

**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**FINANCIAL SECTION**

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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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, 2016, 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.

## *Opinion*

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, 2016, 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 3-8 and 25 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 August 4, 2016, 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 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 the Roanoke Valley - Alleghany Regional Commission's internal control over financial reporting and compliance.

*Robinson, Jaeger, Cox Associates*

Blacksburg, Virginia  
August 4, 2016

## Management's Discussion and Analysis (MD&A)

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### 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, 2016. 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>2016</u>	<u>2015</u>
Assets:		
Current and Other Assets	\$ 799,709	\$ 705,898
Capital Assets	265,595	257,096
Total Assets	<u>\$ 1,065,304</u>	<u>\$ 962,994</u>
Liabilities:		
Current Liabilities	\$ 108,769	\$ 53,675
Noncurrent Liabilities	37,697	50,045
Total Liabilities	<u>\$ 146,466</u>	<u>\$ 103,720</u>
Net Position:		
Investment in Capital Assets	\$ 265,595	\$ 257,096
Unrestricted	653,243	602,178
Total Net Position	<u>\$ 918,838</u>	<u>\$ 859,274</u>

The Summary Statement of Activities - Governmental Activities shows an increase of \$59,564.

### Summary Statement of Revenues, Expenditures & Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues	\$ 1,612,090	\$ 1,312,570
General revenues	39,134	782
Total revenues	<u>\$ 1,651,224</u>	<u>\$ 1,313,352</u>
Expenses:		
Community development	\$ 1,591,660	\$ 1,315,528
Total expenses	<u>\$ 1,591,660</u>	<u>\$ 1,315,528</u>
Change in Net Position	\$ 59,564	\$ (2,176)
Net Position, Beginning of Year	859,274	861,450
Net Position, End of Year	<u>\$ 918,838</u>	<u>\$ 859,274</u>

The increase above in both revenues and expenditures, above, is due to the addition of the Workforce Investment Board's activity during the current fiscal year. Other 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 August 2015, a fiscal agent agreement was entered into by and among the Workforce Investment Area III Chief Local Elected Officials Consortium, the Western Virginia Workforce Development Board, Inc., the City of Roanoke and the Roanoke Valley Alleghany Regional Commission. This agreement named the RVARC as the fiscal agent for all funds allocated to Area III for the period beginning August 17<sup>th</sup>. 2015 and ending June 30, 2016. RVARC received \$49,985 for this work. Also, the workforce staff was added to the Commission's payroll and the property of the WVVDB was moved into the Commission's office building (ground floor) for \$1,000 in monthly rent.

The Commission received a \$34,001 Transportation Technical Assistance grant from the Virginia Department of Rail & Public Transportation to develop a comprehensive transit network route analysis. A fifty-fifty match was required and Valley Metro contributed \$11,336. Subsequently for FY 2017, the contract was amended by VDRPT to include an extra \$3,250 in State funds with another \$3,250 required for match.

As part of the Commission's mission, the Commission housed the Roanoke Valley Broadband Authority and provided fiscal agent and technical service for the Authority in the amount of \$30,000.

The Commission received a 50-50 grant from the Virginia Department of Forestry in the amount of \$3,500 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.

RVARC conducted an IMPLAN project for Central Shenandoah Planning District Commission to measure the economic impact of cycling the Central Shenandoah area. The Commission received \$2,000 for this work.

Save-A-Ton is in its final year with funding from City of Roanoke and Roanoke County in the amount of \$3,000 per locality.

In September 2012, the Regional Commission was awarded a contract from the Department of Environmental Quality (DEQ) for the TMDL implementation plan for the Roanoke River in the amount of \$192,627 (\$20,000 from the Commonwealth of Virginia and \$172,627 from the United States Department of Environmental Protection Agency). In July of 2013, this contract was extended by DEQ until September 2014 with an additional \$72,615 in federal funds added to the contract. In November, 2015, the contract was again extended until December 31, 2015 and another \$25,321.10 was awarded to the Commission. This additional work and funding was used to implement plans for the North & South forks of the Roanoke River. In January, 2016, the contract was amended in the amount of \$39,938 (\$25,000 in state funds & \$14,938 in Federal funds) and was extended to August 2016.

In July, 2015, the Commission implemented the Roanoke River Blueway Program, a five-year regional effort that will market, develop and improve local blueway facilities.

In 2011, the Commission was awarded a three year contract from the Department of Housing & Community Development in the amount of \$625,000 to develop a regional livability plan which became "Partnership for a Livable Roanoke Valley". The Commission entered into a contract with Engage Virginia, LLC in December 2015, to implement the four strategies of the partnership which are economic development, workforce development, healthy Roanoke valley and natural assets.

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 .80 to .85. Dues paid by the localities at eighty cents per capita are as follows: Alleghany County \$10,265, Botetourt County \$28,410, Clifton Forge \$3,301, Covington \$5,320, Craig County \$4,509, Franklin County \$44,009, Town of Rocky Mount \$4,079, City of Roanoke \$84,076, County of Roanoke \$71,914, Salem \$21,483 and Vinton \$6,883 for total dues in the amount of \$284,249.

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

## **Expenditures**

The accrued annual leave balance for RVARC employees decreased by \$13,816 to \$36,229, and an increased \$1,468 for employees of the WVVDB. The total change was a decrease of \$12,348. The salary line item looks over spent because WVVDB employees were not included in the RVARC budget. WVVDB fringe benefits were charged directly to their programs.

Supplies were over spent due to: the preparation of the Broadband Authority office, the purchase of signs with Blueway funds for the Virginia Treasures program, and the purchase of supplies for two new offices.

Printing was underspent due to all printing this year being done in-house.

Training, travel, conferences expenses were high during the first six months, but slowed down considerably after the revised budget was approved.

Maintenance for furniture & equipment was down due to a \$1,000 reimbursement from the copier company and the fact that the heating company did not have enough employees to complete 2 inspections of the heating and air conditioning system at \$937 each.

The Miscellaneous line item includes prizes in the amount of \$1,300 given to winners of Bike Shorts event. Prizes were paid for with funds raised by the Ridesolutions program staff. This line item also includes bank fees in the amount of \$1,550.

The contract service line item was under spent because funds for the on call consultant for transportation programs was not used.

Computer services were over budget due to the purchase of new IMPLAN software.

Advertising was underspent due to the Ridesolutions program.

Utilities were under budget due to the conservation efforts of the staff to reduce energy usage by promoting energy efficiency throughout the Commission building.

### **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](mailto:sdean@rvarc.org).

## Basic Financial Statements

Roanoke Valley - Alleghany Regional Commission  
Statement of Net Position  
June 30, 2016

		Governmental Activities
<b>ASSETS</b>		
Cash and cash equivalents	\$	536,766
Accounts receivable		70,357
Grants receivable		189,145
Prepaid items		3,441
Capital assets (net of accumulated depreciation)		265,595
Total assets	\$	1,065,304
<b>LIABILITIES</b>		
Accounts payable	\$	86,360
Unearned revenue		22,409
Noncurrent liabilities:		
Due within one year		28,273
Due in more than one year		9,424
Total liabilities	\$	146,466
<b>NET POSITION</b>		
Investment in capital assets	\$	265,595
Unrestricted		653,243
Total net position	\$	918,838

The 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, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government:				
Governmental activities:				
Community Development	1,591,660	258,428	1,353,662	20,430
Total governmental activities	\$ 1,591,660	\$ 258,428	\$ 1,353,662	\$ 20,430
General revenues:				
Unrestricted revenues from use of money and property				1,114
Miscellaneous				38,020
Total general revenues				39,134
Change in net position				59,564
Net position - beginning				859,274
Net position - ending				918,838

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

Roanoke Valley - Alleghany Regional Commission  
Balance Sheet  
Governmental Fund - General Fund  
At June 30, 2016

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ASSETS	<u>General Fund</u>
Current assets:	
Cash and cash equivalents	\$ 536,766
Accounts receivable	70,357
Grants receivable	189,145
Prepaid items	<u>3,441</u>
Total assets	<u>\$ 799,709</u>
LIABILITIES AND FUND BALANCE	
Current liabilities:	
Accounts payable	\$ 86,360
Unearned revenue	<u>22,409</u>
Total liabilities	<u>\$ 108,769</u>
Fund balance:	
Nonspendable:	
Prepaid items	\$ 3,441
Assigned:	
Building improvements	15,000
Unassigned	<u>672,499</u>
Total fund balance	<u>\$ 690,940</u>
Total liabilities and fund balance	<u>\$ 799,709</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet	\$ 690,940
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	265,595
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	<u>(37,697)</u>
Net position of governmental activities	<u>\$ 918,838</u>

The 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 - General Fund  
For the Year Ended June 30, 2016

