

DISTRICT 19 COMMUNITY SERVICES BOARD



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

INTRODUCTORY SECTION

**DISTRICT 19
COMMUNITY SERVICES BOARD**

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2015**

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements

As of June 30, 2015

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DISTRICT 19 COMMUNITY SERVICES BOARD

BOARD OF DIRECTORS

Donald Hunter - Chairman
Shel Bolyard-Douglas - Vice-Chairman
Sherry Saunders - Treasurer
Carolyn Thompson
W. Joe Green, Jr.
John H. Weigel
Rhonda Greene
Ronald W. Washington
Brenda Ebron-Conner
Rose Mastracco
Jennifer Moore
Mark Payne
Frances Randolph
Dr. Phyllis Moore-Tolliver
Patricia Harper - Ex Officio
Stephanie Parker - Ex Officio

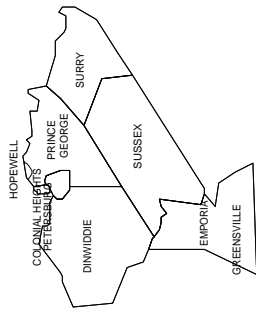
Prince George County
Prince George County
City of Emporia
City of Colonial Heights
City of Colonial Heights
City of Hopewell
City of Petersburg
City of Petersburg
Dinwiddie County
Dinwiddie County
Greensville County
Prince George County
Surry County
Sussex County
Fort Lee
Fort Lee

LEADERSHIP TEAM

Joseph E. Hubbard
Lisa B. Clark
Sherri Diven
Jennifer Kirkland
Carol Webster
Karen Louis
Melissa DeVault

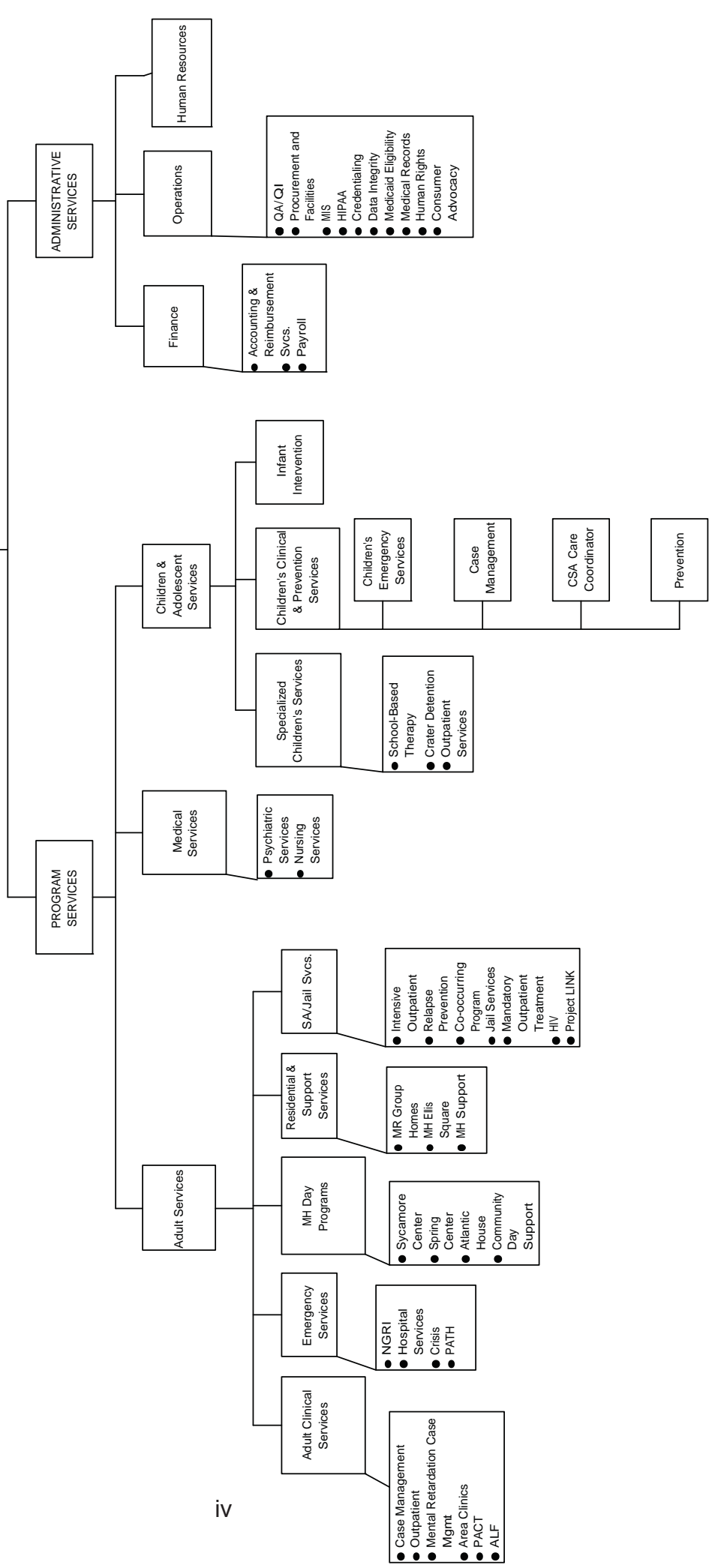
Executive Director
Director of Finance
Director of Children's and Adolescent Services
Director of Operations
Director of Adult Services
Manager of Psychiatric Nursing Services
Manager of Community Integration

