

Audited  
Financial  
Statements

September 30,  
2017

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**CUMBERLAND VALLEY  
RAILS TO TRAILS  
COUNCIL, INC.**

## CONTENTS

	PAGE
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 3
<b>FINANCIAL STATEMENTS</b>	
Statement of assets and net assets – Modified cash basis	4
Statement of support, revenue and expenses – Modified cash basis	5
Notes to financial statements	6 - 9
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	10
Notes to the schedule of expenditures of federal awards	11
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	12 - 13
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	14 - 15
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	16 - 19



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cumberland Valley Rails to Trails Council, Inc.  
Shippensburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Cumberland Valley Rails to Trails Council, Inc. (a nonprofit organization) which comprise the statement of assets and net assets – modified cash basis as of September 30, 2017, and the related statement of support, revenue, and expenses – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 qualified audit opinion.

### ***Basis for Qualified Opinion***

Because of the lack of available documentation to support the historical cost of fixed assets of the Organization and the related accumulated depreciation, we were unable to determine whether any adjustments were necessary regarding \$ 2,984,737 of property and equipment in the accompanying statement of assets and net assets and the depreciation expense of \$ 12,696 in the accompanying statement of support, revenue, and expenses.

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets and net assets of Cumberland Valley Rails to Trails Council, Inc. as of September 30, 2017, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 June 13, 2018 on our consideration of the Cumberland Valley Rails to Trails Council, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cumberland Valley Rails to Trails Council, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cumberland Valley Rails to Trails Council, Inc.'s internal control over financial reporting and compliance.

*Smith Elliott Hearn, Company, LLC*

Carlisle, Pennsylvania  
June 13, 2018

**CUMBERLAND VALLEY RAILS TO TRIALS COUNCIL, INC.**  
**Statement of Assets and Net Assets – Modified Cash Basis**  
**September 30, 2017**

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<b>CURRENT ASSETS</b>	
Cash and cash equivalents	<u>\$ 133,525</u>
<b>PROPERTY AND EQUIPMENT</b>	
Land	2,976,555
Land improvements	622,887
Machinery and equipment	53,216
Construction in progress	<u>835,861</u>
	4,488,519
Less accumulated depreciation	<u>55,609</u>
Property and equipment, net	<u>4,432,910</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,566,435</u></u>
<b>NET ASSETS</b>	
Temporarily restricted	\$ 110,000
Unrestricted	<u>4,456,435</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 4,566,435</u></u>

**CUMBERLAND VALLEY RAILS TO TRIALS COUNCIL, INC.**  
**Statement of Support, Revenue, and Expenses – Modified Cash Basis**  
**Year Ended September 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
Membership	\$ 7,391	\$ -	\$ 7,391
Contributions	40,366	-	40,366
Grants	1,246,518	110,000	1,356,518
Net fundraising income	7,168	-	7,168
Interest income	1,111	-	1,111
Total support and revenue	<u>1,302,554</u>	<u>110,000</u>	<u>1,412,554</u>
<b>Expenses</b>			
Program	28,075	-	28,075
Management and general	2,925	-	2,925
Total expenses	<u>31,000</u>	<u>-</u>	<u>31,000</u>
Changes in net assets	1,271,554	110,000	1,381,554
Net assets - Beginning	<u>3,184,881</u>	<u>-</u>	<u>3,184,881</u>
Net assets - Ending	<u>\$ 4,456,435</u>	<u>\$ 110,000</u>	<u>\$ 4,566,435</u>

**CUMBERLAND VALLEY RAILS TO TRAILS COUNCIL, INC.**  
**Notes to the Financial Statements**  
**September 30, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***Purpose of Organization***

Cumberland Valley Rails to Trails Council, Inc. was organized in 1990 to promote the establishment of multi-use public recreation trails, primarily along abandoned railroad rights-of-way located throughout the Cumberland Valley region of Pennsylvania.

***Basis of Accounting***

The Organization's policy is to prepare its financial statements on a modified cash that includes recording depreciation on long-lived assets. Under this basis, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Consequently, accounts receivable, accounts payable, and accrued expenses are not included on the financial statements. If an expenditure results in acquisition of an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated over the estimated useful life of the asset.

***Net Assets***

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

**Unrestricted:** Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

**Temporarily Restricted:** Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

**Permanently Restricted:** Net assets subject to donor-imposed restrictions that are to be maintained by the Organization. The Organization had no permanently restricted net assets at September 30, 2017.

***Property, Equipment, and Depreciation***

Property and equipment is stated at cost, and depreciation is computed utilizing the straight-line method over the estimated useful lives of the depreciable assets. Land is not depreciated. The Organization follows the policy of capitalizing items with useful lives greater than one year.

