

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of the Board
Roanoke Valley - Alleghany Regional Commission
Roanoke, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Roanoke Valley - Alleghany Regional Commission, as of and for the year ended June 30, 2018, 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.

Auditors' 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 auditors' 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.

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 Roanoke Valley -

Alleghany Regional Commission, as of June 30, 2018, 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 management's discussion and analysis and budgetary comparison information on pages 3-9 and 26 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roanoke Valley - Alleghany Regional Commission's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information 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 this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of the Roanoke Valley - Alleghany 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 Roanoke Valley - Alleghany 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 the Roanoke Valley - Alleghany Regional Commission's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
September 4, 2018

Management's Discussion and Analysis (MD&A)

Roanoke Valley-Alleghany Regional Commission

This section of the Roanoke Valley-Alleghany Regional Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended June 30, 2018. Please read it in conjunction with the Commission's financial statements, which follow this section.

Overview of the Financial Statements

This report consists of Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements and supplementary information. The first two financial statements are condensed and present a government-wide view of the Commission's finances. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Commission.

The statement of net position focuses on resources available for future operations. In simple terms, this statement presents a snap shot view of the assets the Commission has, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental 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 statement of activities 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 statement of activities presents information showing how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are recorded in this statement for some items that will only result in cash flows in future periods.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission uses a governmental fund to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental

fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Fund financial statements are presented as exhibits 3 and 5 in the accompanying financial statements. Fund financial statements are reconciled to the Government-wide (Governmental Activities) financial statements in exhibits 4 and 6 as presented in the accompanying financial statements.

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.

Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities. The statement of net position presents the Commission's assets and liabilities, with the difference between the two reported as net position. The statement of activities shows in broad terms how net position changed during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the Commission's financial position is improving or deteriorating. Net position is reported in three categories; net position invested in capital assets, net position that is restricted in use and net position that is unrestricted.

In the statement of activities, revenues supporting activities and programs, of the Commission, are classified under three broad categories: operating grants and contributions, capital grants, and contributions and charges for services. Grant revenue received that is passed through to another entity is classified as operating even if the funds are ultimately used for capital purposes.

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Financial Analysis

Summary Statement of Net Position

	<u>2018</u>	<u>2017</u>
Assets:		
Current and Other Assets	\$ 1,097,804	\$ 923,562
Capital Assets	240,868	252,648
Total Assets	<u>\$ 1,338,672</u>	<u>\$ 1,176,210</u>
Liabilities:		
Current Liabilities	\$ 267,633	\$ 179,130
Noncurrent Liabilities	10,801	10,759
Total Liabilities	<u>\$ 278,434</u>	<u>\$ 189,889</u>
Net Position:		
Investment in Capital Assets	\$ 240,868	\$ 252,648
Unrestricted	819,370	733,673
Total Net Position	<u>\$ 1,060,238</u>	<u>\$ 986,321</u>

The Summary Statement of Activities - Governmental Activities shows an increase of \$73,917.

Summary Statement of Revenues, Expenditures & Changes in Net Position

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues	\$ 1,568,289	\$ 1,334,575
General revenues	157,065	122,148
Total revenues	<u>\$ 1,725,354</u>	<u>\$ 1,456,723</u>
Expenses:		
Community development	\$ 1,651,437	\$ 1,389,240
Total expenses	<u>\$ 1,651,437</u>	<u>\$ 1,389,240</u>
Change in Net Position	\$ 73,917	\$ 67,483
Net Position, Beginning of Year	986,321	918,838
Net Position, End of Year	<u>\$ 1,060,238</u>	<u>\$ 986,321</u>

Changes in net position for the current year are a result of reasonable and expected fluctuations in grant activity for the year.

Revenues and Carryover Balances

In January 2017 the U.S. Economic Development Administration (EDA) designated the Commission as an Economic Development District (EDD) for the counties of Alleghany, Botetourt, Craig, Roanoke and the cities of Covington, Roanoke, Salem and the towns of Clifton Forge and Vinton. On October 1, 2017 the Commission was awarded its first EDD Planning Grant in the amount of \$70,000 that runs through September 30, 2018. Total grant funding for the projects will be \$140,000, as the Commission is required to provide a one-to-one match for this grant program.

