

NORTHERN SHENANDOAH VALLEY
REGIONAL COMMISSION

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

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June 30, 2015

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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, 2015, 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, 2015 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.

Emphasis of Matter

Change in Accounting Principle

Northern Shenandoah Valley Regional Commission's basic financial statements for the year ended June 30, 2015, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Northern Shenandoah Valley Regional Commission implemented the requirements of GASB Statement No. 68 in accordance with its required effective date. See Note 10 and required supplementary information in the accompanying financial statements for the impact of the standard's implementation. Our opinion is not modified with respect to this matter.

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, the schedule of changes in the net pension liability and related ratios, and the schedule of contributions on pages 4 through 7 and pages 47 through 50 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 15, 2015, 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 15, 2015

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2015**

This section of the Northern Shenandoah Valley Regional Commission's (Commission) annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended June 30, 2015. 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.

The Commission's financial statement presentation for the year ended June 30, 2014, was amended to comply with statement No. 68 issued by the Governmental Accounting Standards Board that took effect during the current fiscal year. As a result, a major change was made to the Commission's financial presentation for the year ended June 30, 2014.

Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires employers to recognize an asset or liability as employees earn their pension benefits and recognize annual pension cost under an earnings approach. As a result, the Commission's net position as of June 30, 2014 was increased in the amount of \$63,081, the amount of the net pension asset as of the measurement date of June 30, 2013, less the employer contributions received after June 30, 2013. See Note 10 for further information on this restatement.

Required Financial Statements

The Statement of Net Position (Page 8) focuses on resources available for future operations. In simple terms, this statement presents a snap shot view of the 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.

The net position for governmental activities from July 2014 to June 2015 increased by \$44,213.

The Statement of Activities (Page 9) focuses on gross and net costs of the Commission's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues. The Commission incurred program expenses totaling \$2,135,876 and billed for services in the amount of \$2,027,597. 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 \$474,455 from last fiscal year, and revenues derived from charges for services increased in the amount of \$525,529. The significant fluctuations in revenues and expenses this year are due to increased activity for pass through service 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 10–14) focus separately on governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. Statements for the Commission's proprietary fund follow the governmental funds and include statements of net position; revenue, expenditures and changes in net position; and cash flow.

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

Financial Analysis

	Summary Statements of Net Assets			
	Governmental Activities		Business-Type Activities	
	2015	2014(1)	2015	2014
Current Assets	\$1,259,077	\$723,334	\$ 892,227	\$ 872,217
Capital Assets (net)	87,089	99,692	54,875	127,931
Note Receivable	8,952	-	-	-
Net Pension Asset	<u>118,625</u>	<u>22,694</u>	<u>-</u>	<u>-</u>
Total Assets	<u>1,473,743</u>	<u>845,720</u>	<u>947,102</u>	<u>1,000,148</u>
Deferred Outflows of Resources	<u>28,231</u>	<u>40,387</u>	<u>-</u>	<u>-</u>
Current Liabilities	882,658	365,168	641	31,973
Long-Term Liabilities	<u>46,371</u>	<u>55,125</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>929,029</u>	<u>420,293</u>	<u>641</u>	<u>31,973</u>
Deferred Inflows of Resources	<u>62,918</u>	<u>-</u>	<u>-</u>	<u>-</u>
Invested in Capital Assets	40,718	44,567	54,875	127,931
Unrestricted	<u>469,309</u>	<u>421,247</u>	<u>891,586</u>	<u>840,244</u>
Total Net Position	<u>\$ 510,027</u>	<u>\$465,814</u>	<u>\$ 946,461</u>	<u>\$ 968,175</u>

- (1) As restated for the adoption of GASB statement No. 68 retrospectively in fiscal year 2015, and for the prior period adjustment increasing accounts receivable from the HOME Program. See Note 10 of the notes to the financial statements.

The Commission realized a net income of \$44,213 from governmental activities in fiscal year 2015. Total current assets for governmental activities increased by \$535,743 and total current liabilities for governmental activities increased by \$517,490 primarily due to the timing of revenue receipts and expenditure payments.

Total net position for the business-type activities show a decrease of \$21,714 due to depreciation of equipment.

	Summary Statements of Activities			
	Governmental Activities		Business-Type Activities	
	2015	2014(1)	2015	2014
Revenues				
Operating grants and contributions	\$ 205,532	\$ 205,133	\$ -	\$ -
Charges for services	2,027,597	1,496,513	103,453	109,008
Interest	<u>331</u>	<u>344</u>	<u>1,225</u>	<u>2,292</u>
Total Revenues	<u>\$2,233,460</u>	<u>\$1,701,990</u>	<u>\$104,678</u>	<u>\$ 112,000</u>
Expenses				
General and administration	\$ 53,371	\$ 27,764	\$126,392	\$ 149,225
Project costs	<u>2,135,876</u>	<u>1,664,195</u>	<u>-</u>	<u>-</u>
Total expenses	<u>2,189,247</u>	<u>1,691,959</u>	<u>126,392</u>	<u>149,225</u>
Change in net position	\$ 44,213	\$ 10,031	\$(21,714)	\$(37,225)
Net position, beginning of year, as restated	<u>465,814</u>	<u>\$ 455,783</u>	<u>\$968,175</u>	<u>\$1,005,400</u>
Change in net position	<u>\$ 510,027</u>	<u>\$ 465,814</u>	<u>\$946,461</u>	<u>\$ 968,175</u>

(1) As restated for the adoption of GASB statement No. 68 retrospectively in fiscal year 2015, and for the prior period adjustment increasing accounts receivable from the HOME Program. See Notes 10 of the notes to the financial statements.