DISTRICT 19 COMMUNITY SERVICES BOARD



BOARD OF DIRECTORS

Executive Director



FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY CORPORATION

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
DISTRICT 19 COMMUNITY SERVICES BOARD
PETERSBURG, VIRGINIA

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of District 19 Community Services Board, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board'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 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; 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District 19 Community Services Board, as of June 30, 2015, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the Community Services Board adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-8 and 46-49 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise District 19 Community Services Board's basic financial statements. The introductory section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of District 19 Community Services Board'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 District 19 Community Services Board's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a horizontal line.

Richmond, Virginia
November 18, 2015

DISTRICT 19 COMMUNITY SERVICES BOARD
Management's Discussion & Analysis
Year Ended June 30, 2015

The following Management Discussion and Analysis (MD&A) of District 19 Community Services Board (CSB) financial performance provides the reader with an overview of the CSB financial statements for the fiscal year ended June 30, 2015.

Following this MD&A are the basic financial statements of the CSB. These financial statements should be read in conjunction with the notes to the financial statements, as the notes are an integral part of the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The CSB presents three basic financial statements: a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

The CSB's financial position is measured in terms of the assets we own and the liabilities we owe on the reporting date. This information is reported on the Statement of Net Position and reflects our assets in relation to what we owe to our suppliers, employees and other creditors. The excess of our assets over our liabilities represents our equity, or net position.

The financial results of the CSB's operating activities are reported in the Statement of Revenues, Expenses and Changes in Net Position.

The Statement of Cash Flows describes the flow of cash resources into the CSB from operating activities and investment income and the out flows of cash to pay operating expenses, purchase capital equipment and to repay debt.

FINANCIAL SUMMARY

Financial Position: A summary of the CSB's Statement of Net Position for the years ended June 30, 2015 and 2014 are presented below:

	2015	2014
Current Assets	\$ 3,615,310	\$ 4,237,274
Property and Equipment, less Accumulated Depreciation	\$ 1,003,000	\$ 950,379
Net Pension Asset	2,749,205	-
TOTAL ASSETS	\$ 7,367,515	\$ 5,187,653
 DEFERRED OUTFLOWS OF RESOURCES	 \$ 395,794	 \$ -
Current Liabilities	\$ 801,382	\$ 532,382
Long Term Liabilities	1,051,115	1,357,048
TOTAL LIABILITIES	\$ 1,852,497	\$ 1,889,430
 DEFERRED INFLOWS OF RESOURCES	 \$ 1,842,088	 \$ -
 Net Position:		
Invested in Capital Assets	\$ 1,003,000	\$ 950,379
Unrestricted	3,065,724	2,347,844
TOTAL NET POSITION	\$ 4,068,724	\$ 3,298,223

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations.

The financial condition of the CSB increased in 2015 compared to 2014. Net Position increased by \$770,501. Overall the CSB's financial position remained strong.

Change in Net Position: A summary of the CSB's Statement of Revenues, Expenses and Net Position for the years ended June 30, 2015 and 2014 are presented below:

	2015	2014
Operating Revenues	\$ 6,134,839	\$ 7,392,052
Operating Expenses	16,745,759	17,711,244
Operating Income (Loss)	\$ (10,610,920)	\$ (10,319,192)
Non-operating Income	10,108,593	9,878,662
Change in Net Position	\$ (502,327)	\$ (440,530)

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations,

Operating Revenues represent the revenue received from providing patient (consumer) services. The largest source of patient service revenue to the CSB is Medicaid. Net Patient Service Fees decreased by \$1,257,213. Medicaid revenues from several programs decreased from 2014 to 2015 and the board closed one Medicaid program in late 2014.