	General Fund
Revenues:	
Grants and appropriations:	
Federal grants	\$ 578,268
State grants and appropriations	448,505
Local grants and appropriations	326,889
Contract services	258,428
Miscellaneous	38,020
Interest income	1,114
	1,651,224
Total revenues	\$ 1,651,224
Expenditures:	
Salaries	\$ 793,054
Fringe benefits	291,854
Insurance	3,448
Supplies	23,117
Postage	4,508
Subscriptions	332
Dues	11,575
Printing	1,346
Public relations	350
Training	5,433
Telephone	10,598
Travel	24,966
Legal and accounting	9,720
Conferences	4,804
Furniture and fixtures	8,359
Miscellaneous	3,625
Advertising	87,843
Recruitment	1,140
Meetings	7,915
Library and maps	479
Contract services	6,260
Computer services	19,770
Utilities	11,913
Subcontractors	94,460
Consultants	142,869
Operating lease payments	4,331
Building maintenance	38,438
	1,612,507
Total expenditures	\$ 1,612,507
Excess (deficiency) of revenues over (under) expenditures	\$ 38,717
Fund balance, beginning of year	652,223
Fund balance, end of year	\$ 690,940

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, 2016

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

Net change in fund balances - total governmental funds	\$	38,717
<p>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. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlays	\$	20,747
Depreciation expense		(12,248)
		8,499
<p>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.</p>		
(Increase) decrease in compensated absences		12,348
Change in net position of governmental activities	\$	59,564

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

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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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 36 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, 2016 (CONTINUED)

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**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, 2016 (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 \$1,000 (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:

<u>Assets</u>	<u>Years</u>
Computer and related equipment	2
Furniture and other equipment	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 annual leave is based on the number of years of services as follows:

<u>Years of Service</u>	<u>Days per Year</u>
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, 2016 (CONTINUED)

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**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 \$37,697 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, 2016 (CONTINUED)

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**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, 2016.

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, 2016.

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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**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 Direct 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 Commissioner 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 cash 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. At year end, funds totaling \$76,121 were not collateralized under the FDIC or the Security for Public Deposits Act.

**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). As of June 30, 2016 and for the year then ended the Commission did not have any investments.

**Note 4-Grants Receivable:**

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

	<u>Amount Due</u>
Due from the Federal Government	\$ 136,628
Due from the State Government	<u>52,517</u>
Total Grants Receivable	<u>\$ 189,145</u>



ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**Note 5-Long-Term Obligations:**

The following is a summary of long-term obligation transactions of the Commission for the year ended June 30, 2016.

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Amount Due Within One Year
Compensated Absences	\$ 50,045	\$ 25,186	\$ (37,534)	\$ 37,697	\$ 28,273
Total	\$ 50,045	\$ 25,186	\$ (37,534)	\$ 37,697	\$ 28,273

**Note 6-Capital Assets:**

Capital asset activity for the year ended June 30, 2016 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	\$ 5,931	\$ 14,997	\$ -	\$ 20,928
Buildings and improvements	434,891	5,750	-	440,641
Total capital assets being depreciated	\$ 440,822	\$ 20,747	\$ -	\$ 461,569
Accumulated depreciation:				
Office equipment	\$ (4,266)	\$ (1,359)	\$ -	\$ (5,625)
Buildings and improvements	(292,700)	(10,889)	-	(303,589)
Total accumulated depreciation	\$ (296,966)	\$ (12,248)	\$ -	\$ (309,214)
Total capital assets being depreciated, net	\$ 143,856	\$ 8,499	\$ -	\$ 152,355
Capital assets, net	\$ 257,096	\$ 8,499	\$ -	\$ 265,595

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

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016 (CONTINUED)

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**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, 2016 are:

Year Ended	June 30,	Amount Due
2017	\$	4,331
2018		4,331
2019		4,331
2020		1,083
Total	\$	14,076

The Commission's lease expense for operating leases for the year ended June 30, 2016 was \$4,331.

**Note 8-Litigation:**

At June 30, 2016, 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.

**Note 9-Allocation of Indirect Costs:**

The Commission has entered into various agreements to assist 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, 2016 was 39.43% and was calculated as follows:

Indirect costs	\$ 309,676
Total direct personnel, including fringe benefits	785,352
Indirect cost rate	39.43%

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ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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**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, 2016 and the allocation computation are as follows:

Fringe Benefits		
Health insurance premiums	\$	149,614
Social security		53,988
Retirement contributions		52,247
Life & disability insurance		12,428
State unemployment insurance		151
Workers compensation premium		30
Total Fringe Benefits	\$	268,458
Total Personnel Services		658,459
Allocation rate		40.77%

**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 \$52,247 for the fiscal year ending June 30, 2016.

**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.

ROANOKE VALLEY-ALLEGHANY REGIONAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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**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 Authority 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
Uninsured Motorist Coverage	\$25,000 Bodily Injury per Person \$50,000 Bodily Injury per Accident \$20,000 Property Damage
Property Coverage	\$1,448,079
Business Interruption	\$100,000
Fidelity Bond	\$500,000 per occurrence
Computer fraud	\$25,000 per occurrence
Crime/fidelity	\$100,000
Worker's Compensation	\$1,000,000 per occurrence

## Required Supplementary Information

Roanoke Valley - Alleghany Regional Commission  
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund  
Budget and Actual  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Grants and appropriations:				
Federal grants	\$ 566,218	\$ 606,156	\$ 578,268	\$ (27,888)
State grants and appropriations	450,075	439,075	448,505	9,430
Local grants and appropriations	325,572	325,572	326,889	1,317
Contract services and Workforce Board	112,446	112,446	258,428	145,982
Miscellaneous	30,451	28,787	38,020	9,233
Interest income	1,000	1,000	1,114	114
<b>Total revenues</b>	<b>\$ 1,485,762</b>	<b>\$ 1,513,036</b>	<b>\$ 1,651,224</b>	<b>\$ 138,188</b>
Expenditures:				
Salaries	709,200	670,525	\$ 793,054	\$ (122,529)
Fringe benefits	286,944	269,889	291,854	(21,965)
Insurance	5,000	5,000	3,448	1,552
Supplies	9,500	13,500	23,117	(9,617)
Postage	4,000	4,000	4,508	(508)
Subscriptions	1,000	1,000	332	668
Dues	13,800	13,800	11,575	2,225
Printing	14,000	14,000	1,346	12,654
Public relations	2,000	2,000	350	1,650
Training	5,500	8,500	5,433	3,067
Telephone	8,500	11,100	10,598	502
Travel	24,314	25,314	24,966	348
Legal and accounting	10,000	10,000	9,720	280
Conferences	8,295	8,295	4,804	3,491
Furniture and fixtures	15,500	15,500	8,359	7,141
Miscellaneous	2,000	3,500	3,625	(125)
Advertising	73,779	81,629	87,843	(6,214)
Recruitment	500	500	1,140	(640)
Meetings	8,500	10,300	7,915	2,385
Library and maps	500	500	479	21
Contract services	-	-	6,260	(6,260)
Computer services	14,000	15,000	19,770	(4,770)
Utilities	15,000	15,000	11,913	3,087
Subcontractors	104,030	96,180	94,460	1,720
Consultants	110,500	178,604	142,869	35,735
Operating lease payments	6,500	6,500	4,331	2,169
Building maintenance	32,900	32,900	38,438	(5,538)
<b>Total expenditures</b>	<b>\$ 1,485,762</b>	<b>\$ 1,513,036</b>	<b>\$ 1,612,507</b>	<b>\$ (99,471)</b>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 38,717	\$ 38,717
Fund balance, beginning of year	-	-	652,223	652,223
Fund balance, end of year	\$ -	\$ -	\$ 690,940	\$ 690,940

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, 2016

Salaries	\$	101,128
Fringe Benefits		40,435
Advertising		2,076
Audit Fees		9,450
Building Maintenance		17,692
Computer Services		19,287
Conferences		4,804
Contract Services		626
Depreciation Physical Assets		11,380
Furniture And Equipment		1,631
Furniture And Equipment Depreciation		868
Furniture And Equipment Maintenance		6,159
Insurance-General		3,448
Leases		4,331
Legal Fees		269
Library/Maps		479
Meetings		6,012
Miscellaneous		1,731
Postage		3,332
Printing		1,214
Professional Dues		8,287
Public Relations		350
Recruitment		1,140
Subscriptions		332
Supplies		16,960
Telephone		7,646
Training		5,433
Travel		21,265
Utilities		11,913
		<hr/>
Total Indirect Costs	\$	<u><u>309,678</u></u>



Roanoke Valley-Allegheny Regional Commission  
Cost Allocation by Project  
For the Year Ended June 30, 2016

	Total	General Operations	ARC 2015	ARC 2016	VDOT PL	VDOT	VDRPT Trans	VDRPT IEIF	VDRPT IMP	WVMDDB	Broadband Authority	Save-A-Ton	Rke River Blueway	Rke River TMDL	Regional Projects	Contracts	Work Force
<b>Revenues:</b>																	
Federal contributions	\$ 579,268	\$ -	\$ 26,254	\$ 32,717	\$ 292,936	\$ 58,000	\$ 125,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,573	\$ -	\$ 3,246	\$ -
State contributions	448,505	-	-	-	36,617	-	15,693	266,975	34,001	-	-	-	-	19,248	75,971	-	-
Local contributions	328,889	68,171	28,803	32,717	36,617	15,038	17,454	35,940	22,665	12	517	6,000	9,292	-	53,594	49	-
Interest income	1,114	1,034	-	-	-	-	-	-	-	-	-	80	-	-	-	-	-
Contract income	111,469	-	-	-	-	-	-	30,784	-	49,985	30,000	-	-	-	-	700	-
Work Force	146,959	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	146,959
Miscellaneous income	38,020	19,930	-	-	-	-	-	-	11,336	-	-	1,754	-	-	-	5,000	-
<b>Total revenues</b>	<b>\$ 1,651,224</b>	<b>\$ 89,135</b>	<b>\$ 55,057</b>	<b>\$ 65,434</b>	<b>\$ 366,170</b>	<b>\$ 73,038</b>	<b>\$ 158,689</b>	<b>\$ 333,719</b>	<b>\$ 68,002</b>	<b>\$ 49,997</b>	<b>\$ 30,517</b>	<b>\$ 7,834</b>	<b>\$ 9,292</b>	<b>\$ 58,821</b>	<b>\$ 129,565</b>	<b>\$ 8,995</b>	<b>\$ 146,959</b>
<b>Expenditures:</b>																	
Salaries and wages	\$ 679,578	\$ -	\$ 28,117	\$ 33,267	\$ 185,576	\$ 36,878	\$ 80,638	\$ 77,580	\$ -	\$ 25,214	\$ 15,547	\$ 3,817	\$ 4,063	\$ 775	\$ 66,007	\$ 382	\$ 121,717
Fringe benefits	228,024	533	11,435	13,577	75,677	15,038	32,883	31,637	-	10,283	6,340	1,556	1,657	316	26,917	155	-
Health	10,393	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,393
Fica	9,155	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,155
Life & LTD	487	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	487
State unemp	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110
Retirement	3,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,250
Advertising	85,767	824	-	-	1,901	650	405	78,820	-	-	-	229	-	-	-	2,769	169
Building Maintenance	20,747	20,747	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer services	482	-	-	-	-	-	-	274	-	-	-	91	117	-	-	-	-
Consultants/contracts	242,962	20,067	-	-	-	-	-	95,533	68,002	-	-	-	-	57,300	-	2,060	-
Dues	3,288	2,000	-	-	-	-	-	1,288	-	-	-	-	-	-	-	-	-
Furn & Equip	569	-	-	-	-	-	-	569	-	-	-	-	-	-	-	-	-
Meetings	1,904	1,738	-	-	-	-	-	73	-	-	22	-	-	-	-	71	-
Miscellaneous	1,997	1,942	-	-	-	-	-	-	-	-	-	-	-	-	-	55	-
Postage	1,176	-	-	-	-	-	-	1,176	-	-	-	-	-	-	-	-	-
Printing	131	-	-	-	-	-	-	53	-	-	-	-	-	-	-	-	78
Supplies	6,157	-	-	-	-	-	-	1,479	-	-	-	-	1,200	-	3,246	-	232
Telephone	2,952	2,602	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350
Travel	3,702	(35)	-	-	-	-	-	2,171	-	503	-	-	-	-	-	45	1,018
Indirect costs	309,676	-	15,485	18,590	103,016	20,472	44,763	43,066	-	13,997	8,630	2,119	2,255	430	36,641	212	-
<b>Total expenditures</b>	<b>\$ 1,612,507</b>	<b>\$ 50,418</b>	<b>\$ 55,057</b>	<b>\$ 65,434</b>	<b>\$ 366,170</b>	<b>\$ 73,038</b>	<b>\$ 158,689</b>	<b>\$ 333,719</b>	<b>\$ 68,002</b>	<b>\$ 49,997</b>	<b>\$ 30,517</b>	<b>\$ 7,834</b>	<b>\$ 9,292</b>	<b>\$ 58,821</b>	<b>\$ 129,565</b>	<b>\$ 8,995</b>	<b>\$ 146,959</b>

Roanoke Valley - Alleghany Regional Commission  
Statement of Revenues and Expenditures - ARC  
For the Period of January 1, 2015 to December 31, 2015

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## Appalachian Regional Commission

Contract No.: VA-0711E-C-42

## Revenues:

Federal grant contributions	\$	60,814
Local contributions		<u>63,363</u>

Total revenues	\$	<u>124,177</u>
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## Expenditures:

Salaries and wages	\$	64,786
Fringe benefits		26,399
Indirect costs		32,970
Direct costs		<u>22</u>

Total expenditures	\$	<u>124,177</u>
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Excess (deficiency) of revenues over (under) expenditures	\$	<u><u>-</u></u>
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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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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, 2016, 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 August 4, 2016.

### 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, Fauner, Co. Associates*

Blacksburg, Virginia  
August 4, 2016