

LARRY SAUNDERS & ASSOCIATES

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December 15, 2017

Board of Directors
Shenandoah Valley
Workforce Development Board, Inc. (SVWDB)
P.O. Box 869
Harrisonburg, VA 22803

We have audited the financial statements of Shenandoah Valley Workforce Development Board, Inc. for the year ended June 30, 2017, and have issued our report thereon dated December 15, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 28, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SVWDB are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the ended June 30, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the accounts receivable is based on the full accrual basis of accounting. We evaluated the key factors and assumptions used to develop the accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

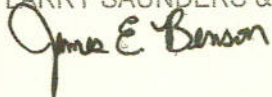
Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Directors or individuals charged with governance and, management. of SVWDB and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely

LARRY SAUNDERS & ASSOCIATES, CPA'S LLC.



James E. Benson
Partner

jeb



Shenandoah Valley Workforce Development Board, Inc.

Financial Statements, Supplementary Information
And Reports Required by Governmental Auditing
Standards and the Uniform Guidance

Year Ended June 30, 2017



Shenandoah Valley Workforce Development Board, Inc.
Notes to Financial Statements
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Shenadoah Valley Workforce Development Board, Inc. (SVWDB)

Report on the Financial Statements

We have audited the accompanying financial statements of SVWDB (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SVWDB as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

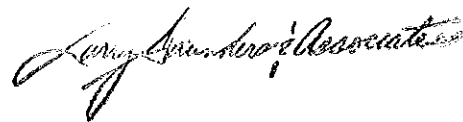
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of SVWDB'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 SVWDB's internal control over financial reporting and compliance.



Richmond, Virginia
December 15, 2017

Shenandoah Valley Workforce Development Board, Inc.
Statement of Financial Position
June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Assets			
Current Assets			
Cash	\$ 84,307	\$ -	\$ 84,307
Accounts receivable	343,489	-	343,489
Prepaid expenses	16,634	-	16,634
Total Assets	\$ 444,430	\$ -	\$ 444,430
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 397,181	\$ -	\$ 397,181
Payroll liabilities	2,065	-	2,065
Accrued annual leave	45,154	-	45,154
Total Liabilities	\$ 444,400	\$ -	\$ 444,400
Net Assets			
Unrestricted	\$ 30	\$	30
Temporarily restricted	-	-	-
Total Net Assets	\$ 30	\$ -	\$ 30
Total Liabilities and Net Assets	\$ 444,430	\$ -	\$ 444,430

Shenandoah Valley Workforce Development Board, Inc.
Statement of Activities
For the year ended June, 30 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Revenue from government grants	\$ -	\$ 3,365,970	\$ 3,365,970
Other revenues	70	44,974	45,044
Satisfaction of program restrictions	3,410,944	(3,410,944)	-
Total Support and revenue	\$ 3,411,014	\$ -	\$ 3,411,014
Expenses			
Program Services			
Subcontractor services	\$ 2,034,602	\$ -	\$ 2,034,602
Personnel	337,953	-	337,953
Training service costs	331,758	-	331,758
Occupancy	44,735	-	44,735
Office	11,920	-	11,920
Technology	56,484	-	56,484
Professional fees	1,119	-	1,119
Travel and meetings	34,969	-	34,969
Program supplies	29,425	-	29,425
Program outreach	106,157	-	106,157
Program administration	173,109	-	173,109
Total Program Services	3,162,231	-	3,162,231
Support Services			
Administrative expenses	248,783	-	248,783
Total Expenses	\$ 3,411,014	\$ -	\$ 3,411,014
Change in Net Assets	-	-	-
Net Assets			
Beginning	30	-	30
Ending	\$ 30	\$ -	\$ 30

Shenandoah Valley Workforce Development Board, Inc.
Statement of Cash Flows
For the year ended June, 30 2017

Cash Flows from Operating Activities

Change in net assets	\$ -
Adjustments to reconcile change in net asset to net cash provided by (used in) operating activities:	
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	47,320
(Increase) decrease in prepaid expenses	(3,940)
Increase (decrease) in accounts payable	(163,800)
Increase (decrease) in payroll liabilities	(1,320)
Increase (decrease) in accrued leave	2,149
Net cash provided by (used in) operating activities	<u>(119,591)</u>
 Net increase (decrease) in cash and cash equivalents	 (119,591)

Cash and Equivalents

Beginning	<u>203,898</u>
Ending	<u><u>\$ 84,307</u></u>

Shenandoah Valley Workforce Development Board, Inc.
Notes to Financial Statements
June 30, 2017

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities: The Shenandoah Valley Workforce Development Board, Inc. (SVWDB) is a non-profit organized to establish programs to prepare youth and unskilled adults for entry into the labor force and to afford job training to those economically disadvantaged individuals and other individuals facing serious barriers to employment that are in special need of training to obtain productive employment.