On November 2, 2017 the Virginia Department of Emergency Management in cooperation with the U.S. Federal Emergency Management Authority awarded Hazard Mitigation Grant funds to the Commission in the amount of \$80,940. The Commission will provide a \$4,260 local match bringing the total funds for the project to \$85,200. The project runs from November 2, 2017 to October 30, 2019.

In July 2017 the Commission entered into agreements with Botetourt County, City of Roanoke, Pulaski County, and Roanoke County to procure a regional compensation study. Gallagher Benefit Services, Inc. was selected to complete the study. The Commission was paid \$38,820 to purchase the services from Gallagher.

The Commission continued to provide contracted administrative and accounting services to the Western Virginia Regional Industrial Facility Authority for which the Commission was paid \$25,000.

The Commission continued to serve, for the third year, as the fiscal agent to the Western Virginia Workforce Development Board (WVWDB). The Commission received \$56,066 for this work. The WVWDB also continued to rent the ground floor of the Commission building at a cost of \$1,000 a month.

The Commission continued to provide administrative and technical service to the Roanoke Valley Broadband Authority and was paid \$8,250.

The Commission received a grant from the Virginia Department of Forestry in the amount of \$3,746 for a "Virginia Trees for Clean Water", the localities of Roanoke County, Vinton and Salem participated in Arbor Day events by buying and planting trees. Each locality was reimbursed for the purchase of trees.

For FY2018 the Commission was provided funding, from the City of Roanoke, to continue to work on its Regional Bicycle Coordination activities. The Commission was paid \$12,000.

The Commission continued contracting with Zagster Inc. to provide bike stations for the second year of the RIDE Solutions' Bikeshare program. RIDE Solutions partners with local businesses to provide funding for the bike

stations. RIDE Solutions received \$121,630 in funding from businesses to pay for 17 bike stations (an increase of 7 stations from the prior year). The bike stations were located around the City of Roanoke. Bike Share users can purchase daily or monthly passes via their cellphone to use the bikes. RIDE Solutions revenue earned from bike uses totaled to \$23,743.

The Commission continued to implement the Roanoke River Blueway Program. During the third year of the five-year regional effort to market, develop and improve local blueway facilities the Roanoke River Blueway Stakeholder Committee produced a brochure, conducted a marketing campaign, leveraged partnerships and maintained the Blueway Facebook and webpage. The blueway program is supported by local contributions from City of Roanoke, County of Roanoke, City of Salem and the Town of Vinton.

The Partnership for a Livable Roanoke Valley continued to work with stakeholders and focused on how best to develop indicators to measure socio-economic changes that have occurred in the region. The indicators will be focused on the four broad goals outlined in the Livable Roanoke Valley Plan. The committee worked with faculty and students at Hollins University and Virginia Tech to determine what would be the best indicators to measure change.

The Commission received \$75,971 from the Virginia Department of Housing and Community Development, which was allocated by the General Assembly to Planning District Commissions.

The per capita dues were raised by five cents for the fiscal year increasing from .90 to .95. Dues paid by the localities at ninety-five cents per capita are as follows: Alleghany County \$11,187, Botetourt County \$31,812, Clifton Forge \$3,552, Covington \$5,888, Craig County \$4,932, Franklin County \$48,995, Town of Rocky Mount \$4,559, City of Roanoke \$94,697, County of Roanoke \$81,267, Salem \$24,166 and Vinton \$7,819 for total dues in the amount of \$318,874.

The Regional Commission also received, from localities in the urbanized area that are covered by the Roanoke Valley Transportation Planning Organization, a .15 per capita to assist with 10 percent of the required match for federal transportation planning funds. Per capita funds were received from the Counties of Bedford, Botetourt, Montgomery, Roanoke and the Cities of Roanoke and Salem, and the Town of Vinton.

