

NORTHERN SHENANDOAH VALLEY
REGIONAL COMMISSION

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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

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John R. Riley, Jr., Vice Chairman
Nora Belle Comer, Secretary/Treasurer

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June 30, 2014

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EXECUTIVE DIRECTOR

Martha Shickle

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

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Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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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, each major fund, and the aggregate remaining fund information of the Northern Shenandoah Valley Regional Commission as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 of 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 statement, 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Northern Shenandoah Valley Regional Commission as of June 30, 2014 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 and budgetary comparison information on pages 4 through 6 and page 30 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 financial statements. The accompanying schedule of revenues and expenses by project is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The schedule of revenues and expenses by project and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 16, 2014, 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.



Certified Public Accountants
Chantilly, Virginia

October 16, 2014

Management's Discussion and Analysis

This section of the Northern Shenandoah Valley Regional Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended June 30, 2014. 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 7) focuses on resources available for future operations. In simple terms, this statement presents a snap shot view of the assets the Commission has, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Government activities are reported on the accrual basis of accounting. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

Total governmental net position from July 2013 to June 2014 increased by \$10,031 as a result of more efficient budgeting and revenue and expense monitoring throughout the year. Staff was able to more closely monitor the status of projects' budgets and assure appropriate staff members were assigned to projects for which revenue was available through the implementation of the Grants Management Software (GMS) purchased in fiscal year 2013.

The Statement of Activities (Page 8) 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 incurred program expenses totaling \$1,664,195 and billed for services in the amount of \$1,496,513. The difference between these totals represents grant matching funds required and indirect costs which are supported by the Department of Housing & Community Development annual planning district support and member jurisdiction contributions.

Total fiscal year expenses increased \$282,272 from last fiscal year, and revenues derived from charges for services increased in the amount of \$220,282. The significant fluctuations in revenues and expenses this year is due to a reduction in activity for pass through services contracts with partner agencies. The region's Community Development Programs were not as active as in previous years as much of the activity included project planning and development rather than implementation.

Fund financial statements (Pages 9–13) 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	
	2014	2013	2014	2013
Current Assets	\$662,431	\$385,843	\$ 872,217	\$ 776,523
Capital Assets (net)	<u>99,692</u>	<u>96,807</u>	<u>127,931</u>	<u>238,109</u>
Total Assets	<u>762,123</u>	<u>482,650</u>	<u>1,000,148</u>	<u>1,014,632</u>
Current Liabilities	365,168	91,601	31,973	9,232
Long-Term Liabilities	<u>55,125</u>	<u>59,250</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>420,293</u>	<u>150,851</u>	<u>31,973</u>	<u>9,232</u>
Invested in Capital Assets	44,567	37,557	127,931	238,109
Unrestricted	<u>297,263</u>	<u>294,242</u>	<u>840,244</u>	<u>767,291</u>
Total Net Position	<u>\$341,830</u>	<u>\$331,799</u>	<u>\$ 968,175</u>	<u>\$1,005,400</u>

The Commission realized a net income of \$10,031 in fiscal year 2014. Total current assets increased by \$276,588 and current liabilities increased by \$277,620 primarily due to the timing of revenue receipts and expenditure payments. The Commission was able to realize a higher level of revenue within the fiscal year that was due for payment in the following fiscal year. Recaptured HOME funds collected in June 2014 were subsequently paid out in July 2014 resulting in a temporary liability of \$143,475.

Total net position for the business-type activities show a decrease of \$37,225 due to depreciation of equipment related to the tire shredder and investment in capital maintenance associated with the equipment.