A summary of SVWDB's significant accounting policies follows:

Basis of Accounting: The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States; revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation: The financial statements report amounts separately by classes of net assets as follows:

Unrestricted -- Includes all resources that are expendable at the discretion of the SVWDB and have no grantor or donor imposed stipulation.

Temporarily Restricted -- Includes resources whose use by the SVWDB is limited by grantor or donor imposed stipulation that either expire by passage of time or can be fulfilled and removed by actions of the SVWDB pursuant to those stipulations.

Cash and Cash Equivalents: For the purposes of the Statement of Cash Flows, the SVWDB considers all cash accounts that are not subject to withdrawal restrictions or penalties and all highly-liquid debt instruments purchased with a maturity of less than three months to be cash equivalents.

Accounts Receivables: Accounts receivables primarily consist of reimbursable expenditures incurred on federal grants. Accounts receivables are recorded when expenditures are made that are eligible for reimbursement by a particular grant less any estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off once deemed uncollectible. There was no provision for doubtful accounts at June 30, 2017.

Concentration of Credit Risk: The SVWDB maintains its cash in bank deposit accounts which may at times exceed federally insured limits. The SVWDB has not experienced such losses in such accounts and believes it is not exposed to any significant financial risk on cash.

The SVWDB is largely dependent on federal grant and flow-through revenues to sustain its operations; a reduction of federal funding would have a significant impact on the operations of SVWDB.

The SVWDB receives a majority of its revenue from U.S. government funded grants, all of which are subject to audit. The ultimate determination of amounts received under these programs is generally based upon allowable costs reported to and subject to audit by sponsoring agencies. There exists a contingency to refund any amounts received in excess of allowable costs. The SVWDB has recognized all known liabilities to grantors.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue Recognition: Revenue from federal grants is recognized as related reimbursable expenses are incurred. Allowable expenses incurred in excess of cumulative reimbursements are reported within grant receivables.

Contribution revenue is recognized at the time an unconditional promise to give is received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions. No contribution revenue was recognized for the year ended June 30, 2017.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to programs and support services based on the activity in each respective function.

Federal Income Tax: The Internal Revenue Service has determined the SVWDB as exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for federal income tax in the accompanying financial statements. In addition, the SVWDB has been determined by the Internal Revenue Service not to be a private foundation. Income which is not related to its exempt purpose, less applicable deductions, is subject to federal and state corporate income taxes. The SVWDB has no unrelated business income for the year ended June 30, 2017.

Management has evaluated the SVWDB's tax positions and concluded that the SVWDB has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The SVWDB files income tax returns with the U.S. government and is subject to income tax examinations for the years ended June 30, 2017 to June 30, 2017.

Use of Estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Operating Leases

The SVWDB leases facilities and equipment under various operating lease agreements expiring June 2018 through March 2022. The SVWDB leases office space for its corporate office under an operating lease which expires in December 2020. The related rent expense for the year ended June, 30 2017 was \$20,654, which is included as occupancy expense on the Statement of Functional Expenses.

The SVWDB also leases space for the five workforce centers throughout the SVWDB's service region. The SVWDB also sublets a portion of the office space to other partner organizations. The related rent expense for the year ended June 30, 2017 was \$72,869, which is included as subcontractor expenses on the Statement of Functional Expenses. Rental receipts for the subleases were \$44,974 for the year ended June 30, 2017.

Shenandoah Valley Workforce Development Board, Inc.
Notes to Financial Statements
June 30, 2017

Note 2. Operating Leases (Continued)

Future minimum rental payments under these operating leases for each of the next five years are as follows:

Years Ending June 30,	Amount
2018	\$ 98,650
2019	46,949
2020	47,888
2021	37,737
2022	20,434
	<hr/> \$ 251,658

Note 3. Retirement Plan

The SVWDB provides eligible employees a defined contribution plan, which qualifies under Internal Revenue Code section 403(b). Under the plan, the SVWDB contributes to a participants account and amount equal to 11.11% of the participant's eligible compensation. Employees are eligible to contribute to the plan and all contributions are invested in various mutual funds as chosen by the participant. The SVWDB contribution to the plan for the year ended June 30, 2017 was \$49,978.

Note 4. Subsequent Events

The SVWDB evaluated subsequent events through December 15, 2017, the date the financial statements were available to be issued.

Shenandoah Valley Workforce Development Board, Inc.
Statement of Functional Expenses
For the year ended June, 30 2017

	Program Services			
	WIOA Adult	WIOA Dislocated	WIOA Out of School Youth	WIOA In School Youth
Subcontractor services	\$ 655,557	\$ 395,350	\$ 529,717	\$ 1,283
Personnel	16,703	20,075	17,153	1,887
Training service costs	-	23,471	-	-
Occupancy	1,122	1,077	710	68
Office	1,940	1,577	1,249	50
Technology	19,350	14,579	18,752	393
Professional fees	241	194	130	37
Travel and meetings	1,612	1,575	1,110	135
Program supplies	824	1,822	508	14
Program outreach	11,765	9,123	8,243	175
Program administration	56,044	53,197	57,536	6,332
	\$ 765,158	\$ 522,040	\$ 635,108	\$ 10,374

Shenandoah Valley Workforce Development Board, Inc.
Statement of Functional Expenses
For the year ended June, 30 2017

	Program Services			
	WIOA DW Transitions	H-1B OJT Grant	Community Block Grant	Job Driven NEG
Subcontractor services	\$ -	\$ 48,817	\$ -	\$ 358,824
Personnel	-	162,865	-	97,066
Training service costs	-	231,746	-	40,960
Occupancy	-	-	-	-
Office	-	785	-	5,491
Technology	-	-	-	-
Professional fees	-	517	-	-
Travel and meetings	-	11,715	-	12,892
Program supplies	-	7,018	13,582	2,682
Program outreach	15,000	61,851	-	-
Program administration	-	-	-	-
	\$ 15,000	\$ 525,314	\$ 13,582	\$ 517,915

Shenandoah Valley Workforce Development Board, Inc.
Statement of Functional Expenses
For the year ended June, 30 2017

	Program Services			
	H-1B AAI Grant	DEI Grant	Career Pathways Grant	Other
Subcontractor services	\$ 33,943	\$ 7,376	\$ 3,735	\$ -
Personnel	22,204	-	-	-
Training service costs	35,581	-	-	-
Occupancy	-	148	-	41,610
Office	8	-	820	-
Technology	-	12	34	3,364
Professional fees	-	-	-	-
Travel and meetings	5,796	-	134	-
Program supplies	2,975	-	-	-
Program outreach	-	-	-	-
Program administration	-	-	-	-
	\$ 100,507	\$ 7,536	\$ 4,723	\$ 44,974

Shenandoah Valley Workforce Development Board, Inc.
Statement of Functional Expenses
For the year ended June, 30 2017

	Program Services	Support Services	Total
	Total Program Services	Administrative Expenses	Total Expenses
Subcontractor services	\$ 2,034,602	\$ -	\$ 2,034,602
Personnel	337,953	149,197	487,150
Training service costs	331,758	-	331,758
Occupancy	44,735	21,515	66,250
Office	11,920	15,915	27,835
Technology	56,484	29,714	86,198
Professional fees	1,119	14,931	16,050
Travel and meetings	34,969	8,160	43,129
Program supplies	29,425	-	29,425
Program outreach	106,157	9,351	115,508
Program administration	173,109	-	173,109
	<u>\$ 3,162,231</u>	<u>\$ 248,783</u>	<u>\$ 3,411,014</u>

Shenandoah Valley Workforce Development Board, Inc.
Schedule of Expenditures of Federal Awards
For the year ended June, 30 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Assistance Number	Federal Contract Number	Pass Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
Department of Labor					
Pass-Through Awards:					
Virginia Community College System					
Workforce Innovation and Opportunity (WIOA) Cluster					
WIOA Adult Program	17.258	AA-26810-15-55-A-51	LWA 4-15-03	\$ 743,292	\$ 583,754
WIOA Adult Program	17.258	AA-28347-16-55-A-51	LWA 4-16-03	54,770	41,512
WIOA Dislocated Worker Program	17.278	AA-26810-15-55-A-51	LWA 4-15-03	401,854	302,239
WIOA Dislocated Worker Program	17.278	AA-28347-16-55-A-51	LWA 4-16-03	153,583	67,227
WIOA Youth Program	17.259	AA-26810-15-55-A-51	LWA 4-15-03	577,251	417,240
WIOA Youth Program	17.259	AA-28347-16-55-A-51	LWA 4-16-03	105,726	74,077
WIA/WIOA National Emergency Grants (NEG)	17.277	EM-25880-14-60-A-51	LWIA 4 JD NEG MOU 1	567,797	353,911
WIOA Dislocated Worker National Reserve					
Technical Assistance and Training					
Total Workforce Innovation and Opportunity (WIOA) Cluster	17.281	MI-27276-15-60-A-51	LWDA 4-15-01 NR	15,000	-
				2,619,273	1,839,960
Virginia Department of Aging and Rehabilitative Services					
Employment Service Cluster					
Employment Service/Wagner-Peyser Funded Activities	17.207	MI-25170-13-75-A-51	MOU-14-275	7,536	-
Total Pass-Through Awards				2,626,809	1,839,960
Direct Awards:					
Research & Development Cluster					
H-1B Technical Skills Training Grant	17.268	HG-22721-12-60-A-51	N/A	604,447	48,335
H-1B Technical Skills Training Grant	17.268	AP-28027-15-60-A-51	N/A	116,479	33,943
Total Direct Awards				720,926	82,278
Total Department of Labor				3,347,735	1,922,238

Shenandoah Valley Workforce Development Board, Inc.
Schedule of Expenditures of Federal Awards
For the year ended June, 30 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Federal Contract Number	Pass Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
Department of Housing and Urban Development Pass-Through Awards: City of Harrisonburg, Virginia <i>Entitlement Grants Cluster</i> Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-51-00-29	16CDBG06	\$ 13,582 \$	-
Total Department of Housing and Urban Development				13,582	-
Department of Education Pass-Through Awards: Virginia Department of Aging and Rehabilitative Services Rehabilitation Services Demonstration and Training Programs	84.235N	H-235-N-15-00-08	MOA No. 16-195	4,723	-
Total Department of Education				4,723	-
Total Expenditures of Federal Awards				\$ 3,366,040 \$	1,922,238

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards*.

Summary of Significant Accounting Policies: The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The SVWDB has not elected to use the 10-percent de minimis indirect cost rate.



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

To the Board of Trustees of
Shenandoah Valley Workforce Development Board, Inc. (SVWDB)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of SVWDB (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SVWDB'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SVWDB's internal control. Accordingly, we do not express an opinion on the effectiveness of SVWDB'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.

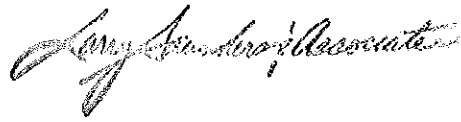
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 SVWDB'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Amy Anderson".

Richmond, Virginia
December 15, 2017



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

To the Board of Trustees of
Shenandoah Valley Workforce Development Board, Inc. (SVWDB)

Report on Compliance for Each Major Federal Program

We have audited SVWDB's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SVWDB's major federal programs for the year ended June 30, 2017. SVWDB's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SVWDB's compliance.

Opinion on Each Major Federal Program

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

Other Matters

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

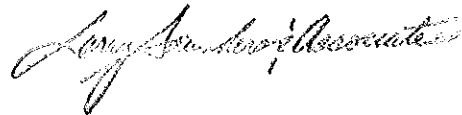
Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script, appearing to read "Amy A. Lewis".

Richmond, Virginia
December 15, 2017

SHENANDOAH VALLEY WORKFORCE DEVELOPMENT BOARD, INC.

Schedule of Findings and Questioned Cost

For the year ended June 30, 2017

A. SUMMARY AUDIT RESULTS

1. The type of report issued on the financial statements: Unmodified opinion
2. Significant deficiency disclosed during the audit of the financial statements: None reported
3. Noncompliance which is material to the financial statements: No
4. The type of report issued on compliance for major programs: Unmodified opinion
5. Major programs: WIOA Program Cluster CFDA: 17.258, 17.278, 17.259 AND 17.277
Research & Development Cluster CFDA: 17.268
6. Dollar threshold used to determine Type A and Type B programs: \$750,000 and \$300,000.
7. Auditee qualified as a low –risk auditee under Sub-Part F of the Uniform Administrative Requirements, cost Principles and audit Requirements of Federal Awards: Yes

Prior Year Audit Follow-Up

There were no prior year findings.