Charges for services increased in Fiscal Year 2015 as the Commission entered into additional local technical assistance agreements and pass through contractual services contracts. Expenses for the business-type activities decreased by \$22,833 over last year as a result of transitioning tire shredding equipment to a stationary unit at the Frederick County Landfill.

Capital Assets

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

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

Debt

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

Economic Factors and Future Outlook

In June of 2014, the Commission approved an alternative budgeting model that pre-programmed local contributions to specific projects. Historically, it was understood that local match obligations for specific grants (e.g. TDM and Rural Transportation Planning) were funded with local assessment funding, but these investments were reflected in the Commission financials as excess funding in the Commission Activities category and overages in the specific program category. The new budgeting model anticipates these investments during the budget process and sets forward the actual total investment (grant and matching funds) for a project at the beginning of the year. This budgeting model is necessary to assure that the Commission does not over obligate its unrestricted funding and invests local funding in programs and projects that are budgetary process pre-determined regional and local priorities. In addition to increased financial performance, the new budgeting model allows for 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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 198,223	\$ 170,375	\$ 368,598
Certificates of deposit	-	695,729	695,729
Accounts receivable	1,043,103	26,123	1,069,226
Prepaid expenses	17,751	-	17,751
Net pension asset	118,625	-	118,625
Note receivable	8,952	-	8,952
Capital assets, net	87,089	54,875	141,964
Total Assets	1,473,743	947,102	2,420,845
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions after the measurement date	28,231	-	28,231
LIABILITIES			
Accounts payable	836,403	641	837,044
Accrued leave	26,537	-	26,537
Deferred revenue	19,718	-	19,718
Loan payable	46,371	-	46,371
Total Liabilities	929,029	641	929,670
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual pension earnings	62,918	-	62,918
NET POSITION			
Investment in capital assets, net of related debt	40,718	54,875	95,593
Unrestricted	469,309	891,586	1,360,895
Total Net Position	\$ 510,027	\$ 946,461	\$ 1,456,488
Total Liabilities and Net Position	\$ 1,439,056	\$ 947,102	\$ 2,386,158

See accompanying notes.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 53,371	\$ -	\$ 205,532	\$ 152,161	\$ -	\$ 152,161
Projects	<u>2,135,876</u>	<u>2,027,597</u>	<u>-</u>	<u>(108,279)</u>	<u>-</u>	<u>(108,279)</u>
Total Governmental Activities	<u>2,189,247</u>	<u>2,027,597</u>	<u>205,532</u>	<u>43,882</u>	<u>-</u>	<u>43,882</u>
Business-Type Activities						
Regional Tire Operations Program	<u>126,392</u>	<u>103,453</u>	<u>-</u>	<u>-</u>	<u>(22,939)</u>	<u>(22,939)</u>
Total Business-Type Activities	<u>126,392</u>	<u>103,453</u>	<u>-</u>	<u>-</u>	<u>(22,939)</u>	<u>(22,939)</u>
Total Government	<u>\$ 2,315,639</u>	<u>\$ 2,131,050</u>	<u>\$ 205,532</u>	<u>43,882</u>	<u>(22,939)</u>	<u>20,943</u>
General revenues:						
Investment earnings				<u>331</u>	<u>1,225</u>	<u>1,556</u>
Change in net position				<u>44,213</u>	<u>(21,714)</u>	<u>22,499</u>
Net position at beginning of year - As restated				<u>465,814</u>	<u>968,175</u>	<u>1,433,989</u>
Net position at end of year				<u>\$ 510,027</u>	<u>\$ 946,461</u>	<u>\$ 1,456,488</u>

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2015**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 198,223
Accounts receivable	1,043,103
Prepaid expenses	17,751
Note receivable	<u>8,952</u>
Total Assets	<u><u>1,268,029</u></u>
LIABILITIES	
Accounts payable	836,403
Deferred revenue	<u>19,718</u>
Total Liabilities	<u>856,121</u>
FUND BALANCE	
Unreserved, reported in:	
General fund	<u>411,908</u>
Total Fund Balance	<u>411,908</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,268,029</u></u>
 Reconciliation of fund balances on the balance sheet for governmental funds to net position of governmental activities on the statement of net position:	
Fund balances - total governmental funds	\$ 411,908
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	87,089
 Long-term liabilities and related deferred items are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet but are reported on the government-wide statement of net position	
Pension contributions	28,231
Net pension asset	118,625
Net differences between projected and actual pension earnings	(62,918)
Compensated absences	(26,537)
Note payable	<u>(46,371)</u>
Net Position of Governmental Activities	<u><u>\$ 510,027</u></u>

