>	<u>\$ 718,042</u>	<u>(100,519)</u>
General revenues:				
				1,200
				<u>53,279</u>
				<u>54,479</u>
				(46,040)
				<u>1,969,033</u>
				<u>\$ 1,922,993</u>

See accompanying notes.

**RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General Fund
ASSETS	
Cash and investments	\$ 1,620,659
Accounts receivable	227,845
Prepaid expenses	36,378
Total Assets	1,884,882
 LIABILITIES	
Accounts payable	53,633
Total Liabilities	53,633
 FUND BALANCE	
Unreserved, reported in:	
General fund	1,994,521
Total Fund Balance	1,994,521
Total Liabilities and Fund Balance	\$ 2,048,154

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

Fund balances - total governmental funds	\$ 1,994,521
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	(71,528)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	163,272
Net Assets of Governmental Activities	\$ 2,086,265

See accompanying notes.

**RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
JUNE 30, 2006**

REVENUE

Grants and appropriations:	
Federal grants	\$ 989,750
State grants and appropriations	165,276
Local grants and appropriations	552,766
Other revenue:	
GIS Conference	74,904
Miscellaneous and interest	56,550
TOTAL REVENUES	1,839,246

EXPENDITURES

Salaries	1,089,761
Employee benefits and payroll taxes	304,640
Office rent	157,395
GIS Conference	49,370
Printing	37,818
Computer operations	95,712
Travel	23,195
Telephone	9,245
Office supplies and expense	20,760
Postage	9,173
Legal	6,173
Professional and contractual services	11,076
Audit, bond and insurance	21,350
Organizational dues	7,828
Vehicle expense	12,685
Books and periodicals	1,521
Miscellaneous	4,632
Training	6,278
TOTAL EXPENDITURES	1,868,612

Excess of Revenues over Expenditures	(29,366)
Fund Balance - Beginning of Year	1,860,615
Fund Balance - End of Year	\$ 1,831,249

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	\$ (29,366)
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Capital outlays are reported as expenditures in the governmental funds. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. In the current period these amounts are:

Capital outlay	70,991	
Depreciation expense	(83,633)	(12,642)

Some expenses reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Increase in compensated absence liability	(4,032)
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Change in net assets reported on the Statement of Activity	\$ (46,040)
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See accompanying notes

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Accounting Policies

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

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

- (a). The Financial Reporting Entity - In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This statement established new financial reporting requirements for state and local governments. The objective of this statement is to enhance the understanding and usefulness of external financial reports of state and local governments to the citizens, legislative and oversight bodies, and investors and creditors.
- (b). Financial Statement Presentation - The government-wide financial statements (the statement of net assets and the statement of activities) report information of all the nonfiduciary activities. The governmental activities of the Commission are supported by intergovernmental revenues.

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

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

The various funds are grouped in the financial statements as follows:

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

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

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

- (d). Basis of Accounting - The accrual basis of accounting is used for the Governmental Funds. Under the accrual method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, not to exceed sixty days. The Commission considers grant revenues to be available when the grant expenditure is made since the expenditure is the prime factor for determining eligibility. Expenditures are recorded when the related fund liability is incurred.
- (e). Property and Equipment - Property and equipment are recorded as expenditures in the Governmental Fund and capitalized at cost in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their estimated fair market value at the time received. Depreciation has been provided over the following estimated useful lives of the respective assets on the straight-line method.

Equipment	5 years
Furniture	7 years
Office improvements	39 years

Assets that have been purchased with grantor funds may revert to the grantor in the event the program is discontinued.

- (f). Cash and Cash Equivalents - State statute authorizes the Commission to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the local government investment pool. Deposits are carried at cost, which approximates fair value. At June 30, 2006 cash and cash equivalents include the following:

Local banks	\$ 355,800
Repurchase agreements	455,910
Local government investment pool	<u>808,949</u>
Total	<u>\$1,620,659</u>

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 rate risk as the interest rates are adjusted daily.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

- (g). Compensated Absences - Commission employees are granted vacation and sick leave in varying amounts. Accrued but unused vacation, up to 36 days per employee, is paid to the employee at the time they leave employment with the Commission. Sick leave and vacation expenditures are recognized in the governmental fund to the extent it is paid during the year. The amount of unpaid vacation as of June 30, 2006 was \$71,528.

