

**SHENANDOAH VALLEY REGIONAL  
PROGRAM FOR SPECIAL EDUCATION**

**FINANCIAL AND COMPLIANCE REPORTS**

**YEAR ENDED JUNE 30, 2016**



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ASSURANCE, TAX & ADVISORY SERVICES

**SHENANDOAH VALLEY REGIONAL PROGRAM  
FOR SPECIAL EDUCATION**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Joint Board for Control  
Shenandoah Valley Regional Program for Special Education  
Verona, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Shenandoah Valley Regional Program for Special Education (Program), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Program'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require 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 Program'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 Program'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Program, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 19-20 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. The budgetary comparison 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 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 budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The supplemental schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental schedule 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplemental schedule 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 November 14, 2016 on our consideration of the Program'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 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 the Program's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
November 14, 2016

## **BASIC FINANCIAL STATEMENTS**

## STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,599,304
Due from localities	169,203
Capital assets, net	<u>65,727</u>
<b>Total assets</b>	<u>3,834,234</u>
<b>LIABILITIES</b>	
Accounts payable	82,779
Accrued payroll	204,876
Due to localities	2,045,162
Due to Augusta County - pension plan	<u>1,245,071</u>
<b>Total liabilities</b>	<u>3,577,888</u>
<b>NET POSITION</b>	
Net investment in capital assets	65,727
Unrestricted	<u>190,619</u>
<b>Total net position</b>	<u><u>\$ 256,346</u></u>

SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION

EXHIBIT 2

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
Governmental Activities:					
Education	\$ 10,591,191	\$ 10,445,886	\$ 52,068	\$ (93,237)	\$ (93,237)
<b>Total governmental activities</b>	<b>\$ 10,591,191</b>	<b>\$ 10,445,886</b>	<b>\$ 52,068</b>	<b>(93,237)</b>	<b>(93,237)</b>
General revenues:					
				14,284	14,284
				2,975	2,975
				<b>17,259</b>	<b>17,259</b>
				<b>(75,978)</b>	<b>(75,978)</b>
				332,324	332,324
				<b>\$ 256,346</b>	<b>\$ 256,346</b>

**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2016**

	General Fund
<hr/>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,599,304
Due from localities	<u>169,203</u>
<b>Total assets</b>	<b><u><u>\$ 3,768,507</u></u></b>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 82,779
Accrued payroll	204,876
Due to localities	<u>2,045,162</u>
<b>Total liabilities</b>	<b><u>2,332,817</u></b>
Fund Balances:	
Assigned:	
Future appropriations by the Divisions	100,000
Redistribution to participating localities	<u>1,335,690</u>
<b>Total fund balances</b>	<b><u>1,435,690</u></b>
<b>Total liabilities and fund balances</b>	<b><u><u>\$ 3,768,507</u></u></b>

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND -  
TO THE STATEMENT OF NET POSITION****June 30, 2016**

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Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$ 1,435,690
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Long-term liability due to Augusta County - pension plan	(1,245,071)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>65,727</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 256,346</u></u></b>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND  
Year Ended June 30, 2016**

	General Fund
Revenues:	
Tuition from localities	\$ 9,394,798
Other payments for services from localities	1,051,088
Other revenues	2,975
Interest income	14,284
Intergovernmental revenue	52,068
	<hr/>
<b>Total revenues</b>	<b>10,515,213</b>
	<hr/>
Expenditures:	
Education	10,042,580
	<hr/>
<b>Total expenditures</b>	<b>10,042,580</b>
	<hr/>
<b>Net change in fund balance</b>	<b>472,633</b>
Fund Balance, beginning	963,057
	<hr/>
Fund Balance, ending	<u><u>\$ 1,435,690</u></u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE  
STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2016**

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Net change in fund balance - total governmental fund	\$ 472,633
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded the capital outlays in the current period.</p>	(16,677)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Pension expense	(531,934)
<b>Change in net position of governmental activities</b>	<b>\$ (75,978)</b>

# SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

The Shenandoah Valley Regional Program for Special Education (the Program) is a regional education program, created pursuant to the *Code of Virginia* as amended, which complements the special education services of six local school divisions. The participating school divisions include the counties of Augusta, Page, Rockingham, and Shenandoah, and the cities of Harrisonburg and Staunton (collectively, the Divisions). The governing body, called the Joint Board for Control, is comprised of one school board member from each school division.

The goal of the regional program is to assist the participating school divisions in planning and developing services for low-incidence handicapped populations.

The financial statements include all funds controlled by the Program. The Program has no component units as defined by the Governmental Accounting Standards Board (GASB).

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Program does not have any business-type activities to report.

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation and amortization expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities: The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the Program only has one – the General Fund.

#### C. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

# SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Program considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Program reports the following major governmental fund:

*General Fund* - This fund is the Program's primary operating fund. It accounts for and reports all financial resources of the Program.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

#### D. Assets, Liabilities and Net Position/Fund Balance

##### 1. Cash and Cash Equivalents

The Program's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

##### 2. Capital Assets

Capital assets, which include property and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Program as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property and equipment of the Program are depreciated and amortized using the straight-line method over the following estimated useful lives:

Machinery and equipment	5 years
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# SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Net Position/Fund Balance (Continued)

##### 3. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

##### 4. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation and amortization, less any outstanding debt related to the acquisition, construction or improvement of those assets.