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, 2015**

REVENUE		
Grants and appropriations:		
Federal grants		\$ 1,635,105
State grants and appropriations		317,385
Local grants and appropriations		270,339
Other revenue:		
Interest		331
Miscellaneous		<u>10,300</u>
TOTAL REVENUES		<u>2,233,460</u>
 EXPENDITURES		
Current Operating:		
Contract services		1,348,306
Salaries		481,192
Employee benefits and payroll taxes		153,088
Advertising		80,988
Rent		21,000
Travel		22,180
Dues and memberships		19,082
Professional fees		13,836
Capital outlay		2,350
Computer costs		11,403
Regional meetings		8,846
Equipment rental		7,446
Office equipment and repair		3,537
Utilities		6,074
Communications		7,939
Office supplies and expense		7,844
Other costs		5,245
Insurance		4,060
Debt Service		
Principal		<u>4,500</u>
TOTAL EXPENDITURES		<u>2,208,916</u>
NET CHANGE IN FUND BALANCE		24,544
FUND BALANCE - Beginning of year (As restated)		<u>387,364</u>
FUND BALANCE - End of year		<u>\$ 411,908</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	\$ 24,544
The net revenue (expense) of internal service funds is reported with governmental activities on the statement of activities.	(21,714)
Some expenses reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Pension expense	(7,374)
Change in long-term annual leave payable	2,661
Payments toward the net pension asset are reported as an expenditure in governmental funds, but the payment increases the net pension asset in the statement of net position.	28,231
Loan proceeds provide current financial resources to governmental funds, while the repayment of principal on debt is an expenditure in the governmental funds. Neither transaction, however, has an effect on net position. This is the amount by which debt payments exceeds debt issued.	4,500
All capital outlays to purchase capital assets are reported in governmental funds as expenditures. However, for governmental activities those outlays are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceed depreciation in the period.	<u>(8,349)</u>
Change in net position reported on the Statement of Activity	<u>\$ 22,499</u>

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
BALANCE SHEET
PROPRIETARY FUND
JUNE 30, 2015**

Business Type Activities - Enterprise Fund

	Regional Tire Operations Program
ASSETS	
Cash and investments	\$ 170,375
Certificates of deposit	\$ 695,729
Accounts receivable	\$ 26,123
Capital assets, net	<u>54,875</u>
Total Assets	<u><u>947,102</u></u>
LIABILITIES	
Accounts payable	<u>641</u>
Total Liabilities	<u>641</u>
NET POSITION	
Investment in capital assets, net of related debt	54,875
Unrestricted	<u>891,586</u>
Total Net Position	<u>946,461</u>
Total Liabilities and Net Position	<u><u>\$ 947,102</u></u>

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

Business Type Activities - Enterprise Fund

	Regional Tire Operations Program
Revenue	
Charges for service	\$ 103,453
Total Operating Revenue	103,453
Operating Expenses	
Operating costs	53,336
Depreciation	73,056
Total Operating Expenses	126,392
Operating Income / (Loss)	(22,939)
Non-Operating Revenues	
Interest income	1,225
Total Non-Operating Revenues	1,225
Change in Net Position	(21,714)
Net Position - Beginning of Year	968,175
Net Position - End of Year	\$ 946,461

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

Business Type Activities - Enterprise Fund

	Regional Tire Operations Program
Cash flows from operating activities:	
Cash received from customers	\$ 90,348
Cash payments to suppliers	<u>(75,436)</u>
Net Cash Provided by Operating Activities	<u>14,912</u>
Cash flows from investing activities	
Proceeds on sale of equipment	
Purchases of certificates of deposit	(147,685)
Proceeds from certificates of deposit	146,760
Interest income	<u>1,225</u>
Net Cash Provided by Investing Activities	<u>300</u>
Change in Cash and Cash Equivalents Interfund Transfer	15,212
Cash and Cash Equivalents - Beginning of Year	<u>155,163</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 170,375</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ (22,939)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	73,056
Change in accounts receivable	(3,873)
Change in accounts payable	(22,100)
Change in deferred revenue	<u>(9,232)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 14,912</u></u>

See accompanying notes.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Accounting Policies

The Northern Shenandoah Valley Regional Commission (the "Commission") is a political subdivision of the Commonwealth of Virginia. The purpose of the Commission is to promote the orderly and efficient development of the physical, social and economic elements of the Northern Shenandoah Valley by encouraging and assisting governmental subdivisions in planning for the future. The accounting policies of the Commission conform to generally accepted accounting principals as applied to government units.

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

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

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

Separate fund financial statements are provided for governmental funds and proprietary funds. The governmental funds and the proprietary funds are reported on separate balance sheets and statements of revenues, expenditures, and changes in fund balances (fund equity). The proprietary fund reporting also includes a statement of cash flows. The accounts are organized on the basis of fund classification, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The various funds are grouped in the financial statements as follows:

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The individual Governmental Fund of the Commission is comprised of the General Fund, which accounts for all revenues and expenditures applicable to the general operation of the Commission that are not accounted for in other funds.

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Commission's Proprietary Fund consists of 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) Revenue Recognition - Intergovernmental revenues, consisting primarily of Federal, state, local and other grants for the purpose of funding specific expenditures, are recognized when earned. The Commission recognizes a liability for funds received in excess of project expenditures.
- (d) Cash and Cash Equivalents - The Commission follows a deposit and investment policy in accordance with statutes of the Commonwealth of Virginia. Accordingly, the Commission is authorized to hold cash, checking accounts and certain investments. Cash and cash equivalents include cash on hand, amounts in checking accounts and money market instruments, all of which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. For purposes of the statement of cash flows, all highly liquid debt investments with a maturity of three months or less when purchased are considered to be cash equivalents.
- (e) Accounts receivable - Accounts receivable are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history and current information regarding the credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected. Management considers all of the receivables collectible at June 30, 2015, and no allowance for doubtful accounts has been provided.
- (f) Note receivable - The Commission has a non-interest bearing 3 year note receivable due from a subrecipient. Payments are scheduled to be made annually with the final payment to be made by June 30, 2018.

