



SINGLE AUDIT REPORT

For the Year Ended June 30, 2020

CITY OF SALEM, VIRGINIA

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

To the Honorable Members of City Council
City of Salem, Virginia
Salem, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salem, Virginia (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
March 1, 2021

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

To the Honorable Members of City Council
City of Salem, Virginia
Salem, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Salem, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 16, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
March 1, 2021

CITY OF SALEM, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia:

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Debt Provisions
Local Retirement Systems
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls
Comprehensive Services Act
Fire Program Aid

State Agency Requirements:

Education
Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF SALEM, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

| Federal Grantor Pass-through Grantor Program Title or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures | Passed Through to Subrecipients |
|---|----------------------------|---|-----------------------------|--|
| Department of Agriculture | | | | |
| Local Environmental Agricultural Project Inc | | | | |
| Food Insecurity Nutrition Incentive Grants Program | 10.331 | FINI-120 | \$ 1,991 | |
| Virginia Department of Agriculture and Consumer Services | | | | |
| SNAP Cluster: | | | | |
| Supplemental Nutrition Assistance Program | 10.551 | -- | \$ 2,380 | 2,380 |
| Child Nutrition Cluster: | | | | |
| Food Distribution - Commodities | 10.555 | -- | 131,623 | |
| Summer Food Service Program | 10.559 | -- | 1,560 | |
| Virginia Department of Education | | | | |
| Child Nutrition Cluster | | | | |
| National School Breakfast Program 2019 | 10.553 | 201919N109941 | 23,609 | |
| National School Breakfast Program 2020 | 10.553 | 202020N109941 | 122,106 | |
| National School Breakfast Program-COVID-19 | 10.553 | 202020N850341 | 12,521 | |
| National School Lunch Program 2019 | 10.555 | 201919N109941 | 83,545 | |
| National School Lunch Program 2020 | 10.555 | 202020N109941 | 387,223 | |
| National School Lunch Program-COVID-19 | 10.555 | 202020N850341 | 37,791 | 799,978 |
| Department of Housing and Urban Development | | | | |
| Virginia Department of Housing and Community Development | | | | |
| Community Development Block Grants | 14.228 | 18-12 | | 14,441 |
| Department of Justice | | | | |
| Direct Payments | | | | |
| Bulletproof Vest Partnership Program | 16.607 | | | 4,797 |
| Equitable Sharing Program | 16.922 | | | 35,283 |
| Virginia Department of Criminal Justice Services | | | | |
| Crime Victim Assistance | 16.575 | 20-W9575VW18 | | 76,704 |
| Department of Transportation | | | | |
| Virginia Department of Transportation | | | | |
| Highway Planning and Construction Cluster: | | | | |
| Highway Planning and Construction: | | | | |
| Hanging Rock Battlefield Phase 2 | 20.205 | UPC 106268 | 9,998 | |
| Roanoke Boulevard Multimodal Improvements | 20.205 | UPC 108899 | 734,004 | |
| Downtown Streetscape and Intersection Improvements | 20.205 | UPC 109612 | 13,741 | |
| Apperson Drive Bridge Replacement | 20.205 | UPC 110574 | 7,398 | |
| Downtown Streetscape and Intersection Improvements | 20.205 | UPC 111371 | 490 | 765,631 |
| Virginia Division of Motor Vehicles | | | | |
| Highway Safety Cluster: | | | | |
| State and Community Highway Safety: | | | | |
| Selective Enforcement - Speed FY19 | 20.600 | FSC-2019-59078-9078 | 508 | |
| Selective Enforcement - Speed FY20 | 20.600 | FCS-2020-50040-20040 | 8,934 | |
| Selective Enforcement - Pedestrian/Bicycle FY19 | 20.600 | FPS-2019-59081-9081 | 901 | |
| Selective Enforcement - Pedestrian/Bicycle FY20 | 20.600 | FPS-2020-50043-20043 | 585 | 10,928 |
| Alcohol Open Container Requirements: | | | | |
| Selective Enforcement - Alcohol FY19 | 20.607 | M6OT-2019-59080-9080 | | 227 |
| Selective Enforcement - Alcohol FY20 | 20.607 | M6OT-2020-50028-20028 | | 10,453 |
| Roanoke Valley DUI Task Force - Salem City FY20 | 20.607 | 154AL-2020-50421-20421 | | 3,428 |
| Department of the Treasury | | | | |
| Virginia Department of Accounts | | | | |
| COVID-19 Coronavirus Relief Funds | 21.019 | SLT0022 | | 1,144,531 |
| Department of Education | | | | |
| Virginia Department of Education | | | | |
| Adult Education - Basic Grants to States 2018 | 84.002 | V002A180047 | 9,463 | \$ 1,097 |
| Adult Education - Basic Grants to States 2019 | 84.002 | V002A190047 | 282,115 | 124,862 |
| Title I Grants to Local Educational Agencies 2018 | 84.010 | S010A180046 | 48,337 | |
| Title I Grants to Local Educational Agencies 2019 | 84.010 | S010A190046 | 408,218 | |
| Special Education Cluster (IDEA) | | | | |
| Special Education - Grants to States (IDEA, Part B) 2018 | 84.027 | H027A180107 | 130,919 | |
| Special Education - Grants to States (IDEA, Part B) 2019 | 84.027 | H027A190107 | 613,767 | |
| Special Education - Preschool Grants (IDEA Preschool) 2017 | 84.173 | H173A170112 | 54 | |
| Special Education - Preschool Grants (IDEA Preschool) 2018 | 84.173 | H173A180112 | 10,449 | |
| Special Education - Preschool Grants (IDEA Preschool) 2019 | 84.173 | H173A190112 | 18,038 | |
| Total Special Education Cluster (IDEA) | | | | 773,227 |
| Career and Technical Education - Basic Grants to States (Perkins IV) 2018 | 84.048 | V048A180046 | 890 | |
| Career and Technical Education - Basic Grants to States (Perkins IV) 2019 | 84.048 | V048A190046 | 58,009 | |
| English Language Acquisition State Grants 2018 | 84.365 | S365A180046 | 7,778 | |
| English Language Acquisition State Grants 2019 | 84.365 | S365A190046 | 8,482 | |