NOTE 2 - Budgets and Budgetary Accounting

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

NOTE 3 - Grants Receivable

Grants receivable consist of the following at June 30, 2006:

Virginia Department of Transportation	
PL Funds	\$204,420
Rural Transportation Planning Project	9,993
Virginia Department of Rail and Public Transportation	11,171
Virginia Department of Environmental Quality	
Coastal Resources Management Project	<u>2,261</u>
 Total	 <u>\$227,845</u>

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 – Property and Equipment

A summary of changes in property and equipment follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital assets being depreciated				
Office furniture and equipment	\$463,734	\$ 70,111	\$(16,789)	\$517,056
Leasehold improvements	<u>31,241</u>	<u>880</u>	<u>-</u>	<u>32,121</u>
Total capital assets being depreciated	<u>494,975</u>	<u>70,991</u>	<u>(16,789)</u>	<u>549,177</u>
Less accumulated depreciation for:				
Office furniture and equipment	308,363	81,257	(16,789)	372,831
Leasehold improvements	<u>10,698</u>	<u>2,376</u>	<u>-</u>	<u>13,074</u>
Total accumulated depreciation	<u>319,061</u>	<u>83,633</u>	<u>(16,789)</u>	<u>385,905</u>
 Capital Assets, net	 <u>\$175,914</u>	 <u>\$(12,642)</u>	 <u>\$ -</u>	 <u>\$163,272</u>

NOTE 5 - Retirement Plans

The Commission participates in a multi-employer defined contribution pension plan that covers all of its full-time employees. This plan was frozen by the Commission effective July 11, 2001. Contributions to the plan by the Commission are based on 9.5% of the employees' annual covered compensation as defined in the plan. Plan contributions for the year ended June 30, 2006, totaled \$17,437. Employees can contribute to the plan and they can direct their portion of the employer's portion of the contribution among forty-one types of investment funds. Employees become vested in the employer's portion of the contribution after three years of continuous service. The Commission's policy is to fund all pension costs as incurred.

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

For all employees hired after July 12, 2001, The Commission began contributing to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service or at age 50 with 30 years of service for participating employers payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - Retirement Plans (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the website at <http://www.varetire.org/Pdf/2005AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy - Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the Commission is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The contribution rate for the fiscal year ended June 30, 2006 was 6.5% of the annual covered payroll.

Annual Pension Cost - For the year ended June 30, 2006, the Commission's annual pension cost of \$93,824 was equal to the Commission's required and actual contributions. The required contribution was determined as part of an actuarial valuation performed as of June 30, 2005. Significant actuarial assumptions used to compute the pension benefit obligation at June 30, 2005 include (a) a rate of return on the investment of 7.5% per year, (b) projected salary increases of between 3.5% and 5.73% per year, and (c) cost-of-living adjustment of 2.50%. Both (a) and (b) included an inflation component of 2.5%.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/04	\$39,979	100%	\$-
6/30/05	\$88,370	100%	\$-
6/30/06	\$93,509	100%	\$-

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UUAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/02	\$ 12,918	\$ 33,547	\$ 20,629	38.51%	\$169,301	12.18%
6/30/03	\$ 43,139	\$ 54,849	\$ 11,710	78.65%	\$252,329	4.64%
6/30/04	\$ 89,920	\$188,257	\$ 98,337	47.76%	\$578,867	16.99%
6/30/05	\$250,846	\$756,823	\$505,977	33.14%	\$820,545	61.66%

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 6 - Long-Term Obligations

The Commission leases office space in Richmond, Virginia, under a seven-year lease agreement, which expires May 31, 2007. The Commission also leases two vehicles under operating leases, which expire at various dates in 2007 and 2009. Rental expense for all operating leases for the year ended June 30, 2006, was

Future minimum rental payments under these leases are as follows:

Year ending June 30,	
2007	\$116,652
2008	6,137
2009	<u>5,214</u>
Total minimum lease payments	<u>\$108,637</u>

NOTE 7 - Compliance with Grant Provisions

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

NOTE 8 - Assessments to Participating Localities and State Appropriation

The Commission's revenues are derived mainly from federal, state and local grants from assessments to participating localities and state appropriation. Assessments to participating localities and state appropriation consist of the following for the year ended June 30, 2006:

Assessments to participating localities:	
County of Chesterfield	\$168,780
County of Henrico	167,760
City of Richmond	115,740
County of Hanover	56,880
County of Powhatan	15,240
County of Goochland	11,160
County of New Kent	8,880
County of Charles City	4,200
Town of Ashland	4,126
State appropriation	<u>165,276</u>
Total	<u>\$718,042</u>

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 9 - Indirect Costs

Indirect costs, which support all projects, are allocated to the various projects based on the allocation rate applied to the project's direct labor and fringe benefit charges. The indirect cost rate developed by the Commission for the fiscal year ending June 30, 2006 is 112% and is calculated as follows:

Total indirect costs	\$ <u>904,307</u>	
Total direct labor and fringe	\$809,254	= 112%

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

Audit and insurance	\$ 17,372
Books and periodicals	675
Indirect salaries and fringe benefits	586,328
Computer	53,004
Legal fees	3,370
Dues	7,165
Miscellaneous	4,315
Postage	7,805
Printing	14,188
Rent	157,270
Supplies	11,116
Telephone	4,879
Training	3,902
Travel	20,337
Vehicles	<u>12,581</u>
Total Indirect Costs	<u>\$904,307</u>