Expenditures

The accrued annual leave balance for Commission employees decreased by \$1,567 to \$38,827, and increased \$1,733 for employees of the WVVDB. The total change was an increase of \$166.

Salaries and related fringes were over budget due to \$22,209 of wages for Ride Solutions' Roanoke work that was initially a subcontract to the Western Virginia

Workforce Development Board but was charged directly to Commission wages line item due to Commission serving as payroll administrator for the WWVDB. Other additional salary amounts were due to hiring four paid college interns. The interns worked at various times during the past year.

Supplies were over spent due to Arbor Day tree supplies that were not included in the revised budget.

Printing was under spent due to a large amount of printing that is being done in-house.

Training, travel, and conferences expenses were under spent due to carryover effects of onboarding of five new staff members from previous year and on-the-job in-house training took precedence over outside travel and training. Additionally, staff time was spent in-house with the four interns that were hired during the year.

Subcontracting expenses were under budget due to WWVDB work on Ride Solutions of \$22,209 was charged directly to Commission salaries line as noted above and \$14,000 budgeted from bike rider revenue that was not needed to fund additional bike stations; these funds will carryforward to future periods for use.

The consultant line item was under spent because funds for the on-call consultant for transportation programs, blueway brochure, and Commission were not needed but those funds can be carried forward to future grant years to fund additional projects.

Advertising was under spent due to the RIDE Solutions program.

Under Miscellaneous Expenses, the Roanoke Blueway project was under spent because the blueway brochure design and production cost were not as high as originally predicted and because a \$5,000 grant from the Virginia Tourism Corporation grant covered a large part of the brochure costs.

Capital Asset and Debt Administration

Capital assets include the Commission's building, computer equipment and furniture. There were no significant changes to capital assets during the fiscal year aside from minor purchases and depreciation charges.

In the current and prior fiscal year, the Commission was debt free and there are no current plans to issue any debt.

Economic Factors and Future Outlook

Presently, management of the Commission is not aware of any other significant changes in conditions that would have a significant effect on the financial position or on the activities of the Commission in the near future.

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 Director of Finance at 313 Luck Avenue SW in Roanoke, Virginia 24016-5013, telephone 540-343-4417, or at sdean@rvarc.org.

Basic Financial Statements

Roanoke Valley - Alleghany Regional Commission
Statement of Net Position
June 30, 2018

		<u>Governmental Activities</u>
ASSETS		
Cash and cash equivalents	\$	678,985
Accounts receivable		97,928
Grants receivable		226,362
Prepaid items		94,529
Capital assets (net of accumulated depreciation)		<u>240,868</u>
Total assets	\$	<u>1,338,672</u>
LIABILITIES		
Accounts payable	\$	80,382
Accrued payroll		45,456
Unearned revenue		109,392
Noncurrent liabilities:		
Due within one year		32,403
Due in more than one year		<u>10,801</u>
Total liabilities	\$	<u>278,434</u>
NET POSITION		
Investment in capital assets	\$	240,868
Unrestricted		<u>819,370</u>
Total net position	\$	<u><u>1,060,238</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Roanoke Valley - Alleghany Regional Commission
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues				
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	<u>Primary Governmental Activities</u>	<u>Primary Governmental Activities</u>
Primary Government:						
Governmental activities:						
Community Development	\$ 1,651,437	\$ 117,969	\$ 1,450,320	\$	(83,148)	(83,148)
Total primary government	\$ 1,651,437	\$ 117,969	\$ 1,450,320	\$	(83,148)	(83,148)
General revenues:						
Unrestricted revenues from use of money and property				\$	3,816	3,816
Miscellaneous				\$	153,249	153,249
Total general revenues				\$	157,065	157,065
Change in net position				\$	73,917	73,917
Net position - beginning					986,321	986,321
Net position - ending				\$	1,060,238	1,060,238

The accompanying notes to the financial statements are an integral part of this statement.

