

NORTHERN SHENANDOAH VALLEY
REGIONAL COMMISSION

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

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Eric Lawrence, Vice Chairman
Nora Belle Comer, Secretary/Treasurer

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June 30, 2018

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EXECUTIVE DIRECTOR

Brandon Davis February 8, 2017 to Present

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, fiduciary activities, and the aggregate remaining fund information of the Northern Shenandoah Valley Regional Commission as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Northern Shenandoah Valley Regional Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, fiduciary activities and the aggregate remaining fund information of the Northern Shenandoah Valley Regional Commission as of June 30, 2018 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the Commission's net pension liability and related ratios, and the schedule of employer contributions on pages 4 through 7 and pages 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards and the schedule of revenues and expenses by project are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of revenues and expenses by project are 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 18, 2018, 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 solely 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 effectiveness of the Northern Shenandoah Valley Regional Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Shenandoah Valley Regional Commission's internal control over financial reporting and compliance.

Dunham, Aukamp & Rhodes, PLLC

Certified Public Accountants
Chantilly, Virginia

October 18, 2018

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2018**

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, 2018. 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, proprietary fund statements, fiduciary fund statements and the notes to the financial statements. The first two statements are condensed and present a government-wide view of the Commission's finances. Within this view, Commission operations are categorized and reported as either governmental or business-type activities. Governmental activities include typical planning services and administration. The Commission's business-type activities include operation of the Regional Tire Operations Program, a regional tire shredding program. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Commission.

Required Financial Statements

The Statement of Net Position (Page 8) focuses on resources available for future operations. In simple terms, this statement presents a snap shot view of the Commission's assets, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Government activities are reported on the accrual basis of accounting. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. The net position for governmental activities from July 2017 to June 2018 increased by \$48,199. Of this amount, \$7,134 reflects a modest excess of revenues over expenses.

The Statement of Activities (Page 9) focuses on gross and net costs of the Commission's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues. The Commission received unrestricted general revenues in the amount of \$75,971 from the Department of Housing and Community Development for annual planning district support in the fiscal year. Member jurisdiction contributions are the only other source of unrestricted funding available to the Commission. In fiscal year 2018 member contributions through a \$0.73 per capita assessment totaled \$170,027. The Commission incurred project expenses totaling \$1,474,795 and billed for services in the amount of \$1,343,840. The difference between these totals of \$130,955 represents grant matching funds required and the support of indirect costs not covered by specific grants.

The Statement of Revenues, Expenditures, and Changes in Fund Balance (Page 11) shows total fiscal year governmental expenses of \$1,589,284. Fiscal year 2017 showed expenditures of \$1,883,449 which shows a decrease of \$294,165 in fiscal year 2018. Revenues derived from charges for services in 2018 decreased in the amount of \$317,365. These significant changes are due to the close-out of the Neighborhood Stabilization Program (NSP) grant. Unlike past fiscal years when the NSP was grant funded and in 2017 when the NSP program operated strictly on program income, the only revenue generated in 2018 was a nominal administrative close-out fee of \$2,000.

The total change in net position of \$99,837 (Page 9) ties to the Statement of Revenues, Expenditures, and Changes in Fund Balance (Page 11) and consists of a net change in the fund balance of \$761, plus internal service funds reported with governmental activities on the Statement of Activities of \$51,638 less a change in net annual leave of \$766, plus \$4,500 shown as debt payments in excess of debt issued, plus the amount by which capital outlays exceed depreciation.

The \$4,500 represents the \$375/month no interest loan payments to the EDA for office renovations. The remaining \$41,065 represents a fiscal year end GASB 68 adjustment to agree net pension assets, deferred outflows and inflows to the Virginia Retirement System (VRS). The Commission's VRS investments showed a net gain on investments this year. GASB 68 laws require disclosure of this within internal financial statements. This is a book entry and does not reflect a cash gain or affect the Commission's operational revenues and expenditures. It is not accessible for programmatic operations.

Fund financial statements (Pages 12–14) focus separately on proprietary funds generated through the Regional Tire Operations Program (RTOP). Governmental fund statements follow the more traditional presentation of financial statements. Statements for the Commission's proprietary fund RTOP follow the governmental funds and include statements of net position; revenue, expenditures and changes in net position; and cash flow. Net cash provided by operating activities in fiscal year 2018 total \$67,976 (Page 14)

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 Position					
	Governmental Activities		Business-Type Activities		Fiduciary Activities	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 568,843	\$ 510,127	\$ 555,206	\$ 439,077	\$ 52,629	\$100,000
Capital Assets (net)	75,556	72,917	593,334	646,960	-	-
Net Pension Asset	259,949	124,167	-	-	-	-
Total Assets	<u>904,348</u>	<u>707,211</u>	<u>1,148,540</u>	<u>1,086,037</u>	<u>52,629</u>	<u>100,000</u>
Deferred Outflows of Resources	<u>19,128</u>	<u>51,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current Liabilities	227,522	168,801	10,865	-	52,629	100,000
Long-Term Liabilities	<u>32,871</u>	<u>37,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>260,393</u>	<u>206,172</u>	<u>10,865</u>	<u>-</u>	<u>52,629</u>	<u>100,000</u>
Deferred Inflows of Resources	<u>86,731</u>	<u>24,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Invested in Capital Assets	42,685	35,546	593,334	646,960	-	-
Unrestricted	<u>533,667</u>	<u>492,607</u>	<u>544,341</u>	<u>439,077</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 576,352</u>	<u>\$ 528,153</u>	<u>\$1,137,675</u>	<u>\$1,086,037</u>	<u>\$ -</u>	<u>-</u>

The above Summary Statement of Net Position shows a change in net position from 2017 to 2018 based on three different types of activities. Governmental activities show an increase in net position of \$48,199, business-type activities (RTOP) show an increase in net position of \$51,638 and fiduciary activities, Growth and Opportunity funds for Virginia (GO Virginia) net to a zero-net position.