As of June 30, 2015, future payments to be received under the note are receivable as follows:

For the year ending June 30,

2016	\$ 5,000
2017	2,000
2018	<u>1,952</u>
Total	\$ <u>8,952</u>

- (g) 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.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

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

- (h) 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.
- (i) Deferred Revenue - The deferred revenue balance represents funds for local grants received in the current fiscal year and expected to be expended in the fiscal year ending June 30, 2016
- (j) 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.
- (k) Deferred Outflows/Inflows of Resources – The Commission reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. The only item that qualifies for reporting in this category is the employer pension contributions made after the actuarial measurement date. Employer contributions made after the measurement date of June 30, 2014, and the valuation date of June 30, 2013 were \$28,231 and \$40,387, respectively.

The Commission reports deferred inflows of resources on its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. The only item that qualifies for reporting in this category is the difference between the projected and actual pension earnings per the actuarial report dated of June 30, 2014, which was equal to \$62,918 as of June 30, 2015.
- (l) Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission’s Retirement Plan and additions to/deductions from the Commission’s Retirement Plan’s net fiduciary position have been determined on the same basis as they were reported by Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- (m) 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.
- (n) Advertising Costs - Advertising costs are expensed as incurred.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - Cash and Equivalents

State statute authorizes the Commission to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the local government investment pool. Cash and cash equivalents include amounts in demand deposits as well as short-term, highly liquid investments with a maturity date within three months of the date acquired by the Commission. Deposits are carried at cost, which approximates fair value. At year end, the carrying value of the governmental activities' money market and checking account balances were \$76,310 and \$121,713 respectively, and the business-type activities checking account balance was \$170,375.

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, 2015 stated at fair value consist of the following:

Certificates of deposit	<u>\$695,729</u>
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Components of investment income include the following:

Interest	<u>\$1,225</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, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities:				
Building	\$ 88,466	\$ -	\$ 4,254	\$ 84,212
Furniture and Equipment	59,317	2,350	2,586	59,081
Less: Accumulated Depreciation	<u>48,091</u>	<u>10,699</u>	<u>2,586</u>	<u>56,204</u>
Governmental Activities Capital Assets, net	<u>\$ 99,692</u>	<u>\$ (8,349)</u>	<u>\$ (4,254)</u>	<u>\$ 87,089</u>
Business-Type Activities:				
Vehicles and Equipment	\$814,088	\$ -	\$ -	\$814,088
Less: Accumulated Depreciation	<u>686,157</u>	<u>73,056</u>	<u>-</u>	<u>759,213</u>
Business-Type Activities Capital Assets, net	<u>\$127,931</u>	<u>\$(73,056)</u>	<u>\$ -</u>	<u>\$ 54,875</u>

NOTE 5 - Long-Term Obligations

The Commission leases office space in Front Royal, Virginia, under a fifteen-year lease agreement, which expires September 30, 2026. The lease calls for periodic rent increases over the lease term. Rental expense for all operating leases for the year ended June 30, 2015, was \$21,000.

Future minimum rental payments under these leases are as follows:

Years ending June 30,	
2016	\$ 23,250
2017	24,000
2018	24,000
2019	26,250
2020	27,000
Thereafter	<u>180,750</u>
Total minimum lease payments	<u>\$305,250</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 employees of the Commission are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</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 Plan 1 and 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 the 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 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 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 Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible 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 Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as 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* <p>Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</p> <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"> • 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</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 Plan 1.</p>	<p>Creditable Service Defined Benefit Component: 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>Defined Contributions Component: 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 Plan 1.</p>	<p>Vesting Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p>Defined Contributions Component: 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> <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 or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

<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 Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component</u>: See definition under Plan 1</p> <p><u>Defined Contribution Component</u>: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</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 Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component</u>: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component</u>: Not applicable.</p>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - Retirement Plan (Continued)

<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> 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>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><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</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 1 after one calendar year following the unreduced retirement eligibility date.</p>	<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><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>
<p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</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 or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - Retirement Plan (Continued)

<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>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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 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>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one- year waiting period before becoming eligible for non-work- related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. / After that on- year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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/2014-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits	1
Inactive Members	
Vested inactive members	3
Non-vested inactive members	3
Inactive members active elsewhere in VRS	4
Total Inactive Members	10
Active Members	8
Total covered employees	19

Contributions

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

The Commission's contractually required contribution rate for the year ended June 30, 2015 was 5.97% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Commission were \$28,231 and \$40,387 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Commission's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Payroll growth	3.0%
Salary increases, including Inflation	3.5% – 5.35%
Cost of Living Adjustment	2.5%, per year for Plan I employees and 2.25% for Plan 2 employees
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Post-Retirement:

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

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Post-Disablement:

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

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

Largest 10 – Non-LEOS:

