

NORTHERN SHENANDOAH VALLEY
REGIONAL COMMISSION

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

OFFICERS

Dennis M. Morris, Chairman
Eric Lawrence, Vice Chairman
Nora Belle Comer, Secretary/Treasurer

BOARD MEMBERS

June 30, 2016

Berryville	Mayor Wilson Kirby	Christy Dunkle (alternate)
Clarke County	Bev McKay	Brandon Stidham
Frederick County	Robert Hess Judith McCann-Slaughter	Eric R. Lawrence Brenda Garton Kris Tierney (alternate) Jeremy Camp
Front Royal	Bret Hrbek	
Luray	Gerald Schiro	Bryan Chrisman (alternate)
Middletown	Carolyn Aliff	
Page County	Keith Guzy	Nora Belle Comer
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Woodstock	Jacqueline Lambert	

EXECUTIVE DIRECTOR

Brandon Davis February 8, 2016 to Present
Michelle Owens – Interim December 12, 2015 to February 7, 2016
Martha Shickle July 1, 2015 to December 11, 2015

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

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Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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Chantilly, VA 20151

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Northern Shenandoah Valley Regional Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Northern Shenandoah Valley Regional Commission as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Northern Shenandoah Valley Regional Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and the aggregate remaining fund information of the Northern Shenandoah Valley Regional Commission as of June 30, 2016 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the Commission's net pension liability and related ratios, and the schedule of employer contributions on pages 4 through 7 and pages 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern Shenandoah Valley Regional Commission's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016, on our consideration of the Northern Shenandoah Valley 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* in considering Northern Shenandoah Valley Regional Commission's internal control over financial reporting and compliance.

Dunham, Ankamp & Rhodes, PLLC

Certified Public Accountants
Chantilly, Virginia

October 20, 2016

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2016**

This section of the Northern Shenandoah Valley Regional Commission's (Commission) annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended June 30, 2016. 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

In addition to this Management's Discussion and Analysis (MD&A), the report consists of 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. Within this view, Commission operations are categorized and reported as either governmental or business-type activities. Governmental activities include typical planning services and administration. The Commission's business-type activities include operation of the Regional Tire Operations Program, a regional tire shredding program. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Commission.

Required Financial Statements

The Statement of Net Position (Page 8) focuses on resources available for future operations. In simple terms, this statement presents a snap shot view of the Commission's assets, 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 position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. The net position for governmental activities from July 2015 to June 2016 decreased by \$24,530. This fluctuation is due in large part to administration of unfunded or underfunded programs and initiatives such as the Stronger Economies Together (SET), several economic development oriented local technical assistance projects, and the Neighborhood Stabilization Program (NSP).

The Statement of Activities (Page 9) focuses on gross and net costs of the Commission's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues. The Commission received unrestricted general revenues in the amount of \$75,971 from the Department of Housing and Community Development for annual planning district support in the fiscal year. Member jurisdiction contributions are the only other source of unrestricted funding available to the Commission. In fiscal year 2016 member contributions through a \$0.58 per capita assessment totaled \$132,272.

The Commission incurred program expenses totaling \$1,774,442 and billed for services in the amount of \$1,570,334. The difference between these totals of \$204,108 represents grant matching funds required and the support of indirect costs not covered by specific grants. Total fiscal year expenses increased \$63,051 from last fiscal year, and revenues derived from charges for services increased in the amount of \$61,763.

Fund financial statements (Pages 10–14) focus separately on governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. Statements for the Commission's proprietary fund follow the governmental funds and include statements of net position; revenue, expenditures and changes in net position; and cash flow.

The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the Commission's financial condition. The MD&A is intended to explain the significant changes in financial position and the differences in operation between the current year and prior year.

Financial Analysis

	Summary Statements of Net Assets			
	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Current Assets	\$ 741,467	\$1,259,077	\$ 955,297	\$ 892,227
Capital Assets (net)	80,002	87,089	-	54,875
Note Receivable	-	8,952	-	-
Net Pension Asset	172,514	118,625	-	-
Total Assets	<u>993,983</u>	<u>1,473,743</u>	<u>955,297</u>	<u>947,102</u>
Deferred Outflows of Resources	<u>29,191</u>	<u>28,231</u>	<u>-</u>	<u>-</u>
Current Liabilities	424,103	882,658	1,737	641
Long-Term Liabilities	<u>41,871</u>	<u>46,371</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>465,974</u>	<u>929,029</u>	<u>1,737</u>	<u>641</u>
Deferred Inflows of Resources	<u>71,703</u>	<u>62,918</u>	<u>-</u>	<u>-</u>
Invested in Capital Assets	38,131	40,718	-	54,875
Unrestricted	<u>447,366</u>	<u>469,309</u>	<u>953,560</u>	<u>891,586</u>
Total Net Position	<u>\$ 485,497</u>	<u>\$ 510,027</u>	<u>\$ 953,560</u>	<u>\$ 946,461</u>