Roanoke Valley - Alleghany Regional Commission
 Balance Sheet
 Governmental Fund
 At June 30, 2018

ASSETS	<u>General Fund</u>
Current assets:	
Cash and cash equivalents	\$ 678,985
Accounts receivable	97,928
Grants receivable	226,362
Prepaid items	<u>94,529</u>
Total assets	<u>\$ 1,097,804</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 80,382
Accrued payroll	45,456
Unearned revenue	<u>109,392</u>
Total liabilities	<u>\$ 235,230</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 94,529
Assigned:	
Building improvements	15,000
Blueways	5,424
Unassigned	<u>747,621</u>
Total fund balances	<u>\$ 862,574</u>
Total liabilities and fund balances	<u>\$ 1,097,804</u>

The accompanying notes to financial statements are an integral part of this statement.

Roanoke Valley - Alleghany Regional Commission
 Reconciliation of the Balance Sheet of Governmental Fund
 To the Statement of Net Position
 June 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet	\$	862,574
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		240,868
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		<u>(43,204)</u>
Net position of governmental activities	\$	<u><u>1,060,238</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Roanoke Valley - Alleghany Regional Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2018

	General Fund
Revenues:	
Grants and appropriations:	
Federal grants	\$ 618,920
State grants and appropriations	419,492
Local grants and appropriations	411,908
Contract services	117,969
Miscellaneous	153,249
Interest income	3,816
	\$ 1,725,354
Expenditures:	
Current:	
Community Development	\$ 1,639,491
Total expenditures	\$ 1,639,491
Excess (deficiency) of revenues over (under) expenditures	85,863
Fund balance, beginning of year	\$ 776,711
Fund balance, end of year	\$ 862,574

The accompanying notes to financial statements are an integral part of this statement.

Roanoke Valley - Alleghany Regional Commission
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Fund
 To the Statement of Activities
 For the Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - governmental fund	\$	85,863
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.		
Depreciation expense		(11,780)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
(Increase) decrease in compensated absences		<u>(166)</u>
Change in net position of governmental activities	\$	<u><u>73,917</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Roanoke Valley-Alleghany Regional Commission (the Commission) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Commission is a multi-jurisdictional entity created for the purpose of promoting the orderly and efficient development of the physical, social, and economic elements in its district. The Commission draws its corporate powers from Virginia Code section 15.1-1404 which defines it as a body corporate and politic. The Commission consists of 38 members who are appointed by and serve at the pleasure of the eleven member governments.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission (primary government).

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

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the functions (for instance, through user charges or intergovernmental grants).

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

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (continued)

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days 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.

Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The Commission reports the following major governmental fund:

The General Fund is the Commission's operating fund. It accounts for and reports all financial resources of the Commission.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and Cash Equivalents*

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

2. *Allowance for Uncollectible Accounts*

Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts has been recorded in the accompanying financial statements.

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

3. *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. *Capital assets*

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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 the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the Commission are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Office Equipment	2-5
Buildings and improvements	30

5. *Compensated Absences*

The Commission has accrued the liability arising from outstanding compensated absences. Commission employees earn sick leave at the rate of 9 days per year, 15 days per year after 5 years of service. A maximum of 60 days of sick leave may be accumulated. No benefits or pay is received for unused sick leave upon termination. Commission employees earn 7 days of personal leave. No benefits or pay is received for unused personal leave upon termination.

Commission employees earn annual leave based on the number of years of services as follows:

Years of Service	Days per Year
1-4 years	12
5-9 years	15
10-14 years	18
15-20 years	21
21+ years	24

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(continued)

5. *Compensated Absences (continued)*

Accumulated annual leave up to a maximum of 30 days is paid upon termination. The Commission has outstanding accrued annual leave pay totaling \$43,204 at the end of the fiscal year.

6. *Fund Equity*

The Commission reports Fund balance in accordance with provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

When fund balance resources are available for a specific purpose in more than one classification, it is the 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 or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Directors 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).