NOTE 10 - Fringe Benefit Allocation

Fringe benefit expense is allocated using the percentage of benefits to total labor costs. Components of fringe benefit expense for the year ended June 30, 2006, and the allocation computations are shown below:

Fringe Benefits	
Payroll taxes	\$ 77,478
Health insurance	109,208
Retirement	101,229
Life and disability insurance	6,507
Dental Insurance	<u>8,786</u>
Total	<u>\$ 303,208</u>

Fringe benefit expenses	\$ <u>303,208</u>	
Total labor costs	\$1,093,793	= 28%

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2006

<u>FEDERAL AGENCY AND PROJECT</u>	<u>CFDA #</u>	<u>Expenditures</u>
Major Program		
Department of Transportation		
Pass-through Payments – Virginia Department of Transportation Public Law (PL) Funds	20.205	\$815,327
State Planning and Research (SPR) Funds	20.205	42,775
Federal Transportation Administration	20.205	<u>60,694</u>
		<u>918,796</u>
 Other Federal Awards		
Federal Emergency Management Agency		
Pass-through Payments – Virginia Department of Emergency Management Hazard Mitigation	83.580	33,158
 National Oceanic and Atmospheric Administration		
Pass-through Payments – Virginia Department of Environmental Quality Costal Resources Management Program (NA-03NO54190104)	11.419	<u>31,932</u>
Total Federal Awards		<u>\$983,886</u>

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Richmond Regional Planning District 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.

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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

To the Commissioners
Richmond Regional Planning District Commission

We have audited the financial statements of Richmond Regional Planning District Commission as of and for the year ended June 30, 2006, and have issued our report thereon dated August 14, 2006. 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 Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 audit 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

August 14, 2006

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Commissioners
Richmond Regional Planning District Commission

Compliance

We have audited the compliance of Richmond Regional Planning District 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, 2006. 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 Commission's management. Our responsibility is to express an opinion on the 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 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 Commission's compliance with those requirements.

In our opinion, the 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, 2006.

Internal Control over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit 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.

A handwritten signature in cursive script, appearing to read "Durham, Aubrey & Rhodes, PLLC".

Certified Public Accountants

August 14, 2006

Richmond Regional Planning District Commission

Schedule of Findings and Questioned Costs Year Ended June 30, 2006

1. Summary of Auditors' Results

Financial Statements

- An unqualified opinion was issued on the financial statements.

Internal control over financial reporting:

- There were no reportable conditions in internal control to disclose.
- The audit did not disclose any material noncompliance.

Federal Awards

- There were no reportable conditions in internal control over major programs to disclose
- An unqualified opinion was issued on compliance for major programs
- The audit did not disclose any audit findings
- The major program is CFDA #20.205 - Highway Planning and Construction Program
- The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
- The auditee qualified as a low-risk auditee.

2. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with GAGAS

- A. None.

3. Findings and Questioned Costs for Federal Awards

- A. None.

RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	INITIAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Grants and appropriations:				
Federal grants	\$ 1,123,300	\$ 1,123,300	\$ 989,750	\$ (133,550)
State grants and appropriations	165,300	165,300	165,276	(24)
Local grants and appropriations	552,800	552,800	552,766	(34)
Other revenue:				
Miscellaneous and interest	11,400	50,800	56,550	5,750
TOTAL REVENUES	1,852,800	1,892,200	1,764,342	(127,858)
EXPENDITURES				
Salaries	1,170,543	1,161,843	1,093,793	68,050
Employee benefits and payroll taxes	246,257	246,257	304,640	(58,383)
Office rent	158,900	159,100	157,395	1,705
Printing	83,100	77,700	37,818	39,882
Computer operations	136,700	128,700	95,712	32,988
Travel	52,100	43,300	23,195	20,105
Telephone	7,200	7,200	9,245	(2,045)
Office supplies and expense	30,500	27,000	20,760	6,240
Postage	15,800	13,900	9,173	4,727
Legal	15,000	15,000	6,173	8,827
Professional and contractual services	20,800	20,800	11,076	9,724
Audit, bond and insurance	21,500	21,000	21,350	(350)
Organizational dues	11,900	11,900	7,828	4,072
Vehicle expense	13,300	12,200	12,685	(485)
Books and periodicals	8,000	5,000	1,521	3,479
Miscellaneous	6,300	5,800	4,632	1,168
Training	20,000	16,000	6,278	9,722
TOTAL EXPENDITURES	2,017,900	1,972,700	1,823,274	149,426
NET GAIN (LOSS) - BUDGETARY BASIS	\$ (165,100)	\$ (80,500)	(58,932)	\$ 21,568

Reconciliation of financial statements prepared under generally accepted accounting principles

Net gain (loss) - budgetary basis	\$ (58,932)
Effect of conference revenues and expenditures not budgeted	25,534
Effect of depreciation expense not budgeted	(83,633)
Effect of capital outlays reported as expenditures in budget	70,991
Net income under generally accepted accounting principles	\$ (46,040)

See accompanying notes.