CENTRAL SHENANDOAH
PLANNING DISTRICT COMMISSION

FINANCIAL REPORT

June 30, 2017

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

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CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

DIRECTORY OF COMMISSIONERS

June 30, 2017

COMMISSIONERS

Frank Friedman, Chairperson, Lexington
Kevin Wagner, Vice Chair, Highland County
Terry Kelley, Augusta County
Leslie Tate, Augusta County
Tim Petrie, Buena Vista
Adam Fletcher, Harrisonburg
Sharon Angle, Staunton
A.W. Buster Lewis, Rockbridge County
William Kyger, Rockingham County
Kim Sandum, Rockingham County
Warren Johnson, Waynesboro

Casey Armstrong, Secretary, Rockingham County
Marshall Pattie, Treasurer, Augusta County
Veronica Moran, Augusta County
Edward Hicklin, Bath County
Ted Byrd, Harrisonburg
George Hirschmann, Harrisonburg
Carolyn Dull, Staunton
Chris Slaydon, Rockbridge County
Ned Overton, Rockingham County
Jeff Freeman, Waynesboro

APPOINTED OFFICIALS

Bonnie Riedesel .... Executive Director
Cindi Johnson.. Fiscal Officer

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

FINANCIAL SECTION

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Commission
Central Shenandoah Planning District Commission
Staunton, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Central Shenandoah Planning District Commission (the "Commission") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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 and each major fund of the Central Shenandoah Planning District Commission, as of June 30, 2017, and the respective changes in financial position 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 budgetary comparison information 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Shenandoah Planning District Commission's basic financial statements. The introductory section is presented for purposes of additional analysis and is 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 (Uniform Guidance)*, and is also not a required part of the basic financial statements.

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

Other Information (Continued)

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2017 on our consideration of the Central Shenandoah Planning District Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Central Shenandoah Planning District Commission's internal control over financial reporting and compliance.

Brown, Edwards & Company, L. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 2, 2017

BASIC FINANCIAL STATEMENTS

EXHIBIT 1

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF NET POSITION
June 30, 2017

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents (Note 2)	$ 1,408,595
Cash and cash equivalents restricted for debt service (Note 1)	40,201
Receivables, net (Note 3)	620,916
Prepaids	22,660
Capital assets: (Note 5)	
Nondepreciable	528,600
Depreciable, net	3,186,084
Total assets	5,807,056
LIABILITIES	
Accounts payable and accrued liabilities	171,237
Accrued payroll and related liabilities	42,580
Unearned revenues	686,939
Noncurrent liabilities: (Note 6)	
Due within one year	23,303
Due in more than one year	422,397
Total liabilities	1,346,456
NET POSITION	
Net investment in capital assets	3,348,085
Restricted for debt service (Note 1)	40,201
Unrestricted	1,072,314
Total net position	$ 4,460,600

EXHIBIT 2

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Primary Government - Governmental Activities				
		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities					
Economic and community development	$ 2,959,339	$ 65,781	$ 2,456,938	$ 505,501	$ 68,881
Interest on long-term debt	17,988	-	-	-	(17,988)
Total governmental activities	$ 2,977,327	$ 65,781	$ 2,456,938	$ 505,501	$ 50,893
General revenues:					
Unrestricted revenue from the use of money and property					$ 12,823
Other					20,121
Special item: Gain on acquisition of transit facility (Note 5)					3,302,155
Total general revenues					3,335,099
Change in net position					3,385,992
NET POSITION AT JULY 1					1,074,608
NET POSITION AT JUNE 30					$ 4,460,600