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted—consist of assets that are restricted by the Commission's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

8. Net Position Flow Assumption

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents 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 then. The Commission does not have any deferred outflows of resources as of June 30, 2018.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 that time. The Commission does not have any deferred inflows of resources as of June 30, 2018.

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

Note 2-Stewardship, Compliance, and Accountability:

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

1. The Executive Director submits to the Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them.
2. Prior to June 30, the budget is legally adopted by the Commissioners.
3. Only the Commissioners can revise the budget.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund.
5. All budgets are adopted on a basis consistent with the modified accrual basis of accounting.
6. Any unused budget amounts lapse on June 30.

Note 3-Deposits and Investments:

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

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

Interest Rate Risk: The Commission has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Maturities (in years)			
Investment Type	Fair Value	1 Year	1-5 Years
Local Government Investment Pool	\$ 262,731	\$ 262,731	\$ -
Totals	\$ 262,731	\$ 262,731	\$ -

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

Note 3-Deposits and Investments: (Continued)

Credit Risk of Debt Securities: The Commission has not adopted an investment policy for credit risk. The Commission's rated debt investments as of June 30, 2018 were rated by Standard and Poor's rating scale and the ratings are presented below.

Commission's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 262,731

External Investment Pools: The value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 4-Grants Receivable:

The following amount represents payments due from other governmental units at year end:

	Amount Due
Due from the Federal Government	\$ 197,852
Due from the State Government	28,510
Total Grants Receivable	\$ 226,362

Note 5-Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Commission for the year ended June 30, 2018.

	Balance				Balance		Amount Due
	July 1, 2017	Increases	Decreases		June 30, 2018		Within One Year
Compensated Absences	\$ 43,038	\$ 32,445	\$ (32,279)	\$	43,204	\$	32,403
Total	\$ 43,038	\$ 32,445	\$ (32,279)	\$	43,204	\$	32,403

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

Note 6-Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciation:				
Land	\$ 113,240	\$ -	\$ -	\$ 113,240
Capital assets, being depreciated:				
Office equipment	\$ 20,928	\$ -	\$ -	\$ 20,928
Buildings and improvements	440,641	-	-	440,641
Total capital assets being depreciated	\$ 461,569	\$ -	\$ -	\$ 461,569
Accumulated depreciation:				
Office equipment	\$ (7,897)	\$ (1,475)	\$ -	\$ (9,372)
Buildings and improvements	(314,264)	(10,305)	-	(324,569)
Total accumulated depreciation	\$ (322,161)	\$ (11,780)	\$ -	\$ (333,941)
Total capital assets being depreciated, net	\$ 139,408	\$ (11,780)	\$ -	\$ 127,628
Capital assets, net	\$ 252,648	\$ (11,780)	\$ -	\$ 240,868

All depreciation expense was charged to the Community Development function in the Statement of Activities.

Note 7-Operating Lease:

In October 2014, the Commission entered into a 60 month operating lease agreement with Wells Fargo Financial Leasing, Inc. for a copier. Lease payments are \$361 per month. Future minimum lease payments due under this non-cancelable operating lease as of June 30, 2018 are:

Year Ended	Amount Due
June 30,	
2019	\$ 4,331
2020	1,083
Total	\$ 5,414

The Commission's lease expense for operating leases for the year ended June 30, 2018 was \$4,331.

Note 8-Litigation:

At June 30, 2018, there were no matters of litigation involving the Commission which would materially affect the Commission's financial position should any court decision on pending matters not be favorable to the Commission.