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

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

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

Discount Rate

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

Long-Term Expected Rate of Return

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

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

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

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

Change in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2013	\$863,470	\$886,164	\$(22,694)
Changes for the year:			
Service cost	49,766	-	49,766
Interest	58,757	-	58,757
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions – employer	-	40,387	(40,387)
Contributions – employee	-	23,594	(23,594)
Net investment income	-	141,207	(141,207)
Benefit payments, including refunds of employee contributions	(48,166)	(48,166)	-
Administrative expense	-	(741)	741
Other changes	-	7	(7)
Net changes	60,357	156,288	(95,931)
Balances at June 30, 2014	<u>\$923,827</u>	<u>\$1,042,452</u>	<u>\$(118,625)</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

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

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

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Commission's Net Pension Liability	\$11,757	\$(118,625)	\$(223,433)

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

At June 30, 2015, the Commission reported an asset of \$118,625 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating the Commission, actuarially determined. At June 30, 2014, the Commission's proportion of political subdivisions was negative 4.7%.

For the year ended June 30, 2015, the Commission recognized pension expense of \$7,374. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	62,918
Employer contributions subsequent to the Measurement Date	<u>28,231</u>	<u>-</u>
Total	<u>\$28,231</u>	<u>\$62,918</u>

\$28,231 reported as deferred outflows of resources related to pensions resulting from Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$(15,730)
2017	(15,730)
2018	(15,730)
2019	(15,728)
Thereafter	-

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Funded Status and Funding Progress

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 an open basis. The remaining amortization period for the June 30, 2014 for the Unfunded Actuarial Accrued liability (UAAL) was 20 - 29 years.

The schedule of funding progress presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits. As of June 30, 2014, the most recent actuarial valuation date, the plan was 111.02% funded. The actuarial accrued liability for benefits was \$863,542, and the actuarial value of assets was \$958,707, resulting in an unfunded actuarial accrued asset (UAAL) (net pension asset) of \$95,165. The covered payroll (annual payroll of active employees covered by the plan) was \$400,449, and the ratio of the UAAL to the covered payroll was (23.76%).

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)
6/30/14	\$958,707	\$863,542	(\$95,165)	111.02%	\$400,449	(23.76%)
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%

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - Fringe Benefit Allocation

Fringe benefit expense is allocated using the percentage of benefits to total salaries. The fringe benefit rate for the fiscal year ended June 30, 2015 is calculated as follows:

Fringe benefit expense	<u>\$153,056</u>	
Total salaries	\$478,531	= 31.98%

Components of fringe benefit expense for the year ended June 30, 2015 are shown below:

Health, disability and life insurance	\$ 86,480
Payroll taxes	38,345
Retirement	<u>28,231</u>
Total Fringe Benefits	<u>\$153,056</u>

NOTE 8 - Indirect Costs

Indirect costs, which support all projects, are allocated based on the ratio of the individual project's direct salaries and fringe benefits to total direct salaries and fringe benefits. The indirect cost rate for the fiscal year ended June 30, 2015 was calculated as follows:

Indirect costs	<u>\$222,428</u>	
Total direct salaries and fringe benefits	\$515,598	= 43.14%

The following indirect costs have been allocated to projects:

Salaries and fringe benefits	\$116,021
Rent	21,000
Contract services	11,563
Computer services	10,529
Depreciation	10,699
Office supplies and expense	9,626
Dues and subscriptions	7,911
Communications	7,281
Meetings and conferences	6,742
Utilities	6,074
Travel	4,779
Insurance	4,061
Repairs and maintenance	3,537
Bank fees	1,521
Miscellaneous	<u>1,084</u>
Total Indirect Costs	<u>\$222,428</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - Compliance with Grant Provisions

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

NOTE 10 – Prior Period Adjustment, Restatement of Beginning Net Position

The Commission implemented Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in an agent plan to recognize a liability as employees earn their pension benefits and recognize annual pension cost under an earnings approach. As such, the financial statements report an increase of beginning net position in the amount of \$63,081, which was the net pension asset as of the measurement date of June 30, 2013, less the employer contributions received after June 30, 2013.

During the year ended June 30, 2015, it was determined that an adjustment was required to correct the previously stated financial statements for the year ended June 30, 2014. The adjustment was to recognize accounts receivable for funds available through the HOME Program to reimburse the Commission for administrative costs incurred prior to the year end June 30, 2014.

The effect on fiscal year 2014 is as follows:

Total net position as of June 30, 2014 as previously reported	\$ 341,830
Recognition of net pension asset	22,694
Reclassification of employer contributions to deferred outflow of resources	40,387
Recognition of accounts receivable from HOME Program	<u>60,903</u>
Total net position as of June 30, 2014 as restated	<u>\$ 465,814</u>

NOTE 11 – Evaluation of Subsequent Events

The Commission has evaluated subsequent events through October 15, 2015, 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, 2015**