	Summary Statements of Activities			
	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Revenues				
Operating grants and contributions	\$ 205,133	\$ 201,863	\$ -	\$ -
Charges for services	1,496,513	1,285,238	109,008	104,874
Interest	<u>344</u>	<u>316</u>	<u>2,992</u>	<u>3,260</u>
Total Revenues	<u>\$1,701,990</u>	<u>\$1,487,417</u>	<u>\$112,000</u>	<u>\$108,134</u>
Expenses				
General and administration	\$ 27,764	\$ 34,834	\$149,225	\$120,029
Project costs	<u>1,664,195</u>	<u>1,402,049</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,691,959</u>	<u>1,436,883</u>	<u>149,225</u>	<u>120,029</u>
Change in net position	<u>\$ 10,031</u>	<u>\$ 50,534</u>	<u>\$(37,225)</u>	<u>\$(11,895)</u>

Expenses for the business-type activities increased by \$29,196 over last year as a result of capital maintenance expenditures for the tire shredding equipment. The program invested in improvements to lengthen the life of the existing equipment that is scheduled on a regular basis.

Charges for service and project costs increased as the Commission entered into a higher number of service agreements with member jurisdictions. Over the last several years, the Commission has been providing locality tailored fee based services to member jurisdictions on an increasing basis. Support to the Page County Economic Development Authority and the Page County Broadband Authority are examples of these new charges for service and project costs.

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. In prior years, the Commission also reported ownership of a glass grinding machine as well as a trailer for hauling. This piece of equipment was sold during the fiscal year and is no longer part of the Commission's inventory.

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.

Staff believes this will assist in better budget performance and program funding in the future 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. In addition to increased financial performance, the new budgeting model will result in increased transparency in tracking the final destination of local investments in the Commission.

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, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 322,315	\$ 155,163	\$ 477,478
Certificates of deposit	-	694,804	694,804
Accounts receivable	321,434	22,250	343,684
Prepaid expenses	18,682	-	18,682
Capital assets, net	99,692	127,931	227,623
Total Assets	762,123	1,000,148	1,762,271
LIABILITIES			
Accounts payable	335,970	22,741	358,711
Accrued leave	29,198	-	29,198
Deferred revenue	-	9,232	9,232
Loan payable	55,125	-	55,125
Total Liabilities	420,293	31,973	452,266
NET POSITION			
Investment in capital assets, net of related debt	44,567	127,931	172,498
Unrestricted	297,263	840,244	1,137,507
Total Net Position	341,830	968,175	1,310,005
Total Liabilities and Net Position	\$ 762,123	\$ 1,000,148	\$ 1,762,271

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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	\$ 27,764	\$ -	\$ 205,133	\$ 177,369	\$ -	\$ 177,369
Projects	<u>1,664,195</u>	<u>1,496,513</u>	<u>-</u>	<u>(167,682)</u>	<u>-</u>	<u>(167,682)</u>
Total Governmental Activities	<u>1,691,959</u>	<u>1,496,513</u>	<u>205,133</u>	<u>9,687</u>	<u>-</u>	<u>9,687</u>
Business-Type Activities						
Regional Tire Operations Program	136,203	109,008	-	-	(27,195)	(27,195)
Glass Grinding Operations	<u>13,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,022)</u>	<u>(13,022)</u>
Total Business-Type Activities	<u>149,225</u>	<u>109,008</u>	<u>-</u>	<u>-</u>	<u>(40,217)</u>	<u>(40,217)</u>
Total Government	<u>\$ 1,841,184</u>	<u>\$ 1,605,521</u>	<u>\$ 205,133</u>	<u>9,687</u>	<u>(40,217)</u>	<u>(30,530)</u>
General revenues:						
Investment earnings				<u>344</u>	<u>2,992</u>	<u>3,336</u>
Change in net position				10,031	(37,225)	(27,194)
Net position at beginning of year				<u>331,799</u>	<u>1,005,400</u>	<u>1,337,199</u>
Net position at end of year				<u>\$ 341,830</u>	<u>\$ 968,175</u>	<u>\$ 1,310,005</u>

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund
ASSETS	
Cash and investments	\$ 322,315
Accounts receivable	321,434
Prepaid expenses	18,682
Total Assets	662,431
LIABILITIES	
Accounts payable	335,970
Total Liabilities	335,970
FUND BALANCE	
Unreserved, reported in:	
General fund	326,461
Total Fund Balance	326,461
Total Liabilities and Fund Balance	\$ 662,431

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

Fund balances - total governmental funds	\$ 326,461
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	968,175
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds	(84,323)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	99,692
Net Position of Governmental Activities	\$ 1,310,005