The Commission realized a net position loss of \$20,070 from governmental activities in fiscal year 2016. Total current assets for governmental activities decreased by \$517,610 and total current liabilities for governmental activities decreased by \$458,555 primarily due to a decrease in (NSP) Neighborhood Stabilization Program pass through activity. The NSP revenues derived in fiscal year 2015 exceeded 2016 by \$637,904 which caused significant decreases in both accounts receivable and accounts payable year end balances. Unlike past fiscal years when the NSP was grant funded, the NSP program operated strictly on program income in 2016 which caused the decreased activity.

Total net position for the business-type activities show an increase of \$7,099 due to a reduction in repair, fuel and depreciation expense.

Summary Statements of Activities

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Revenues				
Operating grants and contributions	\$ 208,244	\$ 205,132	\$ -	\$ -
Charges for services	1,570,334	2,027,597	82,833	103,453
GASB 68 Adjustment	46,064	-	-	-
Interest	<u>379</u>	<u>331</u>	<u>2,180</u>	<u>1,225</u>
Total Revenues	<u>\$1,825,021</u>	<u>\$2,233,460</u>	<u>\$ 85,013</u>	<u>\$ 104,678</u>
Expenses				
General and administration	\$ 75,109	\$ 53,371	\$ 77,914	\$ 126,392
Project costs	<u>1,774,442</u>	<u>2,135,876</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,849,551</u>	<u>2,189,247</u>	<u>77,914</u>	<u>126,392</u>
Change in net position	\$ (24,530)	\$ 44,213	\$ 7,099	\$ (21,714)
Net position, beginning of year, as restated	<u>510,027</u>	<u>\$ 465,814</u>	<u>\$946,461</u>	<u>\$ 968,175</u>
Change in net position	<u>\$ 485,497</u>	<u>\$ 510,027</u>	<u>\$953,560</u>	<u>\$ 946,461</u>

Charges for services decreased in Fiscal Year 2016 as the Commission entered into additional local technical assistance agreements and pass through contractual services contracts. Expenses for the business-type activities decreased by \$48,478 over last year as a result of the tire shredder being stationary at the Frederick County Landfill all year. No longer mobilizing the unit has improved efficiency of the regional tire shredding program.

Capital Assets

Capital assets in the governmental funds consist of building, furniture and equipment used in the governmental activities of the Commission. Currently, the Commission leases office space and so capital assets are limited to office furniture and fixtures, computer and other equipment.

Included in proprietary fund fixed assets is a tire shredder and related equipment used to shred and recycle discarded tires, including a generator, trailer and hauling vehicles.

Debt

The cost associated with preparing the office location on Kendrick Lane for occupancy included construction and buildout which is secured by a loan with the property owner at no interest and payable at a fixed monthly amount of \$375 over the life of the lease period. This amount is paid with each lease payment.

Economic Factors and Future Outlook

In June of 2014, the Commission approved an alternative budgeting model that pre-programmed local contributions to specific projects. Historically, it was understood that local match obligations for specific grants (e.g. TDM and Rural Transportation Planning) were funded with local assessment funding, but these investments were reflected in the Commission financials as excess funding in the Commission Activities category and overages in the specific program category. The new budgeting model anticipates these investments during the budget process and sets forward the actual total investment (grant and matching funds) for a project at the beginning of the year. This budgeting model is necessary to assure that the Commission does not over obligate its unrestricted funding and invests local funding in programs and projects that are budgetary process pre-determined regional and local priorities. The new budgeting model allows for increased transparency in tracking the final destination of local investments in the Commission.

In fiscal year 2016, the per capita assessments received from the Commission member jurisdictions were applied to unfunded or underfunded programs in order to support Commission staff hours to administer them and to provide matching funds. The \$132,272 in addition to the \$75,971 provided by our members and the Department of Housing and Community Development respectively was utilized as follows:

Building Collaborative Communities (BCC)	\$ 17,155.00
Building Entrepreneurial Economies (BEE)	3,791.00
Community Development Base Funding	6,418.00
Continuum of Care	8,757.00
Destination Marketing Org. (DMOs Tourism)	4,865.00
Edinburg Community Dev. Block Grant	7,510.00
Front Royal Community Dev. Block Grant	9,623.00
General Commission Administration	3,605.00
Hazard Mitigation	10,827.00
HOME Program	14,770.00
Housing Market Analysis	6,023.00
Josephine City Comprehensive Plan	1,483.00
Natural Resources Base Funding	5,716.00
Neighborhood Stabilization Program (NSP)	27,449.00
Regional Procurement	2,293.00
Regional Tire Operations Program	2,029.00
Ridesmart Transportation Demand Program	41,510.00
Rural Transportation Planning	14,063.00
Stanley Comprehensive Plan	1,418.00
Strengthening Economies Together (SET)	15,027.00
Town of Boyce Website	1,845.00
Valley Health GIS Statistical Mapping	2,066.00
Total:	<u>\$208,243.00</u>