**Estimated Lives**

Machinery and equipment	5 - 10 years
Land improvements (beginning 2017)	20 years

Expenditures for maintenance and repairs are charged to expenses as incurred. When assets are sold, the cost and related accumulated depreciation amounts are removed from the books,



**CUMBERLAND VALLEY RAILS TO TRAILS COUNCIL, INC.**  
**Notes to the Financial Statements**  
**September 30, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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with any gain or loss being reflected in the statements of support, revenue, and expenses – modified cash basis.

***Income Tax Status***

The Organization is a not-for-profit corporation as described under Section 501(c)(3) of the Internal Revenue Code and, is exempt from federal income tax. The Organization is considered a public charity. The Organization files a Form 990 “Return of Organization Exempt from Income Tax”. The Form 990 is generally subject to examination for a period of three years after the returns are filed.

***Functional Expenses***

The costs of providing various programs and supporting services have been summarized on a function basis in the statements of support, revenue, and expenses – modified cash basis. Expenses are charged directly to program or support services based on specific identification to the function.

***Concentrations***

The Organization maintains its cash balance in one financial institution. At times, the amount on deposit may exceed federally insured (FDIC) limits. Management considers this to be a normal business risk.

***Use of Estimates***

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Advertising***

The Organization expenses advertising costs as incurred. Advertising expense for the year ended September 30, 2017 was \$ 458.

**NOTE 2 CONTRIBUTED SERVICES**

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A substantial number of unpaid volunteers have made significant contributions of their time to the program. These services do not meet the recognition requirements under the modified cash basis of accounting and are not reflected in these statements. However, the commitment of these volunteers was greatly appreciated and helped Cumberland Valley Rails to Trails Council, Inc. fulfill its mission.

**CUMBERLAND VALLEY RAILS TO TRAILS COUNCIL, INC.**  
**Notes to the Financial Statements**  
**September 30, 2017**

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**NOTE 3 FUNDRAISING ACTIVITIES**

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The Organization reports fundraising activities net of expenses paid. The schedule below summarizes gross revenue collected and direct expenses paid for each activity.

	<u>2017</u>		
	<u>Gross Revenue Collected</u>	<u>Direct Expenses Paid</u>	<u>Excess (Deficiency)</u>
Fall Down on the Trail	\$ 1,378	\$ 240	\$ 1,138
Race, Run, Ride, & Ramble	10,006	5,258	4,748
Solstice	<u>2,115</u>	<u>833</u>	<u>1,282</u>
Net fundraising income	<u>\$ 13,499</u>	<u>\$ 6,331</u>	<u>\$ 7,168</u>

**NOTE 4 FUNCTIONAL EXPENSES**

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	<u>2017</u>		
	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Trail maintenance	\$ 12,492	\$ -	\$ 12,492
Insurance	1,370	890	2,260
Advertising	458	-	458
Postage	-	94	94
Office and telephone	-	572	572
Accounting	-	464	464
Vehicle registration	70	-	70
Membership dues	-	905	905
Trail planning	989	-	989
Depreciation	<u>12,696</u>	<u>-</u>	<u>12,696</u>
	<u>\$ 28,075</u>	<u>\$ 2,925</u>	<u>\$ 31,000</u>

**NOTE 5 RESTRICTED NET ASSETS**

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Temporarily restricted net assets are restricted to the following purposes at September 30:

	<u>2017</u>
Carlisle Trail Extension - Route 233 to Mt. Rock Road	<u>\$110,000</u>

**CUMBERLAND VALLEY RAILS TO TRAILS COUNCIL, INC.**  
**Notes to the Financial Statements**  
**September 30, 2017**

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**NOTE 6 CONTRACTUAL COMMITMENTS**

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The Organization has entered into an agreement with Wilson Consulting Group, PC for \$ 24,383 for engineering services related to the trail expansion in Newville from Route 233 to Mt. Rock Road of which \$ 8,773 has been paid on this contract as of September 30, 2017.

The Organization has entered into an agreement with Wilson Consulting Group, PC for \$ 11,754 for engineering services related to the trail expansion in Newville from Mt. Rock Road to Green Hill Road of which \$ 4,464 has been paid on this contract as of September 30, 2017.

The Organization has entered into an agreement with TRC Engineers, Inc. for a maximum of \$ 75,404 for engineering services related to the trail expansion in Shippensburg of which \$ 54,423 has been paid on this contract as of September 30, 2017.

The Organization has entered into an agreement with Hempt Bros., Inc. for a maximum of \$ 815,561 for construction services related to the trail expansion in Shippensburg of which \$ 753,473 has been paid on this contract as of September 30, 2017.