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

Note 9-Allocation of Indirect Costs:

The Commission has entered into various agreements to assist in the management of various projects and grants. The Commission charges for direct costs incurred plus a portion of indirect costs. Indirect costs are allocated on the ratio of the individual project's personnel services, including fringe benefits, to total personnel, including fringe benefits. The indirect cost rate for the year ended June 30, 2018 was 30.83% and was calculated as follows:

Indirect costs	\$ 280,087
Total direct personnel, including fringe benefits	<u>908,572</u>
Indirect cost rate	30.83%

Note 10-Allocation of Fringe Benefits:

Fringe benefit expenditure is allocated using the percentage of benefits to total personnel services. Components of fringe benefit expenditure for the year ended June 30, 2018 and the allocation computation are as follows:

Fringe Benefits:	
Health insurance premiums	\$ 137,740
Social security	59,653
Retirement contributions	46,863
Life & disability insurance	12,712
State unemployment insurance	121
Workers compensation premium	1,365
Other	<u>5,997</u>
Total Fringe Benefits	\$ 264,451
Total Personnel Services	767,000
Allocation rate	34.48%

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ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

Note 11-Employer's Deferred Compensation Plan:

The Commission offers this plan to employees in order to provide retirement income and other deferred benefits in accordance with the provisions of Section 457 of the Internal Revenue Code of 1986, as amended. Employer and participant must pay social security tax on the amount of the deferred compensation. Benefits accrue as follows:

0 - 1 years of service	0% of gross income
1 - 2 years of service	3% of gross income
2 - 3 years of service	4% of gross income
3 - 4 years of service	5% of gross income
4 - 9 years of service	6% of gross income
10 - 20 years of service	8% of gross income
20 + years of service	10% of gross income

The Commission's required and actual contribution was \$46,863 for the fiscal year ending June 30, 2018.

Note 12-Contingent Liabilities:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 13-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. The Commission participates with other government entities in a public entity risk pool for their coverage of general liability, public officials' liability, property coverage, fidelity/crime coverage and worker's compensation coverage through the Virginia Municipal League (VML). Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Commission makes contributions to a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Commission continues to carry commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The Commission's insurance coverages are summarized below:

Liability Coverage	\$1,000,000 Combined Single Limit
No Fault Property Damage	\$10,000
Auto Coverage	\$1,000,000
Property Coverage	\$1,481,404
Business Interruption	\$1,000,000
Fidelity Bond	\$500,000 per occurrence
Computer fraud	\$25,000 per occurrence
Worker's Compensation	\$1,000,000 per occurrence

Required Supplementary Information

Roanoke Valley - Alleghany Regional Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
Budget and Actual
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Grants and appropriations:				
Federal grants	\$ 638,312	\$ 643,197	\$ 618,920	\$ (24,277)
State grants and appropriations	502,353	494,913	419,492	(75,421)
Local grants and appropriations	376,935	415,754	411,908	(3,846)
Contract services and Workforce Board	123,085	115,152	117,969	2,817
Miscellaneous	116,000	197,719	153,249	(44,470)
Interest income	1,000	1,700	3,816	2,116
Total revenues	<u>\$ 1,757,685</u>	<u>\$ 1,868,435</u>	<u>\$ 1,725,354</u>	<u>\$ (143,081)</u>
Expenditures:				
Community Development:				
Salaries	\$ 740,520	\$ 740,520	\$ 767,000	\$ (26,480)
Fringe benefits	256,675	256,675	264,451	(7,776)
Insurance	5,000	5,000	3,891	1,109
Supplies	13,500	13,500	16,808	(3,308)
Postage	6,000	6,000	3,007	2,993
Subscriptions	1,500	1,500	685	815
Dues	13,800	13,800	12,377	1,423
Printing	10,000	10,000	5,396	4,604
Public relations	2,000	2,000	508	1,492
Training	8,500	8,500	4,086	4,414
Telephone	7,500	7,500	7,818	(318)
Travel	35,849	36,349	23,895	12,454
Legal and accounting	10,160	10,160	9,976	184
Conferences	12,500	12,500	9,407	3,093
Furniture and fixtures	16,000	16,000	13,443	2,557
Miscellaneous	19,898	19,898	2,953	16,945
Advertising	76,829	85,572	77,090	8,482
Recruitment	500	500	125	375
Meetings	7,500	9,250	11,280	(2,030)
Library and maps	500	500	-	500
Contract services	200	200	353	(153)
Computer services	16,500	17,500	20,036	(2,536)
Utilities	14,000	14,000	13,611	389
Subcontractors	217,111	277,111	233,002	44,109
Consultants	227,743	266,500	121,962	144,538
Operating lease payments	4,500	4,500	4,331	169
Building maintenance	32,900	32,900	12,000	20,900
Total expenditures	<u>\$ 1,757,685</u>	<u>\$ 1,868,435</u>	<u>\$ 1,639,491</u>	<u>\$ 228,944</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 85,863	\$ 85,863
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>776,711</u>	<u>776,711</u>
Fund balance, end of year	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>862,574</u></u>	<u><u>862,574</u></u>