(Continued)

CITY OF SALEM, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2020

| Federal Grantor Pass-through Grantor Program Title or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures | Passed Through to Subrecipients |
|---|--|---|---------------------------------------|--|
| Department of Education (Continued) | | | | |
| Virginia Department of Education (Continued) | | | | |
| Supporting Effective Instruction State Grants 2017 | 84.367 | S367A170044 | 1,492 | |
| Supporting Effective Instruction State Grants 2018 | 84.367 | S367A180044 | 50,211 | |
| Supporting Effective Instruction State Grants 2019 | 84.367 | S367A190044 | 44,811 | |
| Student Support and Academic Enrichment Grants 2018 | 84.424 | S424A180048 | 794 | |
| Student Support and Academic Enrichment Grants 2019 | 84.424 | S424A190048 | 30,818 | |
| Department of Health and Human Services | | | | |
| Virginia Community College System (VCCS) | | | | |
| Temporary Assistance for Needy Families | 93.558 | -- | 3,936 | |
| Virginia Department of Health | | | | |
| Summer Food Service Program for Children | 10.559 | 201918N109941 | 21,376 | |
| Summer Food Service Program for Children-COVID-19 | 10.559 | 202020N850341 | 540,046 | |
| Virginia Office of Children's Services | | | | |
| Social Services Block Grant | 93.667 | -- | 106,543 | |
| Goodwill Industries of the Valleys | | | | |
| Affordable Care Act (ACA) Health Profession Opportunity Grants | 93.093 | 90FX0038-01-01 | 18,798 | |
| Total Expenditures of Federal Awards | | | \$ 5,286,116 | \$ 125,959 |

Note 1: Basis of Accounting

This schedule was prepared on the modified accrual basis of accounting.

Note 2: Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities disbursed. As of June 30, 2020, the City of Salem School Division (School Division) had food commodities in inventory of \$65,835.

Note 3: Indirect Cost Rate

The City and School Division did not elect to use the 10% de minimis indirect cost rate.

Note 4: Outstanding Loan Balances

At June 30, 2020, the City and School Division had no outstanding loan balances requiring continuing disclosure.

CITY OF SALEM, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the basic financial statements.
2. **No significant deficiencies** related to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance material** to the basic financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

| <u>Name of Programs</u> | <u>CFDA#</u> |
|-----------------------------------|--------------|
| Child Nutrition Cluster: | |
| School Breakfast Program | 10.553 |
| National School Lunch Program | 10.555 |
| Summer Food Service Program | 10.559 |
| COVID-19 Coronavirus Relief Funds | 21.019 |

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.