**NOTE 7 SUBSEQUENT EVENTS**

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The Organization has evaluated events and transactions subsequent to September 30, 2017 through June 13, 2018, the date these financial statements were available to be issued. Based on the definitions and requirements of the modified cash basis of accounting, management has not identified any events that require recognition or disclosure in the financial statements.

**CUMBERLAND VALLEY RAILS TO TRAILS, COUNCIL, INC.  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program of Cluster Title	CFDA Number	Pass-Through Number	Passed Through to Sub recipients	Federal Expenditures
<b>Department of Transportation</b>				
Highway Planning and Construction Cluster:				
Recreational Trails Program:				
Passed through Pennsylvania Department of Transportation	20.219	08A321	\$ -	\$ 807,896
Passed through Pennsylvania Department of Conservation and Natural Resources	20.219	BRC-PRT-17-78	-	14,728
Passed through Pennsylvania Department of Conservation and Natural Resources	20.219	BRC-PRT-20-212	-	437,754
<b>Total Highway Planning and Construction Cluster/Total expenditures of federal awards</b>				<b>\$ 1,260,378</b>

**CUMBERLAND VALLEY RAILS TO TRAILS COUNCIL, INC.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**September 30, 2017**

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**Note 1 BASIS OF PRESENTATION**

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The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Cumberland Valley Rails to Trails Council, Inc. presented on the modified cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cumberland Valley Rails to Trails Council, Inc. it is not intended to and does not present the financial position or results of operations on a modified cash basis of Cumberland Valley Rails to Trails Council, Inc.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Expenditures on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Cumberland Valley Rails to Trails Council, Inc. has elected not to use the 10% 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***

Board of Directors  
Cumberland Valley Rails to Trails Council, Inc.  
Shippensburg, Pennsylvania

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 Cumberland Valley Rails to Trails Council, Inc. (a nonprofit organization), which comprise the statement of assets and net assets – modified cash basis as of September 30, 2017, and the related statement of support, revenue, and expenses – modified cash basis, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2018 .

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cumberland Valley Rails to Trails Council, Inc.'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 Cumberland Valley Rails to Trails Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cumberland Valley Rails to Trails Council, Inc.'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 the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2017-001, 2017-002, and 2017-003, that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cumberland Valley Rails to Trails Council, Inc.'s financial statements are free of 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*.

## Cumberland Valley Rails to Trails Council, Inc.'s Responses to Findings

Cumberland Valley Rails to Trails Council, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Cumberland Valley Rails to Trails Council, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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.



Carlisle, Pennsylvania  
June 13, 2018



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

Board of Directors  
Cumberland Valley Rails to Trails Council, Inc.  
Shippensburg, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited Cumberland Valley Rails to Trails Council, Inc.'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 Cumberland Valley Rails to Trails Council, Inc.'s major federal programs for the year ended September 30, 2017. Cumberland Valley Rails to Trails Council, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Cumberland Valley Rails to Trails Council, Inc.'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 Cumberland Valley Rails to Trails Council, Inc.'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 Cumberland Valley Rails to Trails Council, Inc.'s compliance.



## ***Opinion on Each Major Federal Program***

In our opinion, Cumberland Valley Rails to Trails Council, Inc. 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 September 30, 2017.

## **Report on Internal Control Over Compliance**

Management of Cumberland Valley Rails to Trails Council, Inc. 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 Cumberland Valley Rails to Trails Council, Inc.'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 Cumberland Valley Rails to Trails Council, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-004, that we consider to a material weakness.

Cumberland Valley Rails to Trails Council, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cumberland Valley Rails to Trails Council, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Smith Elliott Keown, Company, LLC*

Carlisle, Pennsylvania  
June 13, 2018

**CUMBERLAND VALLEY RAILS TO TRAILS COUNCIL, INC.**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2017**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported

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

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516  Yes  No

Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
20.219	Highway Planning and Construction Cluster Recreational Trails Program

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

Auditee qualified as low-risk auditee?  Yes  No

## **Section II – Financial Statement Findings**

### **A. Material Weaknesses in Internal Control:**

#### **2017-001 Lack of Segregation of Duties**

**Criteria:** In an ideal system of internal control, the Organization would have multiple levels of review so the work of one individual is under constant review of another individual.

**Condition/Context:** An overall lack of segregation of duties was noted for cash receipts, cash disbursements and journal entries as the duties for these functions are performed by the same individual.

**Effect:** A lack of segregation of duties provides the opportunity for defalcation or irregularities to occur which may not be detected by the Board of Directors in the normal course of business.

**Cause:** This situation is not uncommon for similar organizations of this size since they cannot justify, on a cost versus benefit basis, the additional individuals needed to appropriately segregate duties.

**Recommendation:** In order to strengthen internal controls we recommend the Organization consider the following:

1. Cash receipts should ideally be obtained by an individual other than the person who records the transactions. This person should make a listing of the receipts and deposit the funds. The record of the deposits would be given to the Treasurer to record in the general ledger.
2. All invoices should be approved for payment by someone other than the Treasurer. Dual signatures should be required on all checks, not just ones over \$ 500. This would help to detect checks written for more than \$ 500 and not presented for a second signature.
3. All bank reconciliations prepared by the Treasurer should be approved by another Officer or Board Member. The reviewing individual should agree the balance per bank to the bank statement and the balance per the books to the general ledger, and question any reconciling items which appear to be unusual or do not clear the bank timely. This review needs to be documented by the reviewer initialing and dating when this process is completed.

#### **Views of Responsible Officials and Planned Corrective Actions:**

1. Cash receipts will be obtained by an individual other than the Treasurer. This person should make a record of the receipts before passing them off to the Treasurer for deposit.
2. All invoices will be approved for payment by two board members. Dual signatures will be required on all checks over \$ 500 and checks under \$ 500 that have not been approved by two board members.
3. All bank reconciliations prepared by the Treasurer will be reviewed by another Board Member. The reviewing individual will agree the balance per the bank to the bank statement and the balance per the books to the general ledger, and question any reconciling items which appear to be unusual or do not clear the bank timely. The review will be documented by the reviewer initialing and dating when this process is completed.

## **Section II – Financial Statement Findings (Continued)**

### **2017-002 Lack of Support for Fixed Assets**

**Criteria:** Supporting documentation should be maintained for capital expenditures. Once capitalized, the items should be depreciated if appropriate, using a reasonable, consistent method.

**Condition/Context:** The Organization was unable to support a significant portion of the historical costs of the fixed assets of the Organization since inception. In addition, land improvements were not consistently tracked and depreciated.

**Effect:** The historical cost for the fixed assets could not be verified and it appears land improvements from prior years have not been depreciated consistently.

**Cause:** The Organization has had various volunteer Treasurers and records have apparently become misplaced over the years. The rotation in volunteer Treasurers also caused inconsistencies in the treatment of items to be depreciated.

**Recommendation:** We recommend supporting documentation be maintained for all fixed asset additions going forward. A recommendation would be to maintain the supporting invoices in a file by project with a summary sheet reconciling the underlying supporting invoices which agrees to the fixed assets ledger, as was done for current year additions. We also recommend a policy be developed to assist the current Treasurer and future Treasurers in identifying land improvements from land purchases and the accepted dollar threshold for capitalization, depreciation method, and life for these expenditures.

#### **Views of Responsible Officials and Planned Corrective Actions:**

Supporting documentation will be maintained for all fixed asset additions going forward. Supporting invoices will be maintained in a file by project with a summary sheet reconciling the underlying supporting invoices which ties to the fixed assets ledger. CVRTC will develop a policy to assist the current and future Treasurers in identifying land improvements from land purchases and the accepted dollar threshold for capitalization, depreciation method, and life for these expenditures.

### **2017-003 Improper Recording of Grant Income**

**Criteria:** Under the modified cash basis of accounting utilized by the Organization, receipts should be recognized as revenue at the time they are received.

**Condition/Context:** The Organization records grant income as deferred revenue when funds are received and does not reclassify the receipts to revenue.

**Effect:** Grant income is not being recognized as income without audit adjustment.

**Cause:** All grant income is recorded as deferred revenue as received with no subsequent journal entry to record income.

**Recommendation:** Begin recognizing grants as income at the time of receipt in accordance with the modified cash basis of accounting.

## **Section II – Financial Statement Findings (Continued)**

**Views of Responsible Officials and Planned Corrective Actions:** Grants will be recognized as income at the time of receipt.

### **B. Compliance Findings**

There were no compliance findings related to the financial statement audit required to be reported.

## **Section III – Federal Findings and Questioned Costs**

### **A. Material Weakness on Internal Control over Compliance**

**CFDA Number and Title:**

20.219 Highway Planning and Construction Cluster –  
Recreational Trails Program

**Federal Grantor Name:** Department of Transportation

**Federal Award/Contract Number:** 08A321  
BRC-PRT-17-78  
BRC-PRT-20-212

**Grant Period:** October 1, 2016 to September 30, 2017

**Passthrough entity name:** Pennsylvania Department of Transportation  
Pennsylvania Department of Conservation and  
Natural Resources

#### **2017-004 Lack of Segregation of Duties**

See Finding 2017-001. There were no questioned costs as a result of this finding. It was not a repeat finding.

### **B. Compliance Findings**

There were no compliance findings related to the major federal programs required to be reported.