GAAP serves as the Commissions budgetary basis of accounting.

Other Supplementary Information

Roanoke Valley - Alleghany Regional Commission
 Schedule of Indirect Expenses
 For the Year Ended June 30, 2018

Salaries	\$	91,353
Fringe Benefits		31,694
Advertising		995
Audit Fees		9,660
Building Maintenance		12,000
Computer Services		17,675
Conferences		6,097
Consultants		4,500
Depreciation Physical Assets		11,780
Furniture and Equipment		2,616
Furniture and Equipment Maintenance		10,827
Insurance-General		3,891
Leases		4,331
Legal Fees		66
Meetings		8,660
Miscellaneous		564
Postage		2,509
Printing		3,287
Professional Dues		8,232
Public Relations		500
Recruitment		126
Subscriptions		685
Supplies		9,384
Telephone & Internet		7,818
Training		3,657
Travel		13,569
Utilities		13,611
		<hr/>
Total Indirect Expenses	\$	<u><u>280,087</u></u>

Roanoke Valley-Allegheny Regional Commission
Cost Allocation by Project
For the Year Ended June 30, 2018

Revenues:	Total	General Operations	ARC 2017	ARC 2018	EDA 2018	VOOT JL	VOOT SFR	VOORT Trans	Hazard Mitigation	VRPRT Requisitions	Regional Bike Coordination	WVMD	Broadband Authority	Bike Month/ Bike Share	R/River Blueway	Regional Projects	WVRFIA	Flood Management	Compensation Study	Arbor Day Mini Grant	Central Shenandoah	Leadership TID	Work Force
State contributions	\$ 615,173	\$ 1,039	\$ 30,092	\$ 29,550	\$ 53,106	\$ 296,276	\$ 57,409	\$ 125,333	\$ 22,368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local contributions	422,487	63,380	30,449	29,550	53,106	37,034	14,352	15,667	5,965	279,104	11,123	-	-	125,178	5,000	75,971	25,179	750	38,820	3,746	2,049	281	-
Contract income	567,286	3,816	-	-	-	37,035	14,352	15,668	1,491	41,834	11,123	-	-	14,439	10,372	66,591	25,179	750	38,820	3,746	2,049	281	-
In-kind	118,166	12,069	-	-	-	-	-	-	-	27,942	-	-	8,250	400	-	-	-	-	-	-	-	-	-
Work force	302,099	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	302,099
Miscellaneous income	4,280	4,280	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	\$ 2,034,219	\$ 84,584	\$ 60,541	\$ 59,100	\$ 106,212	\$ 370,345	\$ 71,761	\$ 156,668	\$ 29,824	\$ 348,880	\$ 11,123	\$ 56,066	\$ 8,250	\$ 140,007	\$ 15,372	\$ 142,562	\$ 25,179	\$ 750	\$ 38,820	\$ 3,746	\$ 2,049	\$ 281	\$ 302,099
Expenditures:																							
Salaries and wages	\$ 908,668	\$ (376)	\$ 32,034	\$ 33,287	\$ 59,822	\$ 184,841	\$ 40,046	\$ 62,077	\$ 16,798	\$ 107,786	\$ 6,236	\$ 31,578	\$ 4,183	\$ -	\$ 3,469	\$ 80,281	\$ 12,715	\$ -	\$ -	\$ -	\$ 1,037	\$ -	\$ 232,854
Fringe benefits	295,648	(162)	11,136	11,549	20,755	64,128	13,893	21,537	5,828	35,688	2,164	10,956	1,451	-	1,203	27,852	4,411	-	-	-	369	-	62,890
Health	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
Advertising	76,095	-	-	-	-	3,959	-	629	-	47,222	-	-	-	17,035	7,250	-	-	-	-	-	-	-	-
Computer services	2,450	1,449	-	-	-	40	-	40	-	347	-	-	-	-	131	26	367	-	-	-	-	-	90
Consultants/contracts	350,816	5,071	-	-	-	30,142	-	44,028	-	112,173	-	-	-	121,182	-	-	-	-	38,220	-	-	-	-
Dues	4,145	2,500	-	-	-	50	-	-	-	1,595	-	-	-	-	-	-	-	-	-	-	-	-	-
Meetings	2,618	462	-	-	-	1,569	-	-	-	174	-	-	-	176	-	-	-	413	-	-	-	-	22
Miscellaneous	2,009	1,811	-	-	-	-	-	-	-	149	-	-	-	212	-	-	-	-	-	-	-	-	-
Postage	699	-	-	-	-	-	-	-	-	-	-	-	-	8	1,832	-	-	-	-	-	-	-	138
Public relations	8	-	-	-	-	277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Printing	2,109	-	-	-	-	809	-	-	-	1,702	50	-	-	873	-	-	-	-	-	3,746	-	-	33
Supplies	7,457	101	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	1,175	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Training	429	-	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	15,341	1,026	-	-	-	3,446	661	1,120	-	3,933	-	-	19	121	-	-	-	-	-	-	-	-	1,175
Conferences	3,310	-	-	-	-	1,800	-	675	-	853	-	-	-	-	-	-	-	-	-	-	-	-	5,015
Utilities	240	-	-	-	-	-	-	-	-	250	-	-	-	-	-	-	-	-	-	-	-	-	-
In-kind	400	-	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	-	-	-	-
Indirect costs	280,887	(4,004)	17,371	14,264	25,635	79,209	17,161	26,602	7,198	36,672	2,673	13,532	1,792	-	1,487	34,403	5,449	-	-	-	643	-	-
Total expenditures	\$ 1,953,534	\$ 7,878	\$ 60,541	\$ 59,100	\$ 106,212	\$ 370,345	\$ 71,761	\$ 156,668	\$ 29,824	\$ 348,880	\$ 11,123	\$ 56,066	\$ 7,445	\$ 140,007	\$ 15,372	\$ 142,562	\$ 22,942	\$ 413	\$ 38,220	\$ 3,746	\$ 2,049	\$ 281	\$ 302,099

Note: revenues and expenditures for payroll services provided to the Western Virginia Workforce Investment Board are included above; however, they are netted in the primary financial statements.

Roanoke Valley - Alleghany Regional Commission
Statement of Revenues and Expenditures - ARC
For the Period of January 1, 2017 to December 31, 2017

Appalachian Regional Commission
Contract No.: VA-711-E-C47-R1-17

Revenues:	
Federal grant contributions	\$ 59,902
Local contributions	<u>60,258</u>
Total revenues	<u>\$ 120,160</u>
Expenditures:	
Salaries and wages	\$ 67,470
Fringe benefits	22,959
Indirect costs	<u>29,731</u>
Total expenditures	<u>\$ 120,160</u>
Excess (deficiency) of revenues over (under) expenditures	<u><u>\$ -</u></u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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 Members of the Board
Roanoke Valley - Alleghany Regional Commission
Roanoke, 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 Roanoke Valley - Alleghany Regional Commission as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Roanoke Valley - Alleghany Regional Commission's basic financial statements and have issued our report thereon dated September 4, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Roanoke Valley - Alleghany Regional Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Roanoke Valley - Alleghany Regional Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Roanoke Valley - Alleghany 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 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Roanoke Valley - Alleghany 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
September 4, 2018