The Notes to Financial Statements are an integral part of this statement.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Special Revenue Funds: Appalachian Regional Commission	Special Revenue Funds: Economic Development Administration	Special Revenue Funds: Harrisonburg-Rockingham Metropolitan Planning Organization	Special Revenue Funds: Staunton-Augusta-Waynesboro Metropolitan Planning Organization	Special Revenue Funds: Public Transit	Total
ASSETS							
Cash and cash equivalents (Note 2)	$ 739,001	$ 9,049	$ 6,344	$ -	$ -	$ 654,201	$ 1,408,595
Cash and cash equivalents restriced for debt service (Note 1)	40,201	-	-	-	-	-	40,201
Receivables, net (Note 3)	163,497	10,564	-	44,716	73,032	329,107	620,916
Prepaid items	21,199	-	-	-	-	1,461	22,660
Due from other funds (Note 4)	364,345	1,129	-	8,531	-	-	374,005
Total assets	$ 1,328,243	$ 20,742	$ 6,344	$ 53,247	$ 73,032	$ 984,769	$ 2,466,377
LIABILITIES AND FUND BALANCES							
Accounts payable	$ 54,120	$ -	$ -	$ 9,121	$ 2,099	$ 105,897	$ 171,237
Accrued payroll and related liabilities	28,180	1,000	1,070	2,674	3,761	5,895	42,580
Unearned revenues	54,327	19,742	2,328	41,452	16,652	552,438	686,939
Due to other funds (Note 4)	-	-	2,946	-	50,520	320,539	374,005
Total liabilities	136,627	20,742	6,344	53,247	73,032	984,769	1,274,761
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	12,097	-	-	-	-	-	12,097
Fund balances:							
Nonspendable:							
Prepaids	21,199	-	-	-	-	-	21,199
Restricted:							
Debt service (Note 1)	40,201	-	-	-	-	-	40,201
Committed:							
Capital improvement	231,068	-	-	-	-	-	231,068
Development	123,280	-	-	-	-	-	123,280
Paid time off	104,905	-	-	-	-	-	104,905
Assigned:							
Transportation consulting	144,195	-	-	-	-	-	144,195
Unassigned	514,671	-	-	-	-	-	514,671
Total fund balances	1,179,519	-	-	-	-	-	1,179,519
Total liabilities and fund balances	$ 1,328,243	$ 20,742	$ 6,344	$ 53,247	$ 73,032	$ 984,769	$ 2,466,377

The Notes to Financial Statements are
an integral part of this statement.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2017

Ending fund balances – governmental funds		$ 1,179,519
Amounts reported for governmental activities in the statement of net position are different because:		
Certain revenues are not available to pay for current period expenditures and therefore are deferred in the funds.		12,097
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Nondepreciable capital assets	$ 528,600	
Depreciable capital assets, net	3,186,084	
		3,714,684
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(79,101)	
Long-term debt	(366,599)	
		(445,700)
Total net position – governmental activities		$ 4,460,600

EXHIBIT 5

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General	Special Revenue Funds: Appalachian Regional Commission	Economic Development Administration	Harrisonburg-Rockingham Metropolitan Planning Organization	Staunton-Augusta-Waynesboro Metropolitan Planning Organization	Public Transit	Total
REVENUES							
Assessments	$ 249,447	$ -	$ -	$ -	$ -	$ -	$ 249,447
Charges for services	7,776	-	-	-	-	65,623	73,399
Intergovernmental - State and Local	267,067	44,381	72,566	45,704	39,518	700,564	1,169,800
Intergovernmental - Federal	204,914	41,878	72,327	182,817	158,073	883,183	1,543,192
Revenues from the use of money and property	12,756	-	-	-	-	67	12,823
Other	20,121	-	-	-	-	-	20,121
Total revenues	762,081	86,259	144,893	228,521	197,591	1,649,437	3,068,782
EXPENDITURES							
Current:							
Economic and community development	630,822	86,259	144,893	228,521	197,591	1,649,437	2,937,523
Debt service:							
Principal retirement	22,212	-	-	-	-	-	22,212
Interest and other fiscal charges	17,988	-	-	-	-	-	17,988
Total expenditures	671,022	86,259	144,893	228,521	197,591	1,649,437	2,977,723
Excess of revenues over expenditures	91,059	-	-	-	-	-	91,059
Net change in fund balances	91,059	-	-	-	-	-	91,059
FUND BALANCES AT JULY 1	1,088,460	-	-	-	-	-	1,088,460
FUND BALANCES AT JUNE 30	$ 1,179,519	$ -	$ -	$ -	$ -	$ -	$ 1,179,519

The Notes to Financial Statements are
an integral part of this statement.