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 Executive Director at 400 Kendrick Lane – Suite E, Front Royal, Virginia 22630. (540) 636-8800.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 270,392	\$ 226,681	\$ 497,073
Certificates of deposit	-	697,487	697,487
Accounts receivable	450,036	31,129	481,165
Prepaid expenses	21,039	-	21,039
Net pension asset	172,514	-	172,514
Capital assets, net	80,002	-	80,002
Total Assets	993,983	955,297	1,949,280
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions after the measurement date	29,191	-	29,191
LIABILITIES			
Accounts payable	365,446	1,737	367,183
Accrued leave	25,463	-	25,463
Deferred revenue	33,194	-	33,194
Loan payable	41,871	-	41,871
Total Liabilities	465,974	1,737	467,711
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual pension earnings	71,703	-	71,703
NET POSITION			
Investment in capital assets, net of related debt	38,131	-	38,131
Unrestricted	447,366	953,560	1,400,926
Total Net Position	\$ 485,497	\$ 953,560	\$ 1,439,057

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position		Total
				Governmental Activities	Business-Type Activities	
Governmental Activities						
General government and administration	\$ 75,109	\$ -	\$ 208,244	\$ 133,135	\$ -	\$ 133,135
Projects	<u>1,774,442</u>	<u>1,570,334</u>	<u>-</u>	<u>(204,108)</u>	<u>-</u>	<u>(204,108)</u>
Total Governmental Activities	<u>1,849,551</u>	<u>1,570,334</u>	<u>208,244</u>	<u>(70,973)</u>	<u>-</u>	<u>(70,973)</u>
Business-Type Activities						
Regional Tire Operations Program	<u>77,914</u>	<u>82,833</u>	<u>-</u>	<u>-</u>	<u>4,919</u>	<u>4,919</u>
Total Business-Type Activities	<u>77,914</u>	<u>82,833</u>	<u>-</u>	<u>-</u>	<u>4,919</u>	<u>4,919</u>
Total Government	<u>\$ 1,927,465</u>	<u>\$ 1,653,167</u>	<u>\$ 208,244</u>	<u>(70,973)</u>	<u>4,919</u>	<u>(66,054)</u>
General revenues:						
Investment earnings				379	2,180	2,559
GASB 68 pension benefit				<u>46,064</u>	<u>-</u>	<u>-</u>
Change in net position				(24,530)	7,099	(17,431)
Net position at beginning of year				<u>510,027</u>	<u>946,461</u>	<u>1,456,488</u>
Net position at end of year				<u>\$ 485,497</u>	<u>\$ 953,560</u>	<u>\$ 1,439,057</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2016

	General Fund
ASSETS	
Cash and investments	\$ 270,392
Accounts receivable	450,036
Prepaid expenses	21,039
Note receivable	-
	<u>741,467</u>
Total Assets	<u>741,467</u>
LIABILITIES	
Accounts payable	365,446
Deferred revenue	33,194
	<u>398,640</u>
Total Liabilities	<u>398,640</u>
FUND BALANCE	
Unreserved, reported in:	
General fund	342,827
	<u>342,827</u>
Total Fund Balance	<u>342,827</u>
Total Liabilities and Fund Balance	<u>\$ 741,467</u>
Reconciliation of fund balances on the balance sheet for governmental funds to net position of governmental activities on the statement of net position:	
Fund balance - total governmental funds	\$ 342,827
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	80,002
Long-term liabilities and related deferred items are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet but are reported on the government-wide statement of net position	
Pension contributions	29,191
Net pension asset	172,514
Net differences between projected and actual pension earnings	(71,703)
Compensated absences	(25,463)
Note payable	(41,871)
	<u>485,497</u>
Net Position of Governmental Activities	<u>\$ 485,497</u>

See accompanying notes.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES

Grants and appropriations:	
Federal grants	\$ 1,158,279
State grants and appropriations	308,363
Local grants and appropriations	298,032
Other revenue:	
Interest	379
Miscellaneous	13,904
TOTAL REVENUES	<u>1,778,957</u>

EXPENDITURES

Current Operating:	
Contract services	910,765
Salaries	534,043
Employee benefits and payroll taxes	172,261
Advertising	76,079
Travel	29,121
Rent	21,000
Conferences and trainings	14,389
Professional fees	13,488
Regional meetings	11,557
Computer costs	11,086
Dues and memberships	10,653
Equipment rental	8,583
Office supplies and expense	8,184
Communications	7,707
Utilities	5,429
Insurance	4,468
Office equipment and repair	3,805
Other costs	920
Debt Service	
Principal	4,500
TOTAL EXPENDITURES	<u>1,848,038</u>

NET CHANGE IN FUND BALANCE (69,081)

FUND BALANCE - Beginning of year 411,908

FUND BALANCE - End of year \$ 342,827

Reconciliation of the Statement of Revenues, Expenditures, and Changes
Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net Change in Fund Balances - Total Government Funds \$ (69,081)

The net revenue of internal service funds is reported with governmental activities on the statement of activities. 7,099

Some expenses and benefits 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.