The Program does not have any deferred outflows of resources or deferred inflows of resources at June 30, 2016.

##### 5. Net Position Flow Assumption

Sometimes the Program will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Program's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

##### 6. Fund Equity

The Program reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by the Program, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Program takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts the Program intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; and

# SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Net Position/Fund Balance (Continued)

##### 6. Fund Equity (Continued)

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the General Fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Program's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Program establishes (and modifies or rescinds) fund balance commitments by passage of resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Program through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the General Fund, the Program strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 15% of the actual GAAP basis expenditures and other financing sources and uses.

##### 7. Pensions

The Program records a long-term payable to Augusta County for its portion of the Augusta County School Board's (School Board) net pension liability. For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the School Board's retirement plan and the additions to/deductions from the School Board's retirement plan net fiduciary position have been determined on the same basis as they are reported by the Virginia Retirement System. 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.

##### 8. Use of Estimates

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

#### E. Budget Information

The Joint Board for Control adopts a budget for revenues and expenditures each year preceding commencement of the fiscal year. Amounts shown in the accompanying financial statements as "budgeted amounts" represent the original and final operating budget, respectively, for the fiscal year, as amended and approved by the Joint Board for Control.

# SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Budget Information (Continued)

The budget is prepared using the same accounting basis and practices as are used to account for and prepare the financial reports; thus, the budget presented in this report for comparison to actual amounts is presented in accordance with GAAP. Budgetary compliance is monitored and reported at the operating function level.

#### F. Subsequent Events

The Program has evaluated subsequent events through November 14, 2016, the date on which the financial statements were available to be issued.

### Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities: The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net change in fund balance – governmental fund and change in net position – governmental activities as reported in the government-wide Statements of Activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.” The details of this (\$16,677) difference for the Program are as follows:

	Primary Government
Capital outlays	\$ 8,168
Depreciation and amortization expense	<u>(24,845)</u>
Net adjustment to increase (decrease) net change in fund balance - governmental fund to arrive at change in net position of governmental activities	<u>\$ (16,677)</u>

### Note 3. Deposits and Investments

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

# SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION

## NOTES TO FINANCIAL STATEMENTS

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### Note 3. Deposits and Investments (Continued)

Custodial Credit Risk (Deposits): This is the risk that in the event of a bank failure, the Program's deposits may not be returned to the Program. The Program requires all deposits to comply with the Virginia Security for Public Deposits Act. At year-end, none of the Program's deposits were exposed to custodial credit risk.

Investments: Statutes authorize the Program to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.24605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. All investments made by the Program are in LGIP and the maturity of the LGIP is less than one year.

At year-end, the Program's investment balance was:

	<u>Fair Value</u>
Local Government Investment Pool	<u>\$ 100,323</u>

The Program categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Program has no investments subject to recurring fair value measurement as of June 30, 2016.

### Note 4. Due To/From Other Governments

Amounts due from other governments include the following:

Due from localities:	
Page County	\$ 70,528
Shenandoah County	7,392
Staunton City	28,608
Waynesboro City	<u>62,675</u>
	<u>\$ 169,203</u>

# SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION

## NOTES TO FINANCIAL STATEMENTS

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### Note 4. Due To/From Other Governments (Continued)

Amounts due to other governments include the following:

Due to localities:

Augusta County	\$	458,928
Harrisonburg City		422,923
Page County		382,068
Rockingham County		378,203
Shenandoah County		403,040
	\$	2,045,162

### Note 5. Capital Assets

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

	Beginning Balance	Increases	(Deletions) / Reclassifications	Ending Balance
Governmental activities:				
Capital assets being depreciated or amortized:				
Machinery and equipment	\$ 187,649	\$ 8,168	\$ (733)	\$ 195,084
<b>Total capital assets being depreciated or amortized</b>	187,649	8,168	(733)	195,084
Less accumulated depreciation and amortization for:				
Machinery and equipment	(105,245)	(24,845)	733	(129,357)
<b>Total accumulated depreciation and amortization</b>	(105,245)	(24,845)	733	(129,357)
<b>Total capital assets being depreciated or amortized, net</b>	82,404	(16,677)	-	65,727
Governmental activities capital assets, net	\$ 82,404	\$ (16,677)	\$ -	\$ 65,727

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:

Education	\$	24,845
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# SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Accrued Teachers' Salaries

Annual budget appropriations for teachers' salaries include salaries earned as of June 30 of each fiscal year but which are not paid until July and August of the following fiscal year so that teachers electing this method may receive their salaries over a 12-month period. These unpaid salaries are accrued each June 30 and reflected as expenditures in the period in which they are earned. Accrued teachers' salaries and fringe benefits at June 30, 2016 amounted to \$204,876.

### Note 7. Compensated Absences

Compensated absences for the Program are reported as liabilities on the financial statements of the fiscal agent, County of Augusta, Virginia. Accordingly, no liability for compensated absences has been reported by the Program.

### Note 8. Pension Plan

The Program contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer pension plan administered by the VRS. The employees of the Program are included with employees of the Augusta County School Board for the purpose of determining the actuarial valuation for post-employment retirement liability. Since the actuarial valuation cannot be determined for the Program's employees separately from the School Board's employees, for complete disclosure for the VRS liability, refer to Note 9, "Pension Plan, *Schedule of School Board Share of Net Pension Liability VRS Teacher Retirement Plan and Schedule of School Board Contributions VRS Teacher Retirement Plan*" in the Comprehensive Annual Financial Report of the County of Augusta, Virginia.

### Note 9. Participating Localities Fund Balance

The amounts listed below are the assigned funds allocated to the Divisions at June 30, 2016 on a pro-rata basis:

Localities	Balance June 30, 2016
City of Harrisonburg	\$ 280,495
City of Staunton	146,926
County of Augusta	186,997
County of Page	120,212
County of Rockingham	373,993
County of Shenandoah	<u>227,067</u>
	<u>\$ 1,335,690</u>
Assigned to future appropriation by the Divisions	<u>\$ 100,000</u>

The above unappropriated amounts can be credited to each division as payments toward tuition or local payments in the following fiscal year. The \$100,000 is retained until future action by the Program.

# SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION

## NOTES TO FINANCIAL STATEMENTS

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### **Note 10. Risk Management**

The Program is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Program carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
<b>Revenues:</b>				
From local sources:				
Tuition from localities	\$ 9,661,184	\$ 9,661,184	\$ 9,394,798	\$ (266,386)
Other payments for services from localities	1,403,862	1,403,862	1,051,088	(352,774)
Other revenues	-	-	2,975	2,975
Interest income	-	-	14,284	14,284
Intergovernmental revenue	26,000	26,000	52,068	26,068
<b>Total revenues</b>	<b>11,091,046</b>	<b>11,091,046</b>	<b>10,515,213</b>	<b>(575,833)</b>
<b>Expenditures:</b>				
Education	11,091,046	11,091,046	10,042,580	(1,048,466)
<b>Total expenditures</b>	<b>11,091,046</b>	<b>11,091,046</b>	<b>10,042,580</b>	<b>(1,048,466)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>472,633</b>	<b>472,633</b>
Fund balance, beginning	-	-	963,057	472,633
Fund balance, ending	\$ -	\$ -	\$ 1,435,690	\$ 945,266

## **SHENANDOAH VALLEY REGIONAL PROGRAM FOR SPECIAL EDUCATION**

### **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

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#### **Note 1. Budget Information**

The Joint Board for Control adopts a budget for revenues and expenditures each year preceding commencement of the fiscal year. Amounts shown in the accompanying financial statements as “budgeted amounts” represent the original and final operating budget, respectively, for the fiscal year, as amended and approved by the Joint Board for Control.

The budget is prepared using the same accounting basis and practices as are used to account for and prepare the financial reports; thus, the budget presented in this report for comparison to actual amounts is presented in accordance with accounting principles generally accepted in the United States of America. Budgetary compliance is monitored and reported at the operating function level.

## **SUPPLEMENTAL SCHEDULE**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues:				
From local sources:				
Tuition from localities	\$ 9,661,184	\$ 9,661,184	\$ 9,394,798	\$ (266,386)
Other payments for services from localities	1,403,862	1,403,862	1,051,088	(352,774)
Other revenues	-	-	2,975	2,975
Interest income	-	-	14,284	14,284
<b>Total revenue from local sources</b>	<b>11,065,046</b>	<b>11,065,046</b>	<b>10,463,145</b>	<b>(601,901)</b>
Intergovernmental:				
Commonwealth:				
Technology grant	26,000	26,000	26,000	-
Federal:				
IDEA grant	-	-	26,068	26,068
<b>Total intergovernmental</b>	<b>26,000</b>	<b>26,000</b>	<b>52,068</b>	<b>26,068</b>
<b>Total revenues</b>	<b>\$ 11,091,046</b>	<b>\$ 11,091,046</b>	<b>\$ 10,515,213</b>	<b>\$ (575,833)</b>
Expenditures:				
Education:				
Classroom instruction	\$ 9,376,508	\$ 9,376,508	\$ 8,363,468	\$ (1,013,040)
Administrative services	234,076	234,076	233,144	(932)
Health services	1,403,862	1,403,862	1,375,907	(27,955)
Building services	71,600	71,600	65,095	(6,505)
Leases/rentals	5,000	5,000	4,966	(34)
<b>Total expenditures</b>	<b>\$ 11,091,046</b>	<b>\$ 11,091,046</b>	<b>\$ 10,042,580</b>	<b>\$ (1,048,466)</b>

## **COMPLIANCE SECTION**



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

Joint Board for Control  
Shenandoah Valley Regional Program for Special Education  
Verona, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the major fund of Shenandoah Valley Regional Program for Special Education (Program) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated November 14, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Program'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Program'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 Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PBMares, LLP*

Harrisonburg, Virginia  
November 14, 2016