	Commission Activities	Local Technical Assistance	Page County Broadband	Capacity Building Grant	Americorp	HMIS	Home Consortium	Building Entrrp Exonomies	Continuum of Care Lead Agency	NSP Stimulus
REVENUES										
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 237,892	\$ -	\$ 13,367	\$ 1,033,470
State grants	75,971	-	-	8,000	3,742	-	-	2,505	3,857	-
Local governments	129,561	64,417	14,414	-	-	-	-	-	1,683	-
Other income	4,631	-	-	-	-	-	-	-	-	-
Total revenues	<u>210,163</u>	<u>64,417</u>	<u>14,414</u>	<u>8,000</u>	<u>3,742</u>	<u>-</u>	<u>237,892</u>	<u>2,505</u>	<u>18,907</u>	<u>1,033,470</u>
EXPENSES										
Salaries and employee benefits	26,974	77,146	9,527	-	-	-	41,243	1,751	5,288	22,859
Advertising	-	257	153	-	-	-	2,952	-	-	-
Communications	-	-	-	-	-	-	-	-	-	-
Computer software	-	62	150	-	-	-	-	-	315	-
Conferences and meetings	3,639	3,058	-	-	-	-	12	-	33	175
Contract services	1,555	183	-	8,000	3,600	-	183,598	-	10,000	984,177
Dues and memberships	-	50	-	-	-	-	75	-	-	-
Equipment rental/purchase	7	774	265	-	-	31	1,379	-	142	504
Office supplies	(43)	12	-	-	-	-	50	-	39	-
Postage	5	113	-	-	-	-	23	-	-	-
Professional fees	-	-	-	-	-	-	1,228	-	-	1,063
Travel	916	4,985	205	-	-	-	1,026	-	807	102
Miscellaneous	-	2,867	-	-	-	-	-	-	-	-
Overhead and indirect costs	20,318	33,518	4,099	-	-	-	17,747	754	2,275	9,836
Total expenses	<u>53,371</u>	<u>123,025</u>	<u>14,399</u>	<u>8,000</u>	<u>3,600</u>	<u>31</u>	<u>249,333</u>	<u>2,505</u>	<u>18,899</u>	<u>1,018,716</u>
Mandatory 20% grant matching funds	(59,725)	-	-	-	-	-	-	-	-	-
Revenues over (under) expenses	<u>\$ 97,067</u>	<u>\$ (58,608)</u>	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 142</u>	<u>\$ (31)</u>	<u>\$ (11,441)</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 14,754</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

**Schedule of Revenues and Expenses by Project
For the Year Ended June 30, 2015**

	Generators Project	VDRPT Trip Ride- Sharing Grant	VDRPT Long Range Planning	VDOT Rural Trans- portation Planning Grant	MPO Highway and Transportation Planning	DEQ BMP Verification	Stormwater	Solid Waste Manage- ment	Totals
REVENUES									
Federal grants	\$ 20,766	\$ -	\$ -	\$ 58,000	\$ 242,121	\$ 26,054	\$ 3,435	\$ -	\$ 1,635,105
State grants	5,537	163,462	17,438	-	30,265	-	6,608	-	317,385
Local governments	-	-	-	-	30,264	-	-	30,000	270,339
Other income	-	-	-	-	-	-	-	6,000	10,631
Total revenues	<u>26,303</u>	<u>163,462</u>	<u>17,438</u>	<u>58,000</u>	<u>302,650</u>	<u>26,054</u>	<u>10,043</u>	<u>36,000</u>	<u>2,233,460</u>
EXPENSES									
Salaries and employee benefits	-	84,146	15,249	47,018	119,919	17,946	6,312	19,361	494,739
Advertising	-	72,368	-	-	2,072	-	-	-	77,802
Communications	-	659	-	-	-	-	-	-	659
Computer software	-	33	-	-	164	-	-	150	874
Conferences and meetings	-	608	-	844	681	-	-	11	9,061
Contract services	25,900	549	-	232	120,727	-	3,916	537	1,342,974
Dues and memberships	-	3,450	-	-	640	-	-	145	4,360
Equipment rental/purchase	-	241	169	547	2,016	35	15	-	6,125
Office supplies	-	383	-	-	28	-	-	-	469
Postage	-	-	-	-	399	5	-	-	545
Professional fees	-	1,063	-	1,062	1,062	-	-	2,125	7,603
Travel	-	4,498	-	2,623	3,077	312	29	114	18,694
Miscellaneous	-	-	-	-	47	-	-	-	2,914
Overhead and indirect costs	-	36,208	6,561	20,231	51,888	7,722	2,894	8,377	222,428
Total expenses	<u>25,900</u>	<u>204,206</u>	<u>21,979</u>	<u>72,557</u>	<u>302,720</u>	<u>26,020</u>	<u>13,166</u>	<u>30,820</u>	<u>2,189,247</u>
Mandatory 20% grant matching funds	-	40,866	4,360	14,500	-	-	-	-	-
Revenues over (under) expenses	<u>\$ 403</u>	<u>\$ 122</u>	<u>\$ (182)</u>	<u>\$ (57)</u>	<u>\$ (70)</u>	<u>\$ 34</u>	<u>\$ (3,123)</u>	<u>\$ 5,180</u>	<u>\$ 44,213</u>

The accompanying notes are an integral part of these financial statements.

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, and the aggregate remaining fund information of the Northern Shenandoah Valley Regional Commission as of and for the year ended June 30, 2015, 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 15, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, identified as items 2015-001 and 2015-002.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, identified as items 2015-003.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003.

Northern Shenandoah Valley Regional Commission's Response to Findings

Northern Shenandoah Valley Regional Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northern Shenandoah Valley Regional Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 15, 2015

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
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, 2015. 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 Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003. Our opinion on the major federal program is not modified with respect to these matters.