Change in GASB 68 pension benefit calculation	46,064
Change in long-term annual leave payable	1,074

Loan proceeds provide current financial resources to governmental funds, while the repayment of principal on debt is an expenditure in the governmental funds. Neither transaction, however, has an effect on net position. This is the amount by which debt payments exceeds debt issued. 4,500

All capital outlays to purchase capital assets are reported in governmental funds as expenditures. However, for governmental activities those outlays are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceed depreciation in the period. (7,087)

Change in net position reported on the Statement of Activities \$ (17,431)

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016**

Business Type Activities - Enterprise Fund

	Regional Tire Operations Program
ASSETS	
Cash and investments	\$ 226,681
Certificates of deposit	697,487
Accounts receivable	<u>31,129</u>
Total Assets	<u>955,297</u>
LIABILITIES	
Accounts payable	<u>1,737</u>
Total Liabilities	<u>1,737</u>
NET POSITION	
Unrestricted	<u>953,560</u>
Total Net Position	<u><u>\$ 953,560</u></u>

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

Business Type Activities - Enterprise Fund

	Regional Tire Operations Program
Revenue	
Charges for service	\$ 82,833
Total Operating Revenue	<u>82,833</u>
Operating Expenses	
Operating costs	23,039
Depreciation	54,875
Total Operating Expenses	<u>77,914</u>
Operating Income	<u>4,919</u>
Non-Operating Revenues	
Interest income	2,180
Total Non-Operating Revenues	<u>2,180</u>
Change in Net Position	7,099
Net Position - Beginning of Year	<u>946,461</u>
Net Position - End of Year	<u><u>\$ 953,560</u></u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

Business Type Activities - Enterprise Fund

	Regional Tire Operations Program
Cash flows from operating activities:	
Cash received from customers	\$ 77,827
Cash payments to suppliers	<u>(21,943)</u>
Net Cash Provided by Operating Activities	<u>55,884</u>
Cash flows from investing activities	
Purchases of certificates of deposit	(1,758)
Interest income	<u>2,180</u>
Net Cash Provided by Investing Activities	<u>422</u>
Change in Cash and Cash Equivalents	56,306
Interfund Transfer	
Cash and Cash Equivalents - Beginning of Year	<u>170,375</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 226,681</u></u>
Reconciliation of Operating Income	
to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ 4,919
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities:	
Depreciation	54,875
Change in accounts receivable	(5,006)
Change in accounts payable	<u>1,096</u>
Net Cash Provided by Operating Activities	<u><u>\$ 55,884</u></u>

See accompanying notes.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Accounting Policies

The Northern Shenandoah Valley Regional 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 Northern Shenandoah Valley by encouraging and assisting governmental subdivisions in planning for the future. The accounting policies of the Commission conform to generally accepted accounting principals as applied to government units.

- (a) Financial Statement Presentation - The government-wide financial statements (the statement of net position and the statement of activities) report information of all of the nonfiduciary activities. The governmental activities of the Commission are supported by intergovernmental revenues.

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

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.

Separate fund financial statements are provided for governmental funds and proprietary funds. The governmental funds and the proprietary funds are reported on separate balance sheets and statements of revenues, expenditures, and changes in fund balances (fund equity). The proprietary fund reporting also includes a statement of cash flows. The accounts are organized on the basis of fund classification, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. 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 that are not accounted for in other funds.