Operating Expenses decreased by \$965,485. Operating Expenses include staff salaries and benefits, supply purchases, minor (non-capitalized) equipment purchases, payments for contract services and lease payments.

Non-operating revenues (expenses) consist of state, local and federal appropriations, regional funding and interest income from investments.

Cash Flows: A summary of the CSB's Statement of Cash Flows for 2015 and 2014 are presented below:

	2015	2014
Cash Flows from Operating Activities	\$ (10,457,430)	\$ (9,528,295)
Cash Flows from Non-Capital Activities	10,235,444	9,660,195
Cash Flows from Capital Activities	(235,623)	(119,566)
Cash Flows from Investing Activities	2,468	5,986
Net Increase (Decrease) in Cash	\$ (455,141)	\$ 18,320
Cash-Beginning of Year	2,874,919	2,856,599
Cash-End of Year	\$ 2,419,778	\$ 2,874,919

Cash flows (use of cash) for operating activities increased by \$929,135 in 2015 over 2014. This is primarily the result of a decrease in operating revenues.

Cash flows from non-capital activities increased by \$575,249 in 2015 over 2014. This is primarily the result of a increase in government and other agency grants.

Cash flows from non-capital, capital and investing activities did not change significantly from fiscal year 2014 to 2015.

Capital Assets and Debt Administration

Capital Assets

The CSB had \$1,003,000 in net capital assets at June 30, 2015. In 2015 the CSB acquired \$235,623 in capitalized fixed assets and disposed of \$325,762.

Long-Term Debt

The CSB had no mortgages outstanding in FY 2015. Long term liabilities consist entirely of compensated absences and other post-employment benefits.

REQUEST FOR INFORMATION

This financial report is designed to provide the citizens, clients and taxpayers a general overview of the financial operations of the CSB. Questions concerning this report or requests for additional financial information should be addressed in writing to the Director of Finance, District 19 Community Services Board, 20 W. Bank Street, Suite 2, Petersburg, Virginia 23803.

DISTRICT 19 COMMUNITY SERVICES BOARD

Statement of Net Position

At June 30, 2015

ASSETS

Current Assets:

Cash and cash equivalents	\$ 2,419,778
Client receivables	927,934
Receivables from other governmental units	88,117
Prepaid insurance	<u>179,481</u>
Total current assets	\$ <u>3,615,310</u>

Other Assets:

Net pension asset	\$ <u>2,749,205</u>
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Capital Assets:

Property and equipment, less accumulated depreciation	\$ <u>1,003,000</u>
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Total assets	\$ <u>7,367,515</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension contributions subsequent to measurement date	\$ <u>395,794</u>
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LIABILITIES

Current Liabilities:

Accounts payable	\$ 714,891
Current portion of compensated absences	<u>86,491</u>

Total current liabilities	\$ <u>801,382</u>
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Long-term Liabilities:

Noncurrent portion of compensated absences	\$ 778,419
Other post-employment benefits obligation	<u>272,696</u>

Total long-term liabilities	\$ <u>1,051,115</u>
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Total liabilities	\$ <u>1,852,497</u>
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DEFERRED INFLOWS OF RESOURCES

Items related to measurement of net pension asset	\$ <u>1,842,088</u>
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NET POSITION

Investment in capital assets	\$ 1,003,000
Unrestricted	<u>3,065,724</u>

Total net position	\$ <u><u>4,068,724</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

DISTRICT 19 COMMUNITY SERVICES BOARD

Statement of Revenues, Expenses & Changes in Net Position
Year Ended June 30, 2015

Operating revenues:	
Patient service fees	\$ <u>6,134,839</u>
Operating expenses:	
Personnel	\$ 9,823,032
Fringe Benefits	2,103,903
Purchased services	1,380,179
Other charges	2,403,384
Leases and rentals	852,259
Depreciation	183,002
Total operating expenses	\$ <u>16,745,759</u>
Operating income (loss)	\$ <u>(10,610,920)</u>
Non-operating revenues (expenses):	
Appropriations:	
Commonwealth of Virginia, including pass-through grants of \$1,544,325 from the federal government	\$ 7,816,882
Local governments	746,240
Other agencies	1,350,115
Interest income	2,468
Miscellaneous local	<u>192,888</u>
Total non-operating revenues (expenses)	\$ <u>10,108,593</u>
Change in net position	\$ (502,327)
Net position at beginning of year, as restated	<u>4,571,051</u>
Net position at end of year	\$ <u><u>4,068,724</u></u>