Northern Shenandoah Valley Regional Commission's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northern Shenandoah Valley Regional Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the 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 Northern Shenandoah Valley Regional Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a significant deficiency.

Northern Shenandoah Valley Regional Commission's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northern Shenandoah Valley Regional Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dunham, Aukamp + Rhodes, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants
Chantilly, Virginia

October 15, 2015

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

		FEDERAL CATALOG NUMBER	EXPENDITURES
Major Programs			
Pass through payment - Virginia Department of Housing and Community Development			
Neighborhood Stabilization Program	08-NSP-04	14.228	\$ 1,033,470
Other Federal Awards			
Department of Transportation			
Pass through payment - Virginia Department of Transportation			
Federal Highway Planning and Research		20.205	\$ 210,731
Department of Housing and Urban Development			
Pass through payment - City of Winchester			
HOME Program		14.239	237,892
Department of Housing and Urban Development			
Continuum of Care Planning Grant	VA0224L3F131300	14.267	13,367
Department of Transportation			
Pass through payment - Virginia Department of Rail and Public Transportation			
Federal Highway Planning and Research	46014-14	20.505	13,562
Federal Highway Planning and Research	46015-14	20.505	75,828
Environmental Protection Agency			
Pass through payment - Virginia Department of Conservation and Recreation			
Stormwater Management - Phase 2	Contract 15725	66.466	3,435
Stormwater Management - Phase 2	Contract 16049	66.466	26,054
Department of Homeland Security			
Pass through Payment - Virginia Department of Emergency Management			
Generators Project	HMGP-1905-000-018	97.039	20,766
Total Expenditures of Federal Awards			\$ 1,635,105

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	\$ 116,507
		Faithworks, Inc.	47,927
		Shenandoah Alliance	25,017
			\$ 189,451
Neighborhood Stabilization Program	14.228	<u>Subrecipient Name</u>	<u>Amount Provided</u>
		Community Housing Partners, Inc.	\$ 984,002
			\$ 984,002

See accompanying notes

Northern Shenandoah Valley Regional Commission
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2015

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 X Yes No
- Significant deficiency(ies) identified X Yes None Reported
- Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified X Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? X Yes 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? X Yes No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Neighborhood Stabilization 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

FINDING 2015-001

MATERIAL WEAKNESS

Criteria: Recapture provisions must ensure that the consortium recoups all or a portion of the HOME assistance to the homebuyer, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability.

Condition: There was no recorded legal mechanism in place to ensure the long-term affordability of the homebuyer for one of the projects.

Effect: The Commission expended \$19,965.65 in program funds without proper documentation of the long-term affordability of the homebuyer. The Commission subsequently repaid the funds from non-Federal sources.

Cause: Policies and procedures for the Homeowner Rehabilitation programs did not include these requirements.

Recommendation: Policies and procedures for the Homeowner Rehabilitation programs should be updated to include these requirements.

Views of responsible officials and planned corrective actions: The Commission agrees with the finding and has repaid the funds from non-Federal sources, and updated the policies and procedures for the Homeowner Rehabilitation programs to include these requirements.

FINDING 2015-002

MATERIAL WEAKNESS

Criteria: An after-rehabilitation value of the property must be established before the work is performed.

Condition: How the after-rehabilitation value of the property was calculated could not be determined.

Effect: The Commission expended program funds without proper documentation of the after-rehabilitation value. The Commission subsequently repaid the funds from non-Federal sources.

Cause: Policies and procedures for the Homeowner Rehabilitation programs did not include these requirements.

Recommendation: Policies and procedures for the Homeowner Rehabilitation programs should be updated to include these requirements.

Views of responsible officials and planned corrective actions: The Commission agrees with the finding and has updated the policies and procedures for the Homeowner Rehabilitation programs to include these requirements.

FINDING 2015-003

SIGNIFICANT DEFICIENCY

Criteria: Subrecipients are to execute separate, stand-alone written agreements with beneficiaries for the homeowner rehabilitation or homebuyer program.

Condition: Some subrecipients failed to execute separate, stand-alone written agreements with beneficiaries for the homeowner rehabilitation or homebuyer program.

Effect: Projects were executed without these agreements being established.

Cause: Policies and procedures for the Homeowner Rehabilitation programs did not include these requirements.

Recommendation: Policies and procedures for the Homeowner Rehabilitation programs should be updated to include these requirements.

Views of responsible officials and planned corrective actions: The Commission agrees with the finding and will develop and use separate homebuyer and homeowner written agreements that will conform to the requirements in Sec. 92.254(a) and (b).

Section III – Federal Award Findings

FINDING 2015-001

MATERIAL WEAKNESS

Criteria: Recapture provisions must ensure that the consortium recoups all or a portion of the HOME assistance to the homebuyer, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability.

Condition: There was no recorded legal mechanism in place to ensure the long-term affordability of the homebuyer for one of the projects.

Effect: The Commission expended \$19,965.65 in program funds without proper documentation of the long-term affordability of the homebuyer. The Commission subsequently repaid the funds from non-Federal sources.

Cause: Policies and procedures for the Homeowner Rehabilitation programs did not include these requirements.

Recommendation: Policies and procedures for the Homeowner Rehabilitation programs should be updated to include these requirements.