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Commission's Proprietary Fund consists of an Enterprise Fund that accounts for the operations of the Regional Tire Operations Program. The Commission is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict Government Accounting Standards Board (GASB) pronouncements. The Commission has chosen not to apply any FASB pronouncements after that date.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Organization and Summary of Accounting Policies (Continued)

- (b) Basis of Accounting - The Commission's basic financial statements are presented on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. 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 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 sixty 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.
- (c) Revenue Recognition - Intergovernmental revenues, consisting primarily of Federal, state, local and other grants for the purpose of funding specific expenditures, are recognized when earned. The Commission recognizes a liability for funds received in excess of project expenditures.
- (d) Cash and Cash Equivalents - The Commission follows a deposit and investment policy in accordance with statutes of the Commonwealth of Virginia. Accordingly, the Commission is authorized to hold cash, checking accounts and certain investments. Cash and cash equivalents include cash on hand, amounts in checking accounts and money market instruments, all of which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. For purposes of the statement of cash flows, all highly liquid debt investments with a maturity of three months or less when purchased are considered to be cash equivalents.
- (e) Accounts Receivable - Accounts receivable are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history and current information regarding the credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected. Management considers all of the receivables collectible at June 30, 2016, and no allowance for doubtful accounts has been provided.
- (f) Property and Equipment - Property and equipment are recorded at cost for items exceeding \$1,000. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from five to thirty-nine years. Normal repairs and maintenance are expensed as incurred. Assets that have been purchased with grantor funds may revert to the grantor in the event the program is discontinued.
- (g) Accrued Leave - Commission employees are granted vacation and sick leave in varying amounts. In the event of termination, the employee is reimbursed for accumulated vacation leave. Sick leave and vacation expenditures are recognized in the governmental fund to the extent it is paid during the year.
- (h) Deferred Revenue - The deferred revenue balance represents funds for local grants received in the current fiscal year and expected to be expended in the fiscal year ending June 30, 2017

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Organization and Summary of Accounting Policies (Continued)

- (i) Use of Estimates - The presentation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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.
- (j) Deferred Outflows/Inflows of Resources – The Commission reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. The Commission only has one item that qualifies for reporting in this category. It is the employer pension contributions made after the actuarial measurement date. Employer contributions made after the measurement date of June 30, 2015, were \$29,191.

The Commission reports deferred inflows of resources on its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. The Commission only has one item that qualifies for reporting in this category. The difference between the projected and actual pension earnings per the actuarial report dated of June 30, 2015, of \$71,703 is reported as a deferred inflow of resources at June 30, 2016.

- (k) Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's Retirement Plan and additions to/deductions from the Commission's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- (l) Concentration of Credit Risk - Financial instruments that potentially expose the Commission to concentration of credit risk consist primarily of cash equivalents and certificates of deposit. Cash equivalents are maintained at high-quality financial institutions, and credit exposure is limited to any one institution. The Commission maintains its cash in various bank deposits accounts which, at times, may exceed federally insured limits. The Commission has not experienced any losses in such accounts.
- (m) Advertising Costs - Advertising costs are expensed as incurred.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2 - Cash and 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 year end, the carrying value of the governmental activities' money market and checking account balances were \$212,894 and \$57,298 respectively, and the business-type activities checking account balance was \$226,681.

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.

NOTE 3 - Certificates of Deposit

The fair values, which are the amounts reported in the statement of net position, are based on level 1 inputs, quoted market prices, if available, or estimated using quoted market prices for similar securities.

Investments as of June 30, 2016 stated at fair value consist of the following:

Certificates of deposit	<u>\$697,487</u>
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Components of investment income include the following:

Interest	<u>\$2,180</u>
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NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Governmental Activities:				
Building	\$ 84,212	\$ -	\$ -	\$ 84,212
Furniture and Equipment	59,081	-	-	59,081
Less: Accumulated Depreciation	<u>56,204</u>	<u>7,087</u>	<u>-</u>	<u>63,291</u>
Governmental Activities Capital Assets, net	<u>\$ 87,089</u>	<u>\$ (7,087)</u>	<u>\$ -</u>	<u>\$ 80,002</u>
Business-Type Activities:				
Vehicles and Equipment	\$814,088	\$ -	\$ -	\$814,088
Less: Accumulated Depreciation	<u>759,213</u>	<u>54,875</u>	<u>-</u>	<u>814,088</u>
Business-Type Activities Capital Assets, net	<u>\$ 54,875</u>	<u>\$(54,875)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 - Long-Term Obligations

The Commission leases office space in Front Royal, Virginia, under a fifteen-year lease agreement, which expires September 30, 2026. The lease calls for periodic rent increases over the lease term. Rental expense for all operating leases for the year ended June 30, 2016, was \$21,000.