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

DISTRICT 19 COMMUNITY SERVICES BOARD

Statement of Cash Flows

Year Ended June 30, 2015

Cash flows from operating activities:	
Receipts from customers	\$ 6,209,467
Payments to suppliers and employees	<u>(16,666,897)</u>
Total cash provided by (used for) operating activities	\$ <u>(10,457,430)</u>
Cash flows from non-capital and related financing activities:	
Government and other agency grants	\$ 10,042,556
Other	<u>192,888</u>
Total cash provided by (used for) non-capital and related financing activities	\$ <u>10,235,444</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ <u>(235,623)</u>
Cash flows from investing activities:	
Interest income	\$ <u>2,468</u>
Net increase (decrease) in cash and cash equivalents	\$ (455,141)
Cash and cash equivalents, beginning of year	<u>2,874,919</u>
Cash and cash equivalents, end of year	\$ <u><u>2,419,778</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (10,610,920)
Adjustments to reconcile operating income (loss) to total cash provided by (used for) operating activities:	
Depreciation	183,002
Changes in assets, liabilities, and deferred inflows/outflows of resources:	
Client receivables	74,628
Prepaid items	(37,124)
Net pension asset	(2,248,402)
Deferred outflows of resources	19,157
Accounts payable	268,457
Other post-employment benefits obligation	46,253
Compensated absences	5,431
Deferred inflows of resources	<u>1,842,088</u>
Cash flows provided by (used in) operating activities	\$ <u><u>(10,457,430)</u></u>

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

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements

As of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description and Purpose of Agency

The Board operates as an agent for the Cities of Petersburg, Hopewell, Colonial Heights, and Emporia and the Counties of Sussex, Surry, Prince George, Greensville, and Dinwiddie in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 Title 37.2 of the Code of Virginia (1950), as amended, relating to the Virginia Department of Behavioral Health and Developmental Services. The Board provides a system of community mental health, mental retardation, and substance abuse services which are developed in and meet the needs of the participating localities.

B. Reporting Entity

For financial reporting purposes, in conformance with GASB Statement 14, The Reporting Entity, as amended by GASB Statement 39, Determining Whether Certain Organizations are Component Units and GASB Statement 61, The Financial Reporting Entity, the Board includes all organizations for which it is considered financially accountable.

C. Individual Component Unit Disclosures

Blended Component Units - The Board has no blended component units.

Discretely Presented Component Units - The Board has no discretely presented component units.

D. Basis of Accounting

The Board is funded by Federal, State and local funds. Its accounting policies are governed by applicable provisions of these grants and applicable pronouncements and publications of the grantors. The Board utilizes the accrual basis of accounting where revenues are recorded when earned and expenses recorded when incurred, regardless of when the related cash flow takes place.

E. Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) **As of June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Enterprise Fund Accounting

District 19 Community Services Board is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. For financial reporting purposes, the Board utilizes the enterprise fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

G. Use of Estimates

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

H. Cash and Cash Equivalents

The Board maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the Code of Virginia. The Act requires financial institutions to meet specific collateralization requirements. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less at the date of acquisition.

I. Investments

Investments, when applicable, are stated at fair value.

J. Net Client Service Revenue

Net client service revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement.

The Board bills and collects fees for services from its clients. At June 30, 2015, the Board was due \$927,934 in client receivables which was made up of Medicaid funds and other client fees. When applicable, the Board calculates its allowance for uncollectible accounts using historical data. The allowance for uncollectible accounts was \$44,153 at June 30, 2015.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Financial Assistance

The Board is required to collect the cost of services from third party sources and those individuals who are able to pay. However, the payment of amounts charged is based on individual circumstances and unpaid balances are pursued to the extent of the client's ability to pay. The Board has established procedures for granting financial assistance in cases of hardship. The granting of financial assistance results in substantial reduction and/or elimination of charges to individual clients. Because the Board does not pursue the collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

L. Capital Assets

Capital assets acquired are recorded at cost. The Board follows the practice of capitalizing all expenditures for property and equipment increases of \$5,000 with an expected life greater than one year. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 30 years and is computed using the straight-line method. Donated capital assets are recorded at the estimated fair market value at the time of the gift