Views of responsible officials and planned corrective actions: The Commission agrees with the finding and has repaid the funds from non-Federal sources, and updated the policies and procedures for the Homeowner Rehabilitation programs to include these requirements.

FINDING 2015-002

MATERIAL WEAKNESS

Criteria: An after-rehabilitation value of the property must be established before the work is performed.

Condition: How the after-rehabilitation value of the property was calculated could not be determined.

Effect: The Commission expended program funds without proper documentation of the after-rehabilitation value. The Commission subsequently repaid the funds from non-Federal sources.

Cause: Policies and procedures for the Homeowner Rehabilitation programs did not include these requirements.

Recommendation: Policies and procedures for the Homeowner Rehabilitation programs should be updated to include these requirements.

Views of responsible officials and planned corrective actions: The Commission agrees with the finding and has updated the policies and procedures for the Homeowner Rehabilitation programs to include these requirements.

FINDING 2015-003

SIGNIFICANT DEFICIENCY

Criteria: Subrecipients are to execute separate, stand-alone written agreements with beneficiaries for the homeowner rehabilitation or homebuyer program.

Condition: Some subrecipients failed to execute separate, stand-alone written agreements with beneficiaries for the homeowner rehabilitation or homebuyer program.

Effect: Projects were executed without these agreements being established.

Cause: Policies and procedures for the Homeowner Rehabilitation programs did not include these requirements.

Recommendation: Policies and procedures for the Homeowner Rehabilitation programs should be updated to include these requirements.

Views of responsible officials and planned corrective actions: The Commission agrees with the finding and will develop and use separate homebuyer and homeowner written agreements that will conform to the requirements in Sec. 92.254(a) and (b).

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, 2015

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE				
Grants and appropriations:				
Federal grants	\$ 1,781,953	\$ 2,545,809	\$ 1,635,105	\$ (910,704)
State grants and appropriations	380,265	385,265	317,385	(67,880)
Local grants and appropriations	191,684	133,968	270,339	136,371
Other revenue:				
Interest	-	-	331	331
Miscellaneous	12,000	12,000	10,300	(1,700)
TOTAL REVENUES	2,365,902	3,077,042	2,233,460	(843,582)
EXPENDITURES				
Current Operating:				
Contract services	1,407,500	2,156,000	1,348,306	(807,694)
Salaries	500,000	490,000	478,531	(11,469)
Employee benefits and payroll taxes	174,000	165,000	132,231	(32,769)
Advertising		95,138	80,987	(14,151)
Travel	27,500	27,500	22,180	(5,320)
Rent		25,500	21,000	(4,500)
Meetings and conferences	16,235	16,235	15,802	(433)
Professional fees	13,500	13,500	13,836	336
Computer costs		10,230	11,403	1,173
Dues and memberships	12,025	12,025	11,495	(530)
Communications		8,000	7,939	(61)
Equipment rental	8,500	8,500	7,446	(1,054)
Utilities	7,500	7,500	6,074	(1,426)
Other costs	3,000	3,000	5,244	2,244
Office supplies and expense	5,250	5,250	4,294	(956)
Insurance		7,287	4,061	(3,226)
Office equipment and repair	3,500	3,500	2,760	(740)
Postage and shipping	700	700	1,056	356
IT Services	3,500	3,500	777	(2,723)
Subscriptions/Newspapers	225	227	631	404
Printing	4,465	4,465	383	(4,082)
Capital purchases	5,000	5,000	2,112	(2,888)
TOTAL EXPENDITURES	2,192,400	3,068,057	2,178,548	(889,509)
EXCESS OF REVENUES OVER EXPENDITURES	\$ 173,502	\$ 8,985	54,912	\$ (1,733,091)
FUND BALANCE - Beginning of year			327,409	
FUND BALANCE - End of year			\$ 382,321	

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	\$ 54,912
Effect of depreciation not budgeted	(10,699)
Change in net position reported on the Statement of Activity	\$ 44,213

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS ***

	2015
Total Pension Liability	
Service Cost	\$ 49,766
Interest on total pension liability	58,757
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	(48,166)
Net change in total pension liability	60,357
Total pension liability - beginning	863,470
Total pension liability -ending (a)	\$ 923,827
 Plan fiduciary net position	
Contributions - employer	\$ 40,387
Contributions - employee	23,594
Net investment income	141,207
Benefits payments	(48,166)
Administrative expense	(741)
Other	7
Net change in plan fiduciary net position	156,288
Plan fiduciary net position - beginning	886,164
Plan fiduciary net position - ending (b)	\$ 1,042,452
 Commissoin's Net pension liability - ending (a)-(b)	\$ (118,625)
 Plan fiduciary net position as a percentage of the total Pension liability	112.84%
 Covered - employee payroll	\$ 400,449
 Commission's net pension liability as percentage of covered-employee payroll	-29.62%

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2015
 LAST 10 FISCAL YEARS ***

	2015
Contractually Required Contribution	\$ 28,231
Contributions in Relation to the Contractually Required Contribution	28,231
Contribution Deficiency / (Excess)	\$ -
Employer's Covered-Employee Payroll	\$ 472,881
Contributions as a % of Covered-Employee Payroll	5.97%

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2015

NOTE 1 – Change of Benefit Terms

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

NOTE 2 – Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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