Future minimum rental payments under these leases are as follows:

Years ending June 30,	
2017	\$ 23,250
2018	24,000
2019	26,250
2020	27,000
2021	27,000
Thereafter	<u>156,750</u>
Total minimum lease payments	<u>\$284,250</u>

The Commission's office lease included a provision whereby the landlord financed certain improvements to the office to be paid back in monthly installments of \$375 over the life of the lease. The note is non-interest bearing. The future scheduled maturities of the note payable are as follows:

Years ending June 30,	
2017	\$ 4,500
2018	4,500
2019	4,500
2020	4,500
2021	4,500
Thereafter	<u>19,371</u>
Total minimum lease payments	<u>\$ 41,871</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's Retirement Plan and the additions to/deductions from the Commission's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	About the Hybrid Retirement Plan (continued) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
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NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.	Vesting Same as Plan 1.	Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Vesting (continued) Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.		Vesting (continued) <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1 <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <u>Eligibility:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

<u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	<u>Exceptions to COLA Effective Dates:</u> Same as Plan 1	<u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. / After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.
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Additional financial information supporting the preparation of VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, PO Box 2500 Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits	2
Inactive Members	
Vested inactive members	2
Non-vested inactive members	5
Inactive members active elsewhere in VRS	<u>3</u>
Total Inactive Members	10
Active Members	<u>7</u>
Total covered employees	<u>19</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 6 - Retirement Plan (Continued)

Contributions

The contribution requirement for active employees is governed by § 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Commission's contractually required contribution rate for the year ended June 30, 2016 was 5.97% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Commission were \$29,191 for the year ended June 30, 2016.

Net Pension Liability

The Commission's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Mortality rates: 14 % of deaths are assumed to be service related Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS: Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 6 - Retirement Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Long-Weighted Average Term
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.33%

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Change in the Net Pension Asset:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balances at June 30, 2014	\$923,827	\$1,042,452	\$(118,625)
Changes for the year:			
Service cost	45,118	-	45,118
Interest	62,958	-	62,958
Changes of assumptions	-	-	-
Differences between expected and actual experience	(64,505)	-	(64,505)
Contributions – employer	-	27,344	(27,344)
Contributions – employee	-	22,803	(22,803)
Net investment income	-	47,970	(47,970)
Benefit payments, including refunds of employee contributions	(48,858)	(48,858)	-
Administrative expense	-	(647)	647
Other changes	-	(10)	10
Net changes	(5,287)	48,602	(53,889)
Balances at June 30, 2015	<u>\$918,540</u>	<u>\$1,019,054</u>	<u>\$(172,514)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Commission using the discount rate of 7%, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6%) or one percentage-point higher (8%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Commission's Net Pension Liability	\$(48,049)	\$(172,514)	\$(273,309)

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Commission recognized pension benefit of \$17,760. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 44,534
Net difference between projected and actual earnings on plan investments	-	27,169
Employer contributions subsequent to the Measurement Date	<u>29,191</u>	-
Total	\$ <u>29,191</u>	\$ <u>71,703</u>

\$29,191 reported as deferred outflows of resources related to pensions resulting from Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2017	\$(30,696)
2018	(30,696)
2019	(15,315)
2020	5,004
2021	-
Thereafter	-

NOTE 7 - Fringe Benefit Allocation

Fringe benefit expense is allocated using the percentage of benefits to total salaries. The fringe benefit rate for the fiscal year ended June 30, 2016 is calculated as follows:

Fringe benefit expense	\$172,220	
Total salaries	\$532,969	= 32.31%

Components of fringe benefit expense for the year ended June 30, 2016 are shown below:

Health, disability and life insurance	\$102,800
Payroll taxes	40,229
Retirement	<u>29,191</u>
Total Fringe Benefits	<u>\$172,220</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 8 - Indirect Costs

Indirect costs, which support all projects, are allocated based on the ratio of the individual project's direct salaries and fringe benefits to total direct salaries and fringe benefits. The indirect cost rate for the fiscal year ended June 30, 2016 was calculated as follows:

Indirect costs	<u>\$232,080</u>	
Total direct salaries and fringe benefits	\$577,324	= 40.20%

The following indirect costs have been allocated to projects:

Salaries and fringe benefits	\$127,906
Rent	21,000
Meetings and conferences	10,808
Computer services	9,661
Travel	8,884
Contract services	8,581
Depreciation	7,087
Office supplies and expense	7,065
Communications	7,023
Insurance	6,450
Dues and subscriptions	6,148
Utilities	5,429
Repairs and maintenance	3,805
Bank fees	1,372
Miscellaneous	<u>861</u>

Total Indirect Costs	<u>\$232,080</u>
----------------------	------------------

NOTE 9 - 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 11 - Evaluation of Subsequent Events

The Commission has evaluated subsequent events through October 20, 2016, the date which the financial statements were available to be issued.

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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Chantilly, VA 20151

**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 Commissioners
Northern Shenandoah Valley Regional Commission

We have audited, in accordance with the 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, the financial statements of governmental activities, the business-type, activities, and the aggregate remaining fund information of the Northern Shenandoah Valley Regional Commission as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Northern Shenandoah Valley Regional Commission's basic financial statements, and have issued our report thereon dated October 20, 2016

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

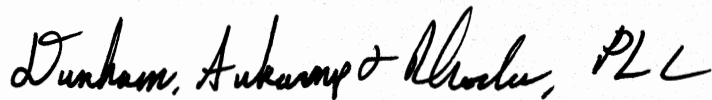
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during 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 Northern Shenandoah Valley Regional Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.