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

REVENUE

Grants and appropriations:		
Federal grants	\$	1,102,581
State grants and appropriations		288,055
Local grants and appropriations		288,299
Other revenue:		
Interest		344
Miscellaneous		22,711
	TOTAL REVENUES	<u>1,701,990</u>

EXPENDITURES

Current Operating:		
Contract services	812,237	
Salaries	483,897	
Employee benefits and payroll taxes	173,362	
Advertising	89,708	
Rent	20,250	
Travel	18,120	
Dues and memberships	15,729	
Professional fees	13,690	
Capital outlay	11,409	
Computer costs	10,053	
Regional meetings	9,869	
Equipment rental	9,567	
Office equipment and repair	7,490	
Utilities	6,785	
Communications	5,994	
Office supplies and expense	4,122	
Other costs	3,642	
Insurance	2,889	
Debt Service		
Principal		4,125
	TOTAL EXPENDITURES	<u>1,702,938</u>
	NET CHANGE IN FUND BALANCE	(948)
	FUND BALANCE - Beginning of year	<u>327,409</u>
	FUND BALANCE - End of year	<u>\$ 326,461</u>

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	\$ (948)
The net revenue (expense) of internal service funds is reported with governmental activities on the statement of activities.	(37,225)
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 the governmental funds - change in long-term annual leave payable.	3,969
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.	4,125
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.	<u>2,885</u>
Change in net assets reported on the Statement of Activity	<u>\$ (27,194)</u>

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2014**

Business Type Activities - Enterprise Funds

	Regional Tire Operations Program	Glass Grinding Operations Program	Total Enterprise Funds
ASSETS			
Cash and investments	\$ 155,163	\$ -	\$ 155,163
Certificates of deposit	694,804	-	694,804
Accounts receivable	22,250	-	22,250
Capital assets, net	127,931	-	127,931
	<hr/>		
Total Assets	1,000,148	-	1,000,148
	<hr/> <hr/>		
LIABILITIES			
Accounts payable	22,741	-	22,741
Deferred revenue	9,232	-	9,232
	<hr/>		
Total Liabilities	31,973	-	31,973
	<hr/>		
NET POSITION			
Investment in capital assets, net of related debt	127,931	-	127,931
Unrestricted	840,244	-	840,244
	<hr/>		
Total Net Position	968,175	-	968,175
	<hr/>		
Total Liabilities and Net Position	\$ 1,000,148	\$ -	\$ 1,000,148
	<hr/> <hr/>		

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Business Type Activities - Enterprise Funds</u>		
	Regional Tire Operations Program	Glass Grinding Operations Program	Total Enterprise Funds
Revenue			
Charges for service	\$ 109,008	\$ -	\$ 109,008
Total Operating Revenue	<u>109,008</u>	<u>-</u>	<u>109,008</u>
Operating Expenses			
Operating costs	63,097	-	63,097
Depreciation	73,106	3,835	76,941
Total Operating Expenses	<u>136,203</u>	<u>3,835</u>	<u>140,038</u>
Operating Income (Loss)	<u>(27,195)</u>	<u>(3,835)</u>	<u>(31,030)</u>
Non-Operating Revenues (Expenses)			
Interest income	2,992	-	2,992
Loss on sale of glass grinder	-	(9,187)	(9,187)
Transfer	24,050	(24,050)	-
Total Non-Operating Revenues (Expenses)	<u>27,042</u>	<u>(33,237)</u>	<u>(6,195)</u>
Change in Net Position	(153)	(37,072)	(37,225)
Net Position - Beginning of Year	<u>968,328</u>	<u>37,072</u>	<u>1,005,400</u>
Net Position - End of Year	<u>\$ 968,175</u>	<u>\$ -</u>	<u>\$ 968,175</u>

See accompanying notes.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business Type Activities - Enterprise Funds</u>		
	Regional Tire Operations Program	Glass Grinding Operations Program	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 125,809	\$ -	\$ 125,809
Cash payments to suppliers	(40,356)	-	(40,356)
Net Cash Provided by Operating Activities	<u>85,453</u>	<u>-</u>	<u>85,453</u>
Cash flows from investing activities			
Proceeds on sale of equipment	-	24,050	24,050
Purchases of certificates of deposit	(202,503)	-	(202,503)
Interest income	2,992	-	2,992
Net Cash (Used in) Provided by Investing Activities	<u>(199,511)</u>	<u>24,050</u>	<u>(175,461)</u>
Change in Cash and Cash Equivalents	(114,058)	24,050	(90,008)
Interfund Transfer	24,050	(24,050)	-
Cash and Cash Equivalents - Beginning of Year	<u>245,171</u>	<u>-</u>	<u>245,171</u>
Cash and Cash Equivalents - End of Year	<u>\$ 155,163</u>	<u>\$ -</u>	<u>\$ 155,163</u>
Reconciliation of Operating Income			
to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (27,195)	\$ (3,835)	\$ (31,030)
Adjustments to Reconcile Operating Income			
to Net Cash Provided by Operating Activities:			
Depreciation	73,106	3,835	76,941
Change in accounts receivable	16,801	-	16,801
Change in accounts payable	22,741	-	22,741
Net Cash Provided by Operating Activities	<u>\$ 85,453</u>	<u>\$ -</u>	<u>\$ 85,453</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 Enterprise Funds that accounts for the operations of the Regional Tire Operations Program and Glass Grinding 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). 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.
- (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, 2014, and no allowance for doubtful accounts has been provided.
- (f). 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.
- (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). 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.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

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

- (i). 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.
- (j). Advertising Costs - Advertising costs are expensed as incurred.

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 yearend, the carrying value of the governmental activities' money market and checking account balances were \$187,642 and \$134,473 respectively, and the business-type activities checking account balance was \$155,163.

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 financial 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, 2014 stated at fair value consist of the following:

Certificates of deposit	<u>\$694,804</u>
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Components of investment income include the following:

Interest	<u>\$2,992</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, 2014 was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities:				
Building	\$ 88,466	\$ -	\$ -	\$ 88,466
Furniture and Equipment	70,085	11,409	22,177	59,317
Less: Accumulated Depreciation	<u>61,744</u>	<u>8,524</u>	<u>22,177</u>	<u>48,091</u>
Governmental Activities Capital Assets, net	<u>\$ 96,807</u>	<u>\$ 2,885</u>	<u>\$ -</u>	<u>\$ 99,692</u>
Business-Type Activities:				
Vehicles and Equipment	\$967,488	\$ -	\$120,163	\$847,325
Less: Accumulated Depreciation	<u>729,379</u>	<u>76,941</u>	<u>120,163</u>	<u>686,157</u>
Business-Type Activities Capital Assets, net	<u>\$238,109</u>	<u>\$(76,941)</u>	<u>\$ -</u>	<u>\$161,168</u>

NOTE 5 - Notes Payable

On September 26, 2011 the Commission signed a lease for new office space. That 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 following is a summary of changes in long-term debt for the year ended June 30, 2014:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Note Payable	<u>\$59,250</u>	<u>\$ -</u>	<u>\$4,125</u>	<u>\$55,125</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan

Plan Description

Name of Plan: Virginia Retirement System (VRS)
 Identification of Plan: Agent and Cost-Sharing, Multiple-Employer Pension Plan
 Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set out in the table below:

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1 VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About VRS Plan 2 VRS 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 VRS 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.</p>	<p>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 VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p> <ul style="list-style-type: none"> • 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 investment performance of those contributions. • 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.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Eligible Members Employees are in VRS 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.</p> <p>Hybrid Opt-In Election VRS 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in VRS Plan 1 or VRS 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. <p>* Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of 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.</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>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.</p>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - Retirement Plan (Continued)

<p>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.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>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.</p> <p><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.</p>
<p>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. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>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. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Plan remain vested in the defined benefit component.</p> <p><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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

		<ul style="list-style-type: none"> • 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 years or more, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p> <p>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.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under VRS Plan 1.</p> <p>Defined Contribution Component: 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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier 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 1.7%.</p>	<p>Service Retirement Multiplier 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.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age Defined Benefit Component: Same as VRS Plan 2.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equals 90.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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%.</p> <p>Eligibility: 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.</p> <p>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 after one calendar year following the unreduced Retirement eligibility date.</p> <p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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 to long-term disability under the Virginia Sickness and Disability Program (VSDP) 	<p>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%.</p> <p>Eligibility: Same as VRS Plan 1.</p> <p>Exceptions to COLA Effective Dates: Same as VRS Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as VRS Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as VRS Plan 1 and VRS Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as VRS Plan 1 and VRS Plan 2.</p>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

<ul style="list-style-type: none"> • 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. 		
<p>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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS 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.</p> <p>State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military, 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.</p>	<p>Purchase of Prior Service Same as VRS Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as VRS Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy – Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. 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% 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. In addition, the Commission is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Commission's contribution rate for the fiscal year ended 2014 was 8.46% of the annual covered payroll.

Annual Pension Cost – For the fiscal year ended June 30, 2014 the Commission's annual pension cost of \$39,567 for VRS was equal to the required and actual contributions.

Three-Year Trend Information

Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/14	\$39,567	100%	\$-
6/30/13	\$38,205	100%	\$-
6/30/12	\$49,415	100%	\$-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the Commission's assets is equal to the modified market value of the assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Commission's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Funded Status and Funding Progress – As of June 30, 2013, the most recent actuarial valuation date, the plan was 97.58% funded. The actuarial accrued liability for benefits was \$863,470, and the actuarial value of assets was \$845,548, resulting in an unfunded actuarial accrued liability (UAAL) of \$20,922. The covered payroll (annual payroll of active employees covered by the plan) was \$434,387, and the ratio of the UAAL to the covered payroll was 4.82%.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UUAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/13	\$842,548	\$863,470	\$20,922	97.58%	\$434,387	4.82%
6/30/12	\$823,329	\$914,198	\$90,869	90.06%	\$402,718	22.56%
6/30/11	\$810,234	\$850,679	\$40,455	95.25%	\$396,718	10.19%

NOTE 7 - 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, 2014, was \$20,250.

Future minimum rental payments under these leases are as follows:

Years ending June 30,	
2015	\$ 21,000
2016	23,250
2017	24,000
2018	24,000
2019	26,250
Thereafter	<u>207,750</u>
Total minimum lease payments	<u>\$326,250</u>

NOTE 8 - 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.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - 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, 2014 is calculated as follows:

Fringe benefit expense	<u>\$173,362</u>	
Total salaries	\$477,423	= 36.31%

Components of fringe benefit expense for the year ended June 30, 2014 are shown below:

Health, disability and life insurance	\$ 96,898
Retirement	39,552
Payroll taxes	<u>36,912</u>
Total Fringe Benefits	<u>\$173,362</u>

NOTE 11 - 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, 2014 was calculated as follows:

Indirect costs	<u>\$238,873</u>	
Total direct salaries and fringe benefits	\$532,871	= 44.82%

The following indirect costs have been allocated to projects:

Salaries and fringe benefits	\$142,245
Rent	20,250
Contract services	11,429
Computer services	9,624
Repairs and maintenance	7,483
Office supplies and expense	7,232
Meetings and conferences	6,997
Utilities	6,785
Travel	6,751
Dues and subscriptions	5,105
Depreciation	4,800
Communications	4,305
Insurance	2,994
Miscellaneous	1,660
Bank fees	<u>1,213</u>
Total Indirect Costs	<u>\$238,873</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 12 – Evaluation of Subsequent Events

The Commission has evaluated subsequent events through October 16, 2014, the date which the financial statements were available to be issued.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

Schedule of Revenues and Expenses by Project
For the Year Ended June 30, 2014

	Commission Activities	Local Technical Assistance	EDA Page County	Page County Broadband	House of Hope	HMIS	Home Consortium	NSP Stimulus	Other Housing Programs	Generators Project	VDRPT Trip Ride- Sharing Grant	VDOT Rural Trans- portation Planning Grant	MPO Highway and Transportation Planning	Stormwater	Solid Waste Manage- ment	Totals
REVENUES																
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 7,014	\$ 24,986	\$ 271,594	\$ 215,749	\$ -	\$ 47,831	\$ -	\$ 58,000	\$ 366,540	\$ 110,867	\$ -	\$ 1,102,581
State grants	75,971	-	-	-	-	-	-	-	-	-	166,266	-	45,818	-	-	288,055
Local governments	129,162	62,467	7,424	16,057	-	-	-	-	-	-	-	-	42,908	-	30,281	288,299
Other income	11,055	-	-	-	-	-	-	-	6,000	-	-	-	-	-	6,000	23,055
Total revenues	216,188	62,467	7,424	16,057	7,014	24,986	271,594	215,749	6,000	47,831	166,266	58,000	455,266	110,867	36,281	1,701,990
EXPENSES																
Salaries and employee benefits	10,597	34,015	4,899	10,402	360	8,084	32,426	34,948	4,826	1,199	85,078	46,800	187,020	26,992	22,850	510,496
Advertising	-	-	-	-	-	-	1,494	-	-	-	85,482	-	2,281	-	-	89,257
Communications	-	-	100	-	-	-	-	-	-	-	1,078	-	510	-	-	1,688
Computer software	-	45	-	-	-	-	137	-	-	-	116	-	131	-	-	429
Conferences and meetings	6,143	627	-	-	-	-	201	-	-	-	600	552	726	-	-	8,849
Contract services	402	13,500	-	-	7,014	27,700	243,765	206,375	420	44,375	900	900	173,824	93,524	1,800	814,499
Dues and memberships	-	97	12	12	-	-	859	46	-	-	2,700	325	550	46	-	4,647
Equipment rental/purchase	138	689	126	356	12	70	407	215	3	-	299	849	2,951	279	332	6,726
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(106)	(106)
Maintenance	-	-	-	-	-	-	10	-	-	-	-	-	-	-	-	10
Office supplies	3,521	-	-	16	-	-	-	-	327	-	-	-	-	-	-	3,864
Postage	34	-	-	18	-	18	21	-	-	-	6	-	64	5	-	166
Travel	588	1,106	85	276	-	361	1,247	272	-	-	2,781	1,147	3,274	106	126	11,369
Miscellaneous	1,192	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,192
Overhead and indirect costs	5,149	15,626	2,202	4,960	162	2,655	16,843	16,286	2,200	537	38,505	22,637	88,781	12,433	9,897	238,873
Total expenses	27,764	65,705	7,424	16,040	7,548	38,888	297,410	258,142	7,776	46,111	217,545	73,210	460,112	133,385	34,899	1,691,959
Mandatory 20% grant matching funds	(56,067)	-	-	-	-	-	-	-	-	-	41,567	14,500	-	-	-	-
Revenues over (under) expenses	\$ 132,358	\$ (3,238)	\$ -	\$ 17	\$ (534)	\$ (13,902)	\$ (25,816)	\$ (42,393)	\$ (1,776)	\$ 1,720	\$ (9,713)	\$ (710)	\$ (4,846)	\$ (22,518)	\$ 1,382	\$ 10,031

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
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***

Board of Directors
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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northern Shenandoah Valley Regional Commission as of and for the year ended June 30, 2014, 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 16, 2014.

Internal Control Over Financial Reporting

Management of Northern Shenandoah Valley Regional Commission is responsible for establishing and maintaining effective 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 to determine the audit procedures that are appropriate in circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 16, 2014

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 OMB CIRCULAR A-133**

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 Circular A-133 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, 2014. 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 laws, regulations, contracts, and grants applicable to its major federal program.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 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, 2014.

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 OMB Circular A-133, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Chantilly, Virginia

October 16, 2014

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

	<u>FEDERAL CATALOG NUMBER</u>	<u>EXPENDITURES</u>
Major Programs		
Department of Transportation		
Pass through payment - Virginia Department of Transportation Federal Highway Planning and Research	20.205	\$ 230,220
Pass through payment - Virginia Department of Housing and Community Development		
ARRA - Neighborhood Stabilization Program 08-NSP-04	14.228	215,749
Other Federal Awards		
Department of Housing and Urban Development		
Pass through payment - City of Winchester HOME Program	14.239	271,594
Department of Housing and Urban Development		
House of Hope VA0175B3F131000	14.xxx	7,014
Homeless Management Information Systems VA0153B3F131102	14.261	24,986
Department of Transportation		
Pass through payment - Virginia Department of Rail and Public Transportation Federal Highway Planning and Research 46014-14	20.505	194,320
Environmental Protection Agency		
Pass through payment - Virginia Department of Conservation and Recreation		
Stormwater Management SWM-2012-P23	66.466	70,897
Stormwater Management - Phase 2 Contract 15725	66.466	39,970
Department of Homeland Security		
Pass through Payment - Virginia Department of Emergency Management Generators Project HMGP-1905-000-018	97.039	<u>47,831</u>
Total Expenditures of Federal Awards		<u>\$ 1,102,581</u>

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Northern Shenandoah Valley Regional Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 - Subrecipients

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

HOME Program	14.239	<u>Subrecipient Name</u>	<u>Amount Provided</u>
		Blue Ridge Housing Network	\$ 63,175
		People Inc. of Virginia	47,924
		Help with Housing, Inc.	44,905
		Faithworks, Inc.	40,599
		Shenandoah Alliance	24,982
		Habitat for Humanity of Winchester	19,600
		Virginia Coalition to End Homelessness	1,680
			<u>\$ 242,865</u>
Neighborhood Stabilization Program	14.228	<u>Subrecipient Name</u>	<u>Amount Provided</u>
		Community Housing Partners, Inc.	\$ 205,475
			<u>\$ 205,475</u>

Northern Shenandoah Valley Regional Commission
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

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
- Reportable condition(s) identified that are not considered to be material weaknesses? ___ Yes X None Reported

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

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

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Program

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

Auditee qualified as low-risk auditee? X Yes No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE				
Grants and appropriations:				
Federal grants	\$ 2,045,938	\$ 1,704,437	\$ 1,102,581	\$ (601,856)
State grants and appropriations	282,237	244,737	288,055	43,318
Local grants and appropriations	226,406	241,515	288,299	46,784
Other revenue:				
Interest	-	-	344	344
Miscellaneous	26,000	16,000	22,711	6,711
TOTAL REVENUES	2,580,581	2,206,689	1,701,990	(504,699)
EXPENDITURES				
Current Operating:				
Contract services	1,658,036	1,313,366	812,237	(501,129)
Salaries	514,940	492,208	479,928	(12,280)
Employee benefits and payroll taxes	190,835	179,556	173,362	(6,194)
Advertising	86,424	86,424	89,708	3,284
Rent	20,250	20,250	20,250	-
Travel	12,000	20,000	18,120	(1,880)
Computer costs	17,000	16,500	10,053	(6,447)
Dues and memberships	12,500	14,500	15,729	1,229
Office equipment and repair	3,000	3,000	7,490	4,490
Equipment rental	9,000	9,000	9,567	567
Professional fees	9,300	8,700	13,690	4,990
Utilities	7,000	7,000	6,785	(215)
Office supplies and expense	7,300	6,100	4,122	(1,978)
Insurance	6,750	6,750	2,889	(3,861)
Other costs	3,700	3,700	3,642	(58)
Communications	5,000	5,000	5,994	994
Regional meetings	10,000	9,000	9,869	869
Capital purchases	5,000	5,000	10,053	5,053
TOTAL EXPENDITURES	2,578,035	2,206,054	1,693,488	(512,566)
EXCESS OF REVENUES OVER EXPENDITURES	\$ 2,546	\$ 635	8,502	\$ (1,017,265)
FUND BALANCE - Beginning of year			327,409	
FUND BALANCE - End of year			\$ 335,911	

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

Net Change in Fund Balances - Total Government Funds	\$ 8,502
Effect of capital purchases in budget	10,053
Effect of depreciation not budgeted	(8,524)
Change in net assets reported on the Statement of Activity	\$ 10,031

See accompanying notes.