EXHIBIT 6

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Net change in fund balances – total governmental funds	$ 91,059
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(7,618)
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	6,725
Depreciation expense	(21,939)
Governmental funds do not report contributions of capital assets that will be used in operations because they are not relevant to the assessment of near-term liquidity.	
Acquisition of transit facility	3,302,155
In the Statement of Activities, only the gain or loss on the sale or disposal of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the property sold or disposed.	(498)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has an effect on net position.	
Principal repayments	22,212
Long-term compensated absences are reported in the statement of activities but they do not require the use of current financial resources and, therefore are not recorded as expenditures in governmental funds.	(6,104)
Change in net position of governmental activities	$ 3,385,992

The Notes to Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Central Shenandoah Planning District Commission (the "Commission") operates as an agent for the Counties of Augusta, Bath, Highland, Rockbridge, and Rockingham; the Towns of Bridgewater, Broadway, Craigsville, Dayton, Elkton, Glasgow, Goshen, Grottoes, Monterey, Mt. Crawford, and Timberville; and the Cities of Buena Vista, Harrisonburg, Lexington, Staunton, and Waynesboro in the establishment and operation of Community Improvement Projects, Local Planning Assistance, and Public Transit Systems all activities that improve the economic and community development goals of each participating locality

B. Government-Wide and Fund Financial Statements

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Revenues from local sources consist primarily of assessments and grants. Assessments are recognized when susceptible to accrual. Federal, state, and local grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Commission reports the following major governmental funds:

The *general fund* is the Commission's primary operating fund. It accounts for and reports all financial resources of the commission, except those required to be accounted for and reported in another fund.

Special revenue funds account and report for the proceeds of the specific revenue sources that are legally restricted to expenditures. The special revenue funds are the Appalachian Regional Commission Fund, the Economic Development Administration Fund, the Harrisonburg-Rockingham Metropolitan Planning Organization Fund, the Staunton-Augusta-Waynesboro Metropolitan Planning Organization Fund, and the Public Transit Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased. All certificates of deposit, regardless of maturity, are considered to be cash and cash equivalents.

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include intergovernmental grants.

The Commission does not have an allowance for uncollectible accounts as historically there has not been difficulty in collecting payments. Management believes any allowance would be immaterial.

F. Restricted Cash and Cash Equivalents

Amounts held for debt service reserves are reported as restricted cash. Restricted cash at June 30, 2017 was $40,201, as required by Rural Development, the lender.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets include property, plant, and equipment. Capital assets are defined by the Commission as assets with an initial, individual cost of more than $2,500 and a useful life of more than one year. The transit fund capitalizes assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over an estimated useful life of five to seven years for equipment and thirty-nine years for buildings.

H. Unearned Revenues

The Commission receives matching amounts from member localities. These funds are based on budgets and grant matching requirements and were not earned as of year-end.

I. Deferred Inflow of Resources

Governmental funds report revenues that are unavailable as deferred inflows of resources. Availability of revenues is defined at Note 1C. These amounts are deferred and recognized as revenue in the period that the amounts become available.

J. Compensated Absences

The Commission has policies which allow for the accumulation and vesting of limited amounts of annual leave, sick time, and holidays until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds when the leave is due and payable.

K. Long-Term Debt

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt generally consists of a note payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as an expenditure.

Note 1. Summary of Significant Accounting Policies (Continued)

L. Net Position/Fund Balance

Net position in government-wide statements are classified as investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

Fund balance is divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources in the governmental fund.

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the Commission, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Commission intends to use for a specified purpose; intent can be expressed by the governing body.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

M. Restricted Resources

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

N. Minimum Fund Balance Policy

Governmental funds of the Commission do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by the Commission.

O. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds.

P. Post-retirement Health Benefits

The Commission allows retirees to participate in the Commission's medical insurance plan. While the Commission does not participate in the cost of premiums for retirees, the result of their participation in the plan causes an implicit increase in the cost of premiums for current employees. The increase is included in the cost of insurance to the Commission.

Q. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Note 2. Deposits

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

Restricted cash consists of debt service held in a reserve account.

(Continued)

Note 3. Receivables

Receivables are as follows:

Federal and state grants	$	519,104
Local grants		57,262
Other		44,550
Total receivables	$	620,916

Note 4. Internal Balances and Due To/From

Internal balances are the result of services provided by the general fund that have not been reimbursed by special revenue funds. Due to/from balances between the funds consisted of the following:

	Due To		Due From	
General	$	364,345	$	-
Appalachian Regional Commission		1,129		-
Economic Development Administration		-		2,946
HRMPO		8,531		-
SAWMPO		-		50,520
Public Transit		-		320,539
	$	374,005	$	374,005

Note 5. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 100,000	$ 428,600	$ -	$ 528,600
Capital assets, depreciated:				
Buildings	579,488	2,867,520	-	3,447,008
Furniture and equipment	124,428	12,760	(11,886)	125,302
Total capital assets, depreciated	703,916	2,880,280	(11,886)	3,572,310
Less accumulated depreciation:				
Buildings	269,592	14,967	-	284,559
Furniture and equipment	106,083	6,972	(11,388)	101,667
Total accumulated depreciation	375,675	21,939	(11,388)	386,226
Total capital assets, depreciated, net	328,241	2,858,341	(498)	3,186,084
Governmental activities capital assets, net	$ 428,241	$ 3,286,941	$ (498)	$ 3,714,684

During 2017, a transit facility was sold to the Commission by Virginia Regional Transit for $127,734. The value of this facility was well in excess of the sales price and was valued at acquisition, by the Commission, at $3,429,889, resulting in a gain on acquisition of $3,302,155. In addition, the local cost of the purchase was grant funded.

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable:					
Rural Housing Service	$ 388,811	$ -	$ (22,212)	$ 366,599	$ 23,303
Compensated absences	72,997	6,104	-	79,101	-
Total governmental activities	$ 461,808	$ 6,104	$ (22,212)	$ 445,700	$ 23,303

Details of outstanding long-term debt are as follows:

On June 28, 1999, the Commission issued a note payable secured by a deed of trust. The note is being repaid in monthly installments of $3,350, including interest at 4.75 percent. The note matures May 28, 2029.

The annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year	Principal	Interest
2018	$ 23,303	$ 16,897
2019	24,434	15,766
2020	25,620	14,580
2021	26,848	13,352
2022	28,168	12,032
2023-2027	162,731	38,269
2028-2029	75,495	3,703
	$ 366,599	$ 114,599

Note 7. Defined Contribution Pension Plan

The Commission provides a defined contribution plan for all full-time employees administered by Mass Mutual. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Plan payments are based on basic annual compensation with contributions by the Commission and employees. The Commission matched 1% for the year ended June, 30 2017 . Commission contributions for each employee are fully vested after three years of continuous service. Contributions for, and investment income forfeited by, employees who leave employment before three years of service are allocated to plan participants. Employer contributions for the year ended June 30, 2017 were $109,467 and employee contributions for the year ended June 30, 2017 were $32,912.

Note 8. Federal Transit Administration

The Commission was approved to oversee the Federal Transit Administration funds for Staunton-Augusta-Waynesboro MPO member localities beginning January 2014. The Commission has contracted with Virginia Regional Transit to provide public transit service. The original term of the agreement was January 2014 through June 2015 and it was subsequently renewed through June 2017. A new contract was signed on July 1, 2017 through June 2022 for a total of $7,552,510. The original contract amount was $1,627,375 and the renewal extended the amount an additional $1,101,221. The total paid during fiscal year 2017 is $1,236,453 and is recorded in the Public Transit Fund.

Note 9. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To reduce insurance costs and the need for self-insurance, the Commission has joined with other Commissions and municipalities in the Commonwealth of Virginia in a public entity risk pool that operates as common risk management and insurance program for member municipalities. The Commission is not self-insured.

The Commission has insurance coverage with VML Insurance Programs. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Commission pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Commission's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 10. Indirect Cost Allocation

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 year ended June 30, 2017 was 42.64%.

The rate was calculated as follows:

Indirect costs/	$	367,960		
Direct chargeable salary & benefits	$	863,003	=	42.64%

Note 10. Indirect Cost Allocation (Continued)

The following indirect costs have been used in the above calculations:

Salaries	$ 217,349
Auditing services	16,785
Legal services	8,956
Management contracts	9,850
Repairs and maintenance	26,268
Printing	(586)
Advertising	872
Website development	3,950
Electricity	4,872
Heating fuel	661
Water and sewer	848
Postal services	1,186
Telecommunications	4,534
Insurance (property, liability, etc.)	2,163
Travel, training, and meetings	12,441
Administrative costs	8,319
Dues and association memberships	3,848
Office supplies	14,078
Books and subscriptions	1,308
Other program costs	135
Depreciation expense	18,245
Interest payments on debt service	14,390
Income received against administrative costs	(2,512)
Total indirect costs	$ 367,960

Note 11. Fringe Benefit Allocation

Fringe benefit expense is allocated using the percentage of benefits to total chargeable salaries. The fringe benefit rate for the fiscal year ending June 30, 2017 was calculated as follows:

Fringe benefit expense/	$	384,046		
Direct chargeable salaries	$	696,282	=	55.16%

Components of fringe benefit expense are:

Health, disability, and life insurance	$ 136,675
Medicare, social security, retirement	125,946
Unemployment tax, worker’s comp. insurance	5,469
Value of release time including vac., sick, holiday	115,956
Total fringe benefit expense	$ 384,046

Note 12. Commitments and Contingencies

Operating leases:

The Commission entered into a three year operating lease for 114 MacTanly Place in 2015 for rental of office space. Future minimum lease payments are $8,594 for fiscal year 2018.

Contractual commitments:

At June 30, the Commission had outstanding contractual commitments for grant funded transit consulting projects totaling $184,930. These commitments, where they do not create negative unassigned fund balance, are included in assigned fund balance in the governmental funds balance sheet.

Note 13. Subsequent Event

As of July 1, 2017, the Commission began operating a rural transit service in the Staunton-Augusta-Waynesboro area. The Commission has received a grant for approximately $678,000 to fund this program.

Note 14. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

(Continued)

Note 14. New Accounting Standards (Continued)

GASB Statement No. 82, ***Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*** addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 83, ***Certain Asset Retirement Obligations*** establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, ***Fiduciary Activities*** establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

Note 14. New Accounting Standards (Continued)

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 7

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Assessments	$ 259,617	$ 259,617	$ 249,447	$ (10,170)
Charges for services	2,000	2,000	7,776	5,776
Intergovernmental - State and Local	181,716	150,490	267,067	116,577
Intergovernmental - Federal	203,377	198,546	204,914	6,368
Revenues from the use of money and property	12,096	12,096	12,756	660
Other	30,344	21,652	20,121	(1,531)
Total revenues	689,150	644,401	762,081	117,680
EXPENDITURES				
Current:				
Economic and community development	664,205	605,235	630,822	(25,587)
Debt service:				
Principal retirement	20,204	20,204	22,212	(2,008)
Interest and other fiscal charges	19,996	19,996	17,988	2,008
Total expenditures	704,405	645,435	671,022	(25,587)
Net change in fund balance	$ (15,255)	$ (1,034)	$ 91,059	$ 92,093

EXHIBIT 8

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – APPALACHIAN REGIONAL COMMISSION FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental - State and local	$ 41,844	$ 40,378	$ 44,381	$ 4,003
Intergovernmental - Federal	41,844	40,379	41,878	1,499
Total revenues	83,688	80,757	86,259	5,502
EXPENDITURES				
Current:				
Economic and community development	83,688	80,757	86,259	(5,502)
Total expenditures	83,688	80,757	86,259	(5,502)
Net change in fund balance	$ -	$ -	$ -	$ -

EXHIBIT 9

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – ECONOMIC DEVELOPMENT ADMINISTRATION FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental - State and Local	$ 70,000	$ 74,113	$ 72,566	$ (1,547)
Intergovernmental - Federal	70,000	74,113	72,327	(1,786)
Total revenues	140,000	148,226	144,893	(3,333)
EXPENDITURES				
Current:				
Economic and community development	140,000	148,226	144,893	3,333
Total expenditures	140,000	148,226	144,893	3,333
Net change in fund balance	$ -	$ -	$ -	$ -

EXHIBIT 10

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – HARRISONBURG-ROCKINGHAM MPO FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental - State and Local	$ 59,954	$ 53,370	$ 45,704	$ (7,666)
Intergovernmental - Federal	239,818	213,482	182,817	(30,665)
Total revenues	299,772	266,852	228,521	(38,331)
EXPENDITURES				
Current:				
Economic and community development	299,772	266,852	228,521	38,331
Total expenditures	299,772	266,852	228,521	38,331
Net change in fund balance	$ -	$ -	$ -	$ -

EXHIBIT 11

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – STAUNTON-AUGUSTA-WAYNESBORO MPO FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental - State and Local	$ 36,583	$ 51,944	$ 39,518	$ (12,426)
Intergovernmental - Federal	146,331	156,839	158,073	1,234
Total revenues	182,914	208,783	197,591	(11,192)
EXPENDITURES				
Current:				
Economic and community development	182,914	208,783	197,591	11,192
Total expenditures	182,914	208,783	197,591	11,192
Net change in fund balance	$ -	$ -	$ -	$ -

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – PUBLIC TRANSIT FUND
Year Ended June 30, 2017**

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for services	$ 57,000	$ 57,000	$ 65,623	$ 8,623
Intergovernmental - State and Local	520,543	718,051	700,564	(17,487)
Intergovernmental - Federal	902,395	893,866	883,183	(10,683)
Revenues from the use of money and property	-	-	67	67
Total revenues	1,479,938	1,668,917	1,649,437	(19,480)
EXPENDITURES				
Current:				
Economic and community development	1,479,938	1,668,917	1,649,437	19,480
Total expenditures	1,479,938	1,668,917	1,649,437	19,480
Net change in fund balance	$ -	$ -	$ -	$ -

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2017

Note 1. Budgets and Budgetary Accounting

The following procedures are used by the Commission in establishing the budgetary data reflected in the financial statements:

1) Prior to June 30^{th}, the budget is approved by the Commission through passage of a resolution. The Commission may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
2) Formal budgetary integration is employed as a management control device during the year.
3) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
4) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30^{th}.

COMPLIANCE SECTION

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

Honorable Members of the Commission
Central Shenandoah Planning District Commission
Staunton, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Central Shenandoah Planning District Commission (the "Commission"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 2, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal, control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. **As described in the accompanying schedule of findings and questioned costs as Item 2013-04, we did identify a certain deficiency in internal control that we consider to be a significant deficiency.**

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 that are required to be reported under *Government Auditing Standards*.**

Central Shenandoah Planning District Commission's Response to Finding

The Commission's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not 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.

Brown, Edwards & Company, L. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 2, 2017

BROWNEDWARDS
certified public accountants

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

To the Honorable Members of the Commission
Central Shenandoah Planning District Commission
Staunton, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Central Shenandoah Planning District Commission's (the "Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2017. The Commission's major federal program is 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 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 the Commission's major federal program 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 the 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 the major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

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Report on Compliance for Each Major Federal Program (Continued)

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the 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 the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Commission's internal control over compliance.

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

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

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 2, 2017

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency	Federal CFDA Number	Pass-through Identification Number	Federal Expenditures
U.S. Department of Agriculture			
Direct payments:			
Farmers' Market Promotion Program	10.168	N/A	$ 10,371
Rural Community Development Initiative	10.446	N/A	55,740
Total U.S. Department of Agriculture			66,111
U.S. Department of Commerce Economic Development Administration			
Direct payments:			
Economic Development Administration:			
Economic Development Support for Planning Organizations	11.302	N/A	72,327
Total U.S. Department of Commerce Economic Development Administration			72,327
U.S. Department of Housing and Urban Development			
Pass-through payments:			
Department of Housing and Community Development:			
HOME Investment Partnerships Program	14.239	4580100	74,975
Total U.S. Department of Housing and Urban Development			74,975
U.S. Department of Transportation			
Direct payments:			
Federal Transit Formula Grants	20.507	N/A	883,183
Pass-through payments:			
Virginia Department of Transportation			
Highway Planning and Construction	20.205	N/A	221,561
Department of Rail & Public Transportation			
Highway Planning and Construction	20.205	VA-80-0024-00	73,948
Highway Planning and Construction	20.205	VA-2016-026-00	103,381
Total U.S. Department of Transportation			1,282,073
Appalachian Regional Commission			
Direct payments:			
Appalachian Local Development District Assistance	23.009	N/A	41,878
Total Appalachian Regional Commission			41,878
U.S. Department of Homeland Security			
Pass-through payments:			
Hazard Mitigation Grant	97.039	N/A	5,829
Total U.S. Department of Homeland Security			5,829
Total Expenditures of Federal Awards			$ 1,543,193

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompany schedule of expenditures of federal awards presents activity of all federal award programs of the Central Shenandoah Planning District Commission and is presented on the modified accrual basis of accounting.

Note 2: Indirect Cost Rate

The entity did not elect to use the 10% de minimis indirect cost rate.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SUMMARY OF COMPLIANCE MATTERS
June 30, 2017

As more fully described in the 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*, we performed tests of the Commission's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Cash and Investment Laws
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was reported in the 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The program tested as major was:

Name of Program	CFDA #
Federal Transit Formula Grants	20.507

8. The **threshold for** distinguishing Type A and B programs was **$750,000**.
9. The Commission was determined to be a **low-risk auditee**.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2013-004: Segregation of Duties (Significant Deficiency)

Condition:

A fundamental concept of internal controls is the segregation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. In particular, we noted a lack of segregation of duties in the areas of collections and general ledger access. While the Commission has taken various steps to enhance controls, due to the nature and size of the organization it lacks a proper separation of duties. This could result in misstated receivables or revenue or inappropriate entries being posted to the general ledger.

Recommendation:

The Commission has taken various steps to improve internal controls and we continue to recommend that the Commission take steps, where possible, to eliminate conflicting duties or implement compensating controls; however, a complete separation of duties may not be feasible.

Views of Responsible Officials:

Numerous improvements have been made to segregate duties, such as an employee other than the Fiscal Officer is now preparing bank reconciliations, the Executive Director reviews and approves invoices before they are mailed, and based on items tested, invoices contain proper approval prior to payment. Over the past year we have added additional controls to help mitigate the situation with our current staffing levels and separation of duties. Some of the major changes are:

- The Executive Director reviews all customer invoices prior to the mailing of them by the Office Manager. When applicable, staff involved in the project also review these invoices.
- The Executive Director receives and reviews the monthly bank statements.
- Program Managers, at least quarterly, review their actual to budget expenses questioning variances and reviewing upcoming plans for the next quarter.
- The Transit Manager reviews and approves all requests for reimbursement for the transit program. The backup documentation to each request is assessed for program applicability prior to approval.
- The Bookkeeper/Accountant now enters and prepares checks for the Executive Director to review and sign. The Planning Assistant also reconciles bank statements.
- The Office Manager, who prepares the incoming check log, will periodically compare this to the deposit listing in QuickBooks.
- Bi-monthly payroll audits are done by the Bookkeeper/Accountant in which salary rates are agreed to authorizing documentation and hours to employee timesheets.
- Time charges to programs are reviewed by the Executive Director when signing the timesheet and the program managers at least quarterly during their program reviews.

We will consider establishing procedures for additional items upon the availability and capabilities of staff.

(Continued)

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2017

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None

CENTRAL SHENANDOAH PLANNING DISTRICT COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2013-004: Segregation of Duties (Significant Deficiency)

Condition:

A fundamental concept of internal controls is the segregation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. In particular, we noted a lack of segregation of duties in the areas of collections and general ledger access. While the Commission has taken various steps to enhance controls, due to the nature and size of the organization it lacks a proper separation of duties. This could result in misstated receivables or revenue or inappropriate entries being posted to the general ledger.

Recommendation:

The Commission has taken various steps to improve internal controls and we continue to recommend that the Commission take steps, where possible, to eliminate conflicting duties or implement compensating controls; however, a complete separation of duties may not be feasible.

Current Status:

Comment is still applicable.