Certified Public Accountants
Chantilly, Virginia

October 20, 2016

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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Chantilly, VA 20151

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

To the Commissioners
Northern Shenandoah Valley Regional Commission

Report on Compliance for Each Major Federal Program

We have audited Northern Shenandoah Valley Regional Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Northern Shenandoah Valley Regional Commission's major federal programs for the year ended June 30, 2016. Northern Shenandoah Valley Regional Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northern Shenandoah Valley Regional Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northern Shenandoah Valley 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 on compliance for each major federal program. However our audit does not provide a legal determination of Northern Shenandoah Valley Regional Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Northern Shenandoah Valley Regional Commission 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, 2016.

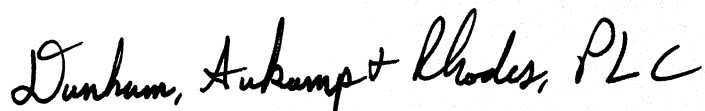
Report on Internal Control over Compliance

Management of Northern Shenandoah Valley Regional Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northern Shenandoah Valley Regional Commission'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 Northern Shenandoah Valley Regional Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing 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



Certified Public Accountants
Chantilly, Virginia

October 20, 2016

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

Major Programs	GRANT NUMBER	FEDERAL CATALOG NUMBER	EXPENDITURES	SUBRECIPIENTS
Department of Housing and Urban Development Pass through payment - City of Winchester HOME Program		14.239	\$ 456,711	\$ 411,373
Department of Housing and Urban Development Continuum of Care Planning Grant	VA0224L3F131300	14.267	3,366	-
Continuum of Care Planning Grant	VA0250L3F131400	14.267	2,483	-
Department of Housing and Urban Development Pass through payment - Harrisonburg Redevelopment Housing Authority Continuum of Care Planning Grant	17-VHSP-131	14.267	45,214	-
Other Federal Awards				
Pass through payment - Virginia Department of Housing and Community Development Neighborhood Stabilization Program	08-NSP-04	14.228	395,566	377,849
Department of Transportation - MPO and Rural Transportation Funding Pass through payment - Virginia Department of Transportation (VDOT) Federal Highway Administration Funds - MPO Funding		20.205	128,808	-
Federal Highway Administration Funds - Rural Transportation Funding		20.205	56,253	-
Department of Transportation - MPO Funding Pass through payment - Virginia Department of Rail and Public Transportation (VDRPT) Federal Transit Authority Funds	46015-14	20.505	1,329	-
Federal Transit Authority Funds	46016-14	20.505	48,185	-
Environmental Protection Agency Pass through payment - Virginia Department of Conservation and Recreation Chesapeake Bay Program		66.466	19,629	-
Department of Homeland Security Pass through Payment - Virginia Department of Emergency Management Generators Project	HMGP-1905-000-018	97.039	735	-
Total Expenditures of Federal Awards			<u>\$ 1,158,279</u>	<u>\$ 789,222</u>

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Northern Shenandoah Valley Regional Commission (the Commission) for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operation of the Commission, it is not intended to and does not present the financial position, change in net position, or cash flows of the Commission.

NOTE 2 - Subrecipients

Of the expenditures presented in the Schedule, the Commission provided awards to subrecipients as follows:

		Subrecipient Name	Amount Provided
HOME Program	14.239	Blue Ridge Housing Network	\$ 182,459
		Faithworks, Inc.	61,836
		Community Housing Partners, Inc.	61,352
		AIDS Response Effort	55,082
		Shenandoah Alliance	49,214
		Virginia Coalition to End Homelessness	1,430
			<u>\$ 411,373</u>
Neighborhood Stabilization Program	14.228	Community Housing Partners, Inc.	\$ 377,849
			<u>\$ 377,849</u>

See accompanying notes

Northern Shenandoah Valley Regional Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting

- Material weakness(es) identified

___ Yes X No

- Significant deficiency(ies) identified

___ Yes X none reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified

___ Yes X No

- Significant deficiency(ies) identified

___ Yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR section 200.516(a)?

___ Yes X No

Identification of major programs

CFDA Number

Name of Federal Program or Cluster

14.239

Neighborhood Stabilization Program

14.267

Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___ Yes X No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

Northern Shenandoah Valley Regional Commission
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