Total net position for the business-type activities show an increase due to current year operations and the gain from the sale of the old RTOP equipment. The Regional Tire Operations Program (RTOP) is a self-sustaining enterprise fund and is operated by the Frederick County Landfill staff who are reimbursed for time and materials monthly using only RTOP funds.

	Summary Statements of Activities					
	Governmental Activities		Business-Type Activities		Fiduciary Activities	
	2018	2017	2018	2017	2018	2017
Revenue						
Operating grants and contributions	\$ 245,998	\$ 209,486	\$ -	\$ -	\$ 346,876	\$ -
Charges for services	1,343,840	1,697,515	115,245	66,142	-	-
GASB 68 adjustment	41,065	21,280	-	-	-	-
Gain on sale of vehicle and equipment	-	-	36,139	100,000	-	-
Interest income	480	409	2,183	2,182	-	-
Transfer of funds	(273)	-	-	-	273	-
Total Revenue	<u>1,631,110</u>	<u>1,928,690</u>	<u>153,567</u>	<u>168,324</u>	<u>347,149</u>	<u>-</u>
Expenses						
General and administrative	108,116	53,466	101,929	35,847	60,549	-
Project costs	<u>1,474,795</u>	<u>1,832,568</u>	<u>-</u>	<u>-</u>	<u>286,600</u>	<u>-</u>
Total Expenses	<u>1,582,911</u>	<u>1,886,034</u>	<u>101,929</u>	<u>35,847</u>	<u>347,149</u>	<u>-</u>
Change in net position	48,199	42,656	51,638	132,477	-	-
Net position, beginning of year	<u>528,153</u>	<u>485,497</u>	<u>1,086,037</u>	<u>953,560</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ 576,352</u>	<u>\$ 528,153</u>	<u>\$1,137,675</u>	<u>\$1,086,037</u>	<u>\$ -</u>	<u>\$ -</u>

Charges for services under governmental activities decreased in Fiscal Year 2018 as the Commission closed out the NSP program. Charges for services under business-type activities increased by \$49,103 over last year as a result of the increased capacity and efficiency of the new stationary tire shredder.

Capital Assets

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

Included in proprietary fund fixed assets are the tire grinder and related electrical installation expenses. In fiscal year 2018 RTOP sold all trucks, hauling trailers, and various small tools that were no longer needed for the new stationary machine.

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.

Utilization of Local Member Jurisdiction per capita assessments:

Each budget cycle, Commission staff allocates local member contributions to fund specific regional projects with no funding source and to provide local match obligations for grants such as the Transportation Demand Management (TDM) and the Rural Transportation Program. This budgeting process anticipates investments during the budget process and reserves the actual total investment (grant and matching funds) for a project at the beginning of the year. This is necessary to assure that the Commission does not over obligate its unrestricted funding and invests local funding in programs and projects that are pre-determined regional and local priorities. This process allows for increased transparency in tracking the final destination of local investments in the Commission.

In fiscal year 2018, the per capita assessments received from the Commission member jurisdictions were applied to the following programs in order to support Commission staff hours to administer them and to provide matching funds. The Commission utilized \$170,027 in local funds collected in addition to \$75,971 in unrestricted Planning District Commission support from the Department of Housing and Community Development funds to provide mandatory grant matching dollars and to provide support for the following programs and projects:

General Administration and Indirect Charges (Lease, Electric, etc.):	\$ 114,772
Transportation Demand Management (Ridesmart) matching funds 20%:	45,826
Rural Transportation Program – 20% grant match:	14,500
Regional Hazard Mitigation Plan Update:	14,000
Community Development Projects – Unfunded:	10,000
Economic Development Projects C.E.D.S. – Unfunded:	10,000
Natural Resources Projects – Unfunded:	10,000
Continuum of Care (Homelessness):	7,900
Hazard Mitigation Projects – Unfunded:	5,000
Neighborhood Stabilization Program:	5,000
Shenandoah Valley Tourism Partnership:	5,000
Housing Market Analysis:	3,000
R.I.S.E. Entrepreneur Award Program:	<u>1,000</u>
Total:	<u>\$245,998</u>

Contacting the Commission’s Financial Management Staff

This financial report is designed to provide a general overview of the Commission’s finances and show the Commission’s accountability for the funds it receives. If you have questions about this report or need additional information, contact the Commission’s Executive Director at 400 Kendrick Lane – Suite E, Front Royal, Virginia 22630. (540) 636-8800.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 394,802	\$ 181,638	\$ 576,440
Certificates of deposit	-	351,437	351,437
Accounts receivable	151,831	22,131	173,962
Prepaid expenses	22,210	-	22,210
Net pension asset	259,949	-	259,949
Capital assets, net	75,556	593,334	668,890
Total Assets	904,348	1,148,540	2,052,888
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions after the measurement date	14,288	-	14,288
Difference between expected and actual experience	4,840	-	4,840
Total Deferred Outflows of Resources	19,128	-	19,128
LIABILITIES			
Accounts payable	164,076	10,865	174,941
Accrued leave	26,229	-	26,229
Deferred revenue	37,217	-	37,217
Loan payable	32,871	-	32,871
Total Liabilities	260,393	10,865	271,258
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	55,109	-	55,109
Changes of assumptions	13,744	-	13,744
Net difference between projected and actual earnings on plan investments	17,878	-	17,878
Total Deferred Inflows of Resources	86,731	-	86,731
NET POSITION			
Investment in capital assets, net of related debt	42,685	593,334	636,019
Unrestricted	533,667	544,341	1,078,008
Total Net Position	\$ 576,352	\$ 1,137,675	\$ 1,714,027

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 108,116	\$ -	\$ 245,998	\$ 137,882	\$ -	\$ 137,882
Projects	1,474,795	1,343,840	-	(130,955)	-	(130,955)
Total Governmental Activities	<u>1,582,911</u>	<u>1,343,840</u>	<u>245,998</u>	<u>6,927</u>	<u>-</u>	<u>6,927</u>
Business-Type Activities						
Regional Tire Operations Program	101,929	115,245	-	-	13,316	13,316
Total Business-Type Activities	<u>101,929</u>	<u>115,245</u>	<u>-</u>	<u>-</u>	<u>13,316</u>	<u>13,316</u>
Total Government	<u>\$ 1,684,840</u>	<u>\$ 1,459,085</u>	<u>\$ 245,998</u>	<u>6,927</u>	<u>13,316</u>	<u>20,243</u>
General revenues, special items and transfers:						
				480	2,183	2,663
				-	36,139	-
				41,065	-	-
				(273)	-	-
				48,199	51,638	99,837
				528,153	1,086,037	1,614,190
				<u>\$ 576,352</u>	<u>\$ 1,137,675</u>	<u>\$ 1,714,027</u>

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 394,802
Accounts receivable	151,831
Prepaid expenses	<u>22,210</u>
Total Assets	<u><u>568,843</u></u>
LIABILITIES	
Accounts payable	164,076
Deferred revenue	<u>37,217</u>
Total Liabilities	<u>201,293</u>
FUND BALANCE	
Unreserved, reported in:	
General fund	<u>367,550</u>
Total Fund Balance	<u>367,550</u>
Total Liabilities and Fund Balance	<u><u>\$ 568,843</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 balance - total governmental funds	\$ 367,550
 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.	75,556
 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	14,288
Difference between expected and actual experience	4,840
Net pension asset	259,949
Difference between expected and actual experience	(55,109)
Changes of assumptions	(13,744)
Net difference between projected and actual earnings on plan investments	(17,878)
Compensated absences	(26,229)
Note payable	<u>(32,871)</u>
Net Position of Governmental Activities	<u><u>\$ 576,352</u></u>

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

REVENUES

Grants and appropriations:	
Federal grants	\$ 847,120
State grants and appropriations	283,696
Local grants and appropriations	443,292
Other revenue:	
Interest	480
Miscellaneous	<u>15,457</u>
TOTAL REVENUES	<u>1,590,045</u>

EXPENDITURES

Current Operating:	
Contract services	738,567
Salaries	483,709
Employee benefits and payroll taxes	159,292
Advertising	69,524
Professional fees	29,732
Rent	21,000
Travel	16,278
Computer costs	11,612
Capital purchases	9,298
Dues and memberships	8,944
Communications	7,738
Office equipment and repair	7,110
Meeting expenses	6,538
Equipment rental	6,357
Utilities	5,977
Insurance	5,949
Office supplies and expense	4,731
Conferences and trainings	4,155
Other costs	2,792
Van subsidies	540
Less indirect expenses applied to fiduciary fund	(15,059)
Debt Service	
Principal	<u>4,500</u>
TOTAL EXPENDITURES	<u>1,589,284</u>
NET CHANGE IN FUND BALANCE	761
FUND BALANCE - Beginning of year	<u>366,789</u>
FUND BALANCE - End of year	<u>\$ 367,550</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	\$ 761
The net revenue of internal service funds is reported with governmental activities on the statement of activities.	51,638
Some expenses and benefits reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in GASB 68 pension benefit calculation	41,065
Change in long-term annual leave payable	(766)
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>2,639</u>
Change in net position reported on the Statement of Activities	<u>\$ 99,837</u>

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018**

Business Type Activities - Enterprise Fund

	Regional Tire Operations Program
ASSETS	
Cash and investments	\$ 181,638
Certificates of deposit	351,437
Accounts receivable	22,131
Capital assets, net	<u>593,334</u>
Total Assets	<u>1,148,540</u>
LIABILITIES	
Accounts payable	<u>10,865</u>
Total Liabilities	<u>10,865</u>
NET POSITION	
Investment in capital assets, net of related debt	593,334
Unrestricted	<u>544,341</u>
Total Net Position	<u><u>\$ 1,137,675</u></u>

See accompanying notes.

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

Business Type Activities - Enterprise Fund

	Regional Tire Operations Program
Operating Revenue	
Charges for service	\$ 115,245
Total Operating Revenue	115,245
Operating Expenses	
Operating costs	36,003
Depreciation	65,926
Total Operating Expenses	101,929
Operating Income	13,316
Non-Operating Revenues	
Interest income	2,183
Gain on sale of shredder	36,139
Total Non-Operating Revenues	38,322
Change in Net Position	51,638
Net Position - Beginning of Year	1,086,037
Net Position - End of Year	\$ 1,137,675

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

Business Type Activities - Enterprise Fund

	Regional Tire Operations Program
Cash flows from operating activities:	
Cash received from customers	\$ 93,114
Cash payments to suppliers	<u>(25,138)</u>
Net Cash Provided by Operating Activities	<u>67,976</u>
Cash flows from investing activities	
Proceeds on sale of equipment	36,139
Purchases of equipment	(12,300)
Purchases of certificates of deposit	(1,926)
Interest income	<u>2,183</u>
Net Cash Provided by Investing Activities	<u>24,096</u>
Change in Cash and Cash Equivalents	<u>92,072</u>
Cash and Cash Equivalents - Beginning of Year	<u>89,566</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 181,638</u></u>
Reconciliation of Operating Income	
to Net Cash Provided by Operating Activities	
Operating income	\$ 13,316
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities:	
Depreciation	65,926
Change in accounts receivable	(22,131)
Change in accounts payable	<u>10,865</u>
Net Cash Provided by Operating Activities	<u><u>\$ 67,976</u></u>

See accompanying notes.

NORTHERN SHENENDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF
NET POSITION-FIDUCIARY FUND
JUNE 30, 2018

	Go Virginia
	Fund
ASSETS	
Cash and cash equivalents	\$ 33,258
Accounts receivable	19,371
Total assets	52,629
LIABILITIES	
Accounts payable	19,569
Deferred revenue	33,060
Total liabilities	52,629
NET POSITION	\$ -

**NORTHERN SHENENDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF CHANGES IN
NET POSITION-FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Go Virginia Fund
ADDITIONS	
Contributions	\$ 346,876
Transfer from general fund	273
Total additions	347,149
DEDUCTIONS	
Contractor services	286,600
Salaries	32,359
Employee benefits and payroll taxes	10,633
Travel expense	2,067
Equipment rental	431
Indirect expenses	15,059
Total deductions	347,149
Change in Net Position	-
Net Position, Beginning of Year	-
Net Position, End of Year	\$ -

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

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

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

Fiduciary Funds account for operations of Region 8 of the Virginia Growth and Opportunity Regional Council (Council) that the Commission administers as a separate entity. This fund is accounted for in essentially the same manner as a proprietary fund type. The Council manages the GO Virginia initiative, which is an initiative by Virginia's senior business leaders to foster private-sector growth and job creation through state incentives for regional collaboration by business, education, and government.

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.

The accounting and reporting policies of the Commission relating to the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) the American Institute of Certified Public Accountants in the Publication entitled Audits of State and Local Government Units and by the Financial Accounting Standards Board (when applicable).

- (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 considers grant revenue as earned when the grant expenditure is incurred. Contributions of the member governments are based on population and are assessed annually. There is also provision for special assessments when warranted. Funding received prior to expenditures being incurred are recognized as a deferred revenue liability.
- (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, 2018, and no allowance for doubtful accounts has been provided.
- (f) Property and Equipment - Property and equipment are recorded at cost for items exceeding \$1,000. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from five to thirty-nine years. Normal repairs and maintenance are expensed as incurred. Assets that have been purchased with grantor funds may revert to the grantor in the event the program is discontinued.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

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

- (g) Accrued Leave - Commission employees are granted vacation and sick leave in varying amounts. In the event of termination, the employee is reimbursed for accumulated vacation leave. Sick leave and vacation expenditures are recognized in the governmental fund to the extent it is paid during the year.
- (h) Deferred Revenue - The deferred revenue balance represents funds for local grants received in the current fiscal year and expected to be expended in the fiscal year ending June 30, 2019
- (i) Use of Estimates - The presentation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (j) Deferred Outflows/Inflows of Resources - The Commission reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. The Commission has two items that qualify for reporting in this category. They are the employer pension contributions made after the actuarial measurement date and the net difference between projected and actual earning on plan investments. Employer contributions made after the measurement date of June 30, 2017, were \$14,288. The difference between expected and actual experience, per the actuarial report dated of June 30, 2017, was \$4,840.

The Commission reports deferred inflows of resources on its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. The Commission had three items that qualify for reporting in this category. The difference between expected and actual experience; changes of assumptions; and net difference between the projected and actual earnings on plan investments, per the actuarial report dated of June 30, 2017, are \$55,109 \$13,744 and \$17,878, respectively and are reported as deferred inflows of resources at June 30, 2018.
- (k) Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's Retirement Plan and additions to/deductions from the Commission's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- (l) Concentration of Credit Risk - Financial instruments that potentially expose the Commission to concentration of credit risk consist primarily of cash equivalents and certificates of deposit. Cash equivalents are maintained at high-quality financial institutions, and credit exposure is limited to any one institution. The Commission maintains its cash in various bank deposits accounts which, at times, may exceed federally insured limits. The Commission has not experienced any losses in such accounts.
- (m) Advertising Costs - Advertising costs are expensed as incurred.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - Cash and Equivalents

State statute authorizes the Commission to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the local government investment pool. Cash and cash equivalents include amounts in demand deposits as well as short-term, highly liquid investments with a maturity date within three months of the date acquired by the Commission. Deposits are carried at cost, which approximates fair value. At year end, the carrying value of the governmental activities' money market account balance was \$213,534, the carrying value of the combined governmental activities' and fiduciary activities checking account balance was \$214,526, and the business-type activities checking account balance was \$181,638.

There is no custodial credit risk to these accounts, as the entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FSLIC limits. The State Treasury Board is responsible for monitoring compliance by banks and savings and loans. Accordingly, there is no custodial risk for either of the accounts as they are fully collateralized. In addition, there is no interest rate risk as the interest rates are adjusted daily.

NOTE 3 - Certificates of Deposit

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

Investments as of June 30, 2018 stated at fair value consist of the following:

Certificates of deposit	\$351,437
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Components of investment income include the following:

Interest	\$ 2,183
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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, 2018 was as follows:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2018</u>
Governmental Activities:				
Building	\$ 84,212	\$ 9,298	\$ -	\$ 93,510
Furniture and Equipment	59,081	-	-	59,081
Less: Accumulated Depreciation	<u>70,376</u>	<u>6,659</u>	<u>-</u>	<u>77,035</u>
Governmental Activities Capital Assets, net	<u>\$ 72,917</u>	<u>\$ 2,639</u>	<u>\$ -</u>	<u>\$ 75,556</u>
Business-Type Activities:				
Vehicles and Equipment	\$729,993	\$ 12,300	\$ 83,033	\$ 659,260
Less: Accumulated Depreciation	<u>83,033</u>	<u>65,926</u>	<u>83,033</u>	<u>65,926</u>
Business-Type Activities Capital Assets, net	<u>\$646,960</u>	<u>\$(53,626)</u>	<u>\$ -</u>	<u>\$ 593,334</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, 2018, was \$21,000.

Future minimum rental payments under these leases are as follows:

Years ending June 30,	
2019	\$ 24,000
2020	26,250
2021	27,000
2022	27,000
2023	27,000
Thereafter	<u>102,750</u>
Total minimum lease payments	<u>\$234,000</u>

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

Years ending June 30,	
2019	\$ 4,500
2020	4,500
2021	4,500
2022	4,500
2023	4,500
Thereafter	<u>10,371</u>
Total minimum lease payments	<u>\$ 32,871</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan

Pensions

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

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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.</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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</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.

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, and they have not taken a refund.</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>About the Hybrid Retirement Plan (continued)</p> <ul style="list-style-type: none"> • 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. <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in 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>*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>
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NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.</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>
<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 <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. 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>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

<p>Vesting (continued) Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>Vesting (continued) <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</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>
<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>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

<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 Defined Benefit Component: 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>Defined Contribution Component: Not applicable.</p>
<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 Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: 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 Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - Retirement Plan (Continued)

<p>Earliest 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 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>
<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>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - Retirement Plan (Continued)

<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>
<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>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>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</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>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - Retirement Plan (Continued)

<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. 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. <p><u>Defined Contribution Component:</u> Not applicable.</p>
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Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS VAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits	2
Inactive Members	
Vested inactive members	1
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>6</u>
Total Inactive Members	10
Active Members	<u>10</u>
Total covered employees	<u>22</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Contributions

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

The Commission's contractually required contribution rate for the year ended June 30, 2018 was 2.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$14,288 and \$12,923 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Asset

The Commission's net pension asset was measured as of June 30, 2017. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General Employees

The total pension asset for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 125% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

All Other (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		2.50%
	* Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - Retirement Plan (Continued)
Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, 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, 2019 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.

Change in the Net Pension Asset:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balances at June 30, 2016	\$989,715	\$1,113,882	\$(124,167)
Changes for the year:			
Service cost	56,358	-	56,358
Interest	67,540	-	67,540
Changes of assumptions	(18,931)	-	(18,931)
Differences between expected and actual experience	(69,580)	-	(69,580)
Contributions – employer	-	12,923	(12,923)
Contributions – employee	-	23,570	(23,570)
Net investment income	-	135,578	(135,578)
Benefit payments, including refunds of employee contributions	(49,709)	(49,709)	-
Administrative expense	-	(781)	781
Other changes	-	(121)	121
Net changes	(14,322)	121,460	(135,782)
Balances at June 30, 2017	<u>\$975,393</u>	<u>\$1,235,342</u>	<u>\$(259,949)</u>

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Commission's Net Pension Liability	\$(124,567)	\$(259,949)	\$(368,792)

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - Retirement Plan (Continued)

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

For the year ended June 30, 2018, the Commission recognized pension benefit of \$28,714. At June 30, 2018, 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	\$4,840	\$ 55,109
Changes of assumptions	-	13,744
Net difference between projected and actual earnings on plan investments	-	17,878
Employer contributions subsequent to the Measurement Date	14,288	-
Total	\$ <u>19,128</u>	\$ <u>86,731</u>

\$14,288 reported as deferred outflows of resources related to pensions resulting from Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future reporting periods as follows:

Year ending June 30,	
2019	\$(37,085)
2020	(17,246)
2021	(15,940)
2022	(11,620)
2023	-
Thereafter	-

NOTE 7 - Fringe Benefit Allocation

Fringe benefit expense is allocated using the percentage of benefits to total salaries. The fringe benefit rate for the fiscal year ended June 30, 2018 is calculated as follows:

Fringe benefit expense	\$ <u>169,830</u>	
Total salaries	\$516,834	= 32.86%

Components of fringe benefit expense for the year ended June 30, 2018 are shown below:

Health, disability and life insurance	\$113,517
Payroll taxes	42,025
Retirement	<u>14,288</u>
Total Fringe Benefits	\$ <u>169,830</u>

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - Indirect Costs

Indirect costs, which support all projects, are allocated based on the ratio of the individual project's direct salaries and fringe benefits to total direct salaries and fringe benefits. The indirect cost rate for the fiscal year ended June 30, 2018 was calculated as follows:

Indirect costs	\$198,665
Total direct salaries and fringe benefits	\$596,780 = 33.29%

The following indirect costs have been allocated to projects:

Salaries and fringe benefits	\$119,515
Rent	21,000
Computer services	8,446
Communications	7,079
Depreciation	6,658
Utilities	5,977
Office supplies and expense	5,848
Insurance	5,253
Repairs and maintenance	5,019
Dues and subscriptions	4,271
Travel	3,015
Meetings and conferences	2,998
Professional fees	1,977
Bank fees	1,474
Advertising	<u>135</u>
Total Indirect Costs	\$198,665

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 - Evaluation of Subsequent Events

The Commission has evaluated subsequent events through October 18, 2018, 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, 2018**

	Commission Activities	Local Technical Assistance	Page County Broadband	RISE Competition	Building Collaborative Communities	HOME Program	Continuum of Care	Continuum of Care HRHA	NSP Stimulus	Shenandoah Valley Tourism	VDRPT Ridesmart TDM Grant
REVENUES											
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 624,186	\$ 7,876	\$ -	\$ 2,000	\$ -	\$ -
State grants	75,971	-	-	-	-	-	-	-	-	-	182,070
Local governments	170,027	44,793	12,789	-	4,400	-	-	45,000	-	80,873	-
Other income	9,210	-	-	1,000	-	-	-	-	-	-	-
Transfer to/from general funds	(273)	-	-	-	-	-	-	-	-	-	-
Total revenues	254,935	44,793	12,789	1,000	4,400	624,186	7,876	45,000	2,000	80,873	182,070
EXPENSES											
Salaries	50,123	53,055	6,283	-	-	20,150	13,022	25,041	882	3,200	79,121
Payroll taxes and benefits	16,471	17,433	2,064	-	-	6,622	4,279	8,229	290	1,051	25,999
Advertising	(135)	-	355	-	-	696	-	-	-	-	67,212
Computer software	7	1,765	234	-	-	-	234	-	-	79	206
Communications	-	-	-	-	-	-	-	-	-	-	659
Conferences and trainings	-	375	-	-	-	-	-	-	-	-	1,253
Contract services	-	16,760	-	1,000	-	586,228	-	-	-	74,948	4,879
Copier lease expense	-	630	191	-	-	77	87	-	1,187	-	980
Dues and memberships	-	-	-	-	-	70	-	-	-	-	3,650
Equipment rental/purchase	-	730	-	-	-	-	-	-	-	-	800
Insurance	-	-	-	-	-	-	-	-	-	-	-
Meetings	3,880	286	-	-	-	-	-	-	-	-	50
Office supplies	-	-	-	-	-	-	-	-	-	-	15
Postage	-	-	-	-	-	-	13	-	-	-	-
Printing	-	-	-	-	-	-	-	-	-	-	-
Professional fees	19,265	-	595	-	-	1,100	-	-	-	195	1,100
Travel	-	1,479	190	-	-	19	545	178	-	293	4,679
Van subsidies	-	-	-	-	-	-	-	-	-	-	540
Overhead and indirect costs	23,326	24,689	2,924	-	-	9,378	6,060	11,654	411	1,490	36,821
Total expenses	112,937	117,202	12,836	1,000	-	624,340	24,240	45,102	2,770	81,256	227,964
Mandatory 20% grant matching funds	(59,846)	-	-	-	-	-	-	-	-	-	45,518
Revenues over (under) expenses	\$ 82,152	\$ (72,409)	\$ (47)	\$ -	\$ 4,400	\$ (154)	\$ (16,364)	\$ (102)	\$ (770)	\$ (383)	\$ (376)

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, 2018**

	VDRPT Commuter Bus Grant	VDOT Rural Trans- portation Planning Grant	MPO Highway and Transportation Planning	Hazard Mitigation	Water Planning	Solid Waste Manage- ment	RTOP	Total Governmental Projects	FIDUCIARY		Total Fiduciary Projects	Totals
									GO VA Capacity Building	GO VA RAAMP		
REVENUES												
Federal grants	\$ -	\$ 57,312	\$ 150,962	\$ 4,784	\$ -	\$ -	\$ -	\$ 847,120	\$ -	\$ -	\$ -	\$ 847,120
State grants	6,785	-	18,870	-	-	-	-	283,696	331,256	15,620	346,876	630,572
Local governments	-	-	18,869	-	35,377	31,164	-	443,292	-	-	-	443,292
Other income	-	-	-	-	-	-	6,000	16,210	-	-	-	16,210
Transfer to/from general funds	-	-	-	-	-	-	-	(273)	273	-	273	-
Total revenues	6,785	57,312	188,701	4,784	35,377	31,164	6,000	1,590,045	331,529	15,620	347,149	1,937,194
EXPENSES												
Salaries	2,003	38,253	71,220	8,425	13,904	8,580	1,329	394,591	32,359	-	32,359	426,950
Payroll taxes and benefits	658	12,569	23,403	2,768	4,569	2,820	437	129,662	10,633	-	10,633	140,295
Advertising	-	-	1,262	-	-	-	-	69,390	-	-	-	69,390
Computer software	-	243	387	11	-	-	-	3,166	-	-	-	3,166
Communications	-	-	-	-	-	-	-	659	-	-	-	659
Conferences and trainings	-	580	1,016	-	-	-	-	3,224	-	-	-	3,224
Contract services	3,207	-	51,544	-	-	-	-	738,566	270,980	15,620	286,600	1,025,166
Copier lease expense	-	221	2,100	1,090	209	136	10	6,918	431	-	431	7,349
Dues and memberships	-	167	787	-	-	-	-	4,674	-	-	-	4,674
Equipment rental/purchase	-	-	-	-	-	-	-	1,530	-	-	-	1,530
Insurance	-	-	-	-	-	-	696	696	-	-	-	696
Meetings	-	-	-	-	251	3	-	4,470	-	-	-	4,470
Office supplies	-	-	-	-	35	-	-	50	-	-	-	50
Postage	-	7	20	-	13	-	-	53	-	-	-	53
Printing	-	70	-	-	-	-	-	70	-	-	-	70
Professional fees	-	1,100	1,100	-	1,100	1,100	1,100	27,755	-	-	-	27,755
Travel	-	1,352	4,089	119	280	38	-	13,261	2,067	-	2,067	15,328
Van subsidies	-	-	-	-	-	-	-	540	-	-	-	540
Overhead and indirect costs	933	17,802	33,144	3,921	6,471	3,994	618	183,636	15,059	-	15,059	198,695
Total expenses	6,801	72,364	190,072	16,334	26,832	16,671	4,190	1,582,911	331,529	15,620	347,149	1,930,060
Mandatory 20% grant matching funds	-	14,328	-	-	-	-	-	-	-	-	-	-
Revenues over (under) expenses	\$ (16)	\$ (724)	\$ (1,371)	\$ (11,550)	\$ 8,545	\$ 14,493	\$ 1,810	\$ 7,134	\$ -	\$ -	\$ -	\$ 7,134

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

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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Chantilly, VA 20151

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

To the Commissioners
Northern Shenandoah Valley Regional Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type, activities, fiduciary activities and the aggregate remaining fund information of the Northern Shenandoah Valley Regional Commission as of and for the year ended June 30, 2018, 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 18, 2018

Internal Control over Financial Reporting

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

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

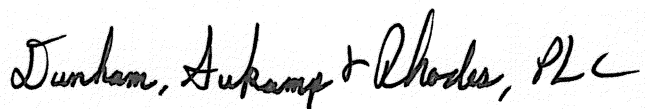
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern Shenandoah Valley Regional Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Certified Public Accountants
Chantilly, Virginia

October 18, 2018

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 THE UNIFORM GUIDANCE**

To the Commissioners
Northern Shenandoah Valley Regional Commission

Report on Compliance for Each Major Federal Program

We have audited Northern Shenandoah Valley Regional Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Northern Shenandoah Valley Regional Commission's major federal programs for the year ended June 30, 2018. Northern Shenandoah Valley Regional Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination of Northern Shenandoah Valley Regional Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Northern Shenandoah Valley Regional Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

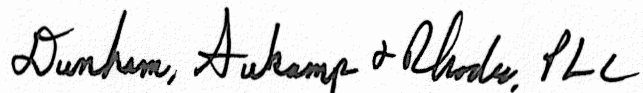
Report on Internal Control over Compliance

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

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

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

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



Certified Public Accountants
Chantilly, Virginia

October 18, 2018

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

	Grant Number	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures	Subrecipients
Major Program					
Department of Housing and Urban Development					
Pass through payment - City of Winchester					
HOME Program					
		14.239		\$ 624,187	\$ 586,228
Other Federal Awards					
Department of Housing and Urban Development					
Continuum of Care Planning Grant					
	VA0272L3F131500	14.267		7,876	-
Pass through payment - Virginia Department of Housing and Community Development					
Neighborhood Stabilization Program					
	08-NSP-04	14.228		2,000	-
Department of Transportation - MPO Funding					
Pass through payment - Virginia Department of Transportation (VDOT)					
Federal Highway Planning and Construction Funds					
		20.205		73,100	-
Department of Transportation - Rural Transportation Funding					
Pass through payment - Virginia Department of Transportation (VDOT)					
Federal SPR Highway Administration Funds					
		20.205		57,312	-
Department of Transportation - MPO Funding					
Pass through payment - Virginia Department of Rail and Public Transportation (VDRPT)					
Federal Transit Authority Funds					
	46017-14	20.505		40,674	-
Federal Transit Authority Funds					
	46018-14	20.505		37,187	-
Department of Homeland Security					
Pass through Payment - Virginia Department of Emergency Management					
Hazard Mitigation					
	PDM-2015-008	97.039		4,784	-
Total Expenditures of Federal Awards				<u>\$ 847,120</u>	<u>\$ 586,228</u>

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Northern Shenandoah Valley Regional Commission (the Commission) for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of the Commission, it is not intended to and does not present the financial position, change in net position, or cash flows of the Commission. The Commission's fiscal year does not parallel the federal government's fiscal year. This should be considered when reconciling amounts reported on this schedule.

NOTE 2 - Subrecipients

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

	14.239	Subrecipient Name	Amount Provided
HOME Program		Blue Ridge Housing Network	\$ 273,443
		Faithworks, Inc.	70,277
		AIDS Response Effort	64,141
		Shenandoah Alliance	97,512
		Habitat for Humanity	80,855
			<u>\$ 586,228</u>

Northern Shenandoah Valley Regional Commission
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting

- Material weakness(es) identified Yes No

- Significant deficiency(ies) identified Yes none reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified Yes No

- Significant deficiency(ies) identified Yes none reported

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

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR section 200.516(a)? Yes No

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
14.239	Home Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

**NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE				
Grants and appropriations:				
Federal grants	\$ 815,012	\$ 815,012	\$ 847,120	\$ 32,108
State grants and appropriations	491,899	493,899	283,696	(210,203)
Fiduciary grants	360,000	360,000	346,876	(13,124)
Local grants and appropriations	483,869	453,743	443,292	(10,451)
Other revenue:				
Interest	-	-	480	480
Miscellaneous	5,000	5,000	15,730	10,730
TOTAL REVENUES	2,155,780	2,127,654	1,937,194	(190,460)
EXPENDITURES				
Current Operating:				
Contract services	1,199,202	1,204,202	1,025,167	(179,035)
Salaries	534,221	509,639	516,068	6,429
Employee benefits and payroll taxes	180,584	169,758	169,925	167
Advertising	76,367	76,367	69,524	(6,843)
Travel	20,500	20,500	18,345	(2,155)
Rent	21,000	21,000	21,000	-
Conferences and trainings	7,360	7,360	4,155	(3,205)
Meetings	6,500	6,500	6,538	38
Professional fees	27,700	32,700	29,732	(2,968)
Computer costs	8,950	8,950	11,612	2,662
Dues and memberships	11,300	11,300	8,755	(2,545)
Communications	7,970	7,970	7,738	(232)
Equipment rental	6,900	6,900	6,788	(112)
Utilities	5,600	5,600	5,977	377
Other costs	15,000	12,500	2,792	(9,708)
Office supplies and expense	4,775	4,775	4,731	(44)
Insurance	7,279	7,256	5,949	(1,307)
Office equipment and repair	3,200	3,200	6,281	3,081
Information Technology Services	1,000	1,000	829	(171)
Subscriptions/Newspapers	256	256	189	(67)
Van subsidies	-	-	540	540
Debt Service	-	-	4,500	4,500
Capital purchases	2,625	2,625	9,298	6,673
TOTAL EXPENDITURES	2,148,289	2,120,358	1,936,433	(183,925)
EXCESS OF REVENUES OVER EXPENDITURES	\$ 7,491	\$ 7,296	\$ 761	\$ (374,385)

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

Net Change in Fund Balance - Total Government Funds	\$ 761
Effect of GASB 68 pension benefit not budgeted	41,065
Debt payments in excess of debt issued.	4,500
Change in long-term annual leave payable	(766)
The amount by which capital outlays exceed depreciation in the period.	2,639
Change in net position reported on the Statement of Activity	\$ 48,199

See accompanying notes.

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

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 56,358	\$ 48,105	\$ 45,118	\$ 49,766
Interest on total pension liability	67,540	62,560	62,958	58,757
Changes in assumptions	(18,931)	-	-	-
Differences between expected and actual experience	(69,580)	10,160	(64,505)	-
Benefit payments, including refunds of employee contributions	(49,709)	(49,650)	(48,858)	(48,166)
Net change in total pension liability	(14,322)	71,175	(5,287)	60,357
Total pension liability - beginning	989,715	918,540	923,827	863,470
Total pension liability - ending (a)	<u>\$ 975,393</u>	<u>\$ 989,715</u>	<u>\$ 918,540</u>	<u>\$ 923,827</u>
Plan fiduciary net position				
Contributions - employer	\$ 12,923	\$ 29,407	\$ 27,344	\$ 40,387
Contributions - employee	23,570	24,451	22,803	23,594
Net investment income	135,578	19,297	47,970	141,207
Benefits payments	(49,709)	(49,650)	(48,858)	(48,166)
Administrative expense	(781)	(669)	(647)	(741)
Other	(121)	(8)	(10)	7
Net change in plan fiduciary net position	121,460	22,828	48,602	156,288
Plan fiduciary net position - beginning	1,113,882	1,091,054	1,042,452	886,164
Plan fiduciary net position - ending (b)	<u>\$ 1,235,342</u>	<u>\$ 1,113,882</u>	<u>\$ 1,091,054</u>	<u>\$ 1,042,452</u>
Commission's Net Pension Asset - ending (a)-(b)	<u>\$ (259,949)</u>	<u>\$ (124,167)</u>	<u>\$ (172,514)</u>	<u>\$ (118,625)</u>
Plan fiduciary net position as a percentage of the total Pension asset	126.65%	112.55%	118.78%	112.84%
Covered - employee payroll	\$ 489,432	\$ 542,277	\$ 483,500	\$ 400,449
Commission's net pension asset as percentage of covered-employee payroll	-53.11%	-22.90%	-35.68%	-24.53%

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2009 THROUGH 2018

Date	Contractually Required Contributions (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 14,988	\$ 14,288	\$ 700	\$ 516,833	2.76%
2017	\$ 14,194	\$ 12,923	\$ 1,271	\$ 489,432	2.64%
2016	32,374	29,407	2,967	542,277	5.42%
2015	28,865	27,344	1,521	483,500	5.66%
2014	33,878	39,567	(5,689)	400,449	9.88%
2013	36,749	38,205	(1,456)	434,387	8.80%
2012	44,259	49,415	(5,156)	402,718	12.27%
2011	43,599	47,121	(3,522)	396,718	11.88%
2010	43,916	44,721	(805)	445,850	10.03%
2009	41,178	43,860	(2,682)	418,050	10.49%

See accompanying notes.

NORTHERN SHENANDOAH VALLEY REGIONAL COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - Change of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

NOTE 2 - Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%