FINDING 2015-001

Status: Corrected

FINDING 2015-002

Status: Corrected

FINDING 2015-003

Status: Corrected

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE				
Grants and appropriations:				
Federal grants	\$ 1,795,979	\$ 1,826,333	\$ 1,158,279	\$ (668,054)
State grants and appropriations	342,520	400,940	308,363	(92,577)
Local grants and appropriations	301,496	231,849	298,032	66,183
Other revenue:				
Interest	-	-	379	379
Miscellaneous	11,000	13,827	13,904	77
TOTAL REVENUES	<u>2,450,995</u>	<u>2,472,949</u>	<u>1,778,957</u>	<u>(693,992)</u>
EXPENDITURES				
Current Operating:				
Contract services	1,528,245	1,514,207	910,765	(603,442)
Salaries	497,485	534,297	532,969	(1,328)
Employee benefits and payroll taxes	159,523	172,699	172,261	(438)
Advertising	95,138	87,963	76,079	(11,884)
Travel	30,000	30,000	29,121	(879)
Rent	25,500	21,000	21,000	-
Meetings and conferences	15,585	22,400	25,946	3,546
Professional fees	14,000	12,000	13,488	1,488
Computer costs	11,576	10,500	11,086	586
Dues and memberships	12,250	11,800	10,442	(1,358)
Communications	8,000	7,750	7,707	(43)
Equipment rental	8,000	8,000	8,583	583
Utilities	7,500	6,000	5,429	(571)
Other costs	13,000	5,000	920	(4,080)
Office supplies and expense	5,250	3,500	4,813	1,313
Insurance	6,646	7,950	4,468	(3,482)
Office equipment and repair	3,500	3,000	2,990	(10)
Postage and shipping	1,000	850	830	(20)
Information Technology Services	1,500	1,100	815	(285)
Subscriptions/Newspapers	500	400	211	(189)
Printing	250	-	-	-
Capital purchases	2,500	2,500	2,541	41
TOTAL EXPENDITURES	<u>2,446,948</u>	<u>2,462,916</u>	<u>1,842,464</u>	<u>(620,452)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 4,047</u>	<u>\$ 10,033</u>	<u>(63,507)</u>	<u>\$ (1,314,444)</u>
FUND BALANCE - Beginning of year			<u>327,409</u>	
FUND BALANCE - End of year			<u>\$ 263,902</u>	

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities

Net Change in Fund Balance - Total Government Funds	\$ (63,507)
Effect of GASB 68 pension benefit not budgeted	46,064
Effect of depreciation not budgeted	<u>(7,087)</u>
Change in net position reported on the Statement of Activity	<u>\$ (24,530)</u>

See accompanying notes.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY
AND RELATED RATIOS

	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 45,118	\$ 49,766
Interest on total pension liability	62,958	58,757
Differences between expected and actual experience	(64,505)	-
Changes in assumptions	-	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(48,858)	(48,166)
Net change in total pension liability	(5,287)	60,357
Total pension liability - beginning	923,827	863,470
Total pension liability - ending (a)	<u>\$ 918,540</u>	<u>\$ 923,827</u>
 Plan fiduciary net position		
Contributions - employer	\$ 27,344	\$ 40,387
Contributions - employee	22,803	23,594
Net investment income	47,970	141,207
Benefits payments	(48,858)	(48,166)
Administrative expense	(647)	(741)
Other	(10)	7
Net change in plan fiduciary net position	48,602	156,288
Plan fiduciary net position - beginning	1,042,452	886,164
Plan fiduciary net position - ending (b)	<u>\$ 1,091,054</u>	<u>\$ 1,042,452</u>
 Commission's Net pension asset - ending (a)-(b)	<u>\$ (172,514)</u>	<u>\$ (118,625)</u>
 Plan fiduciary net position as a percentage of the total Pension asset	118.78%	112.84%
 Covered - employee payroll	\$ 510,621	\$ 483,500
 Commission's net pension asset as percentage of covered-employee payroll	-33.79%	-24.53%

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2007 THROUGH 2016

Date	Contractually Required Contributions (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2016	\$ 30,484	\$ 29,191	\$ 1,293	\$ 510,621	5.72%
2015	\$ 28,865	\$ 27,344	\$ 1,521	\$ 483,500	5.66%
2014	\$ 33,878	\$ 39,567	\$ (5,689)	\$ 400,449	9.88%
2013	\$ 36,749	\$ 38,205	\$ (1,456)	\$ 434,387	8.80%
2012	\$ 44,259	\$ 49,415	\$ (5,156)	\$ 402,718	12.27%
2011	\$ 43,599	\$ 47,121	\$ (3,522)	\$ 396,718	11.88%
2010	\$ 43,916	\$ 44,721	\$ (805)	\$ 445,850	10.03%
2009	\$ 41,178	\$ 43,860	\$ (2,682)	\$ 418,050	10.49%
2008	\$ 51,967	\$ 49,471	\$ 2,496	\$ 328,700	15.05%
2007	\$ 36,372	\$ 43,028	\$ (6,656)	\$ 230,056	18.70%

See accompanying notes.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – Change of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

NOTE 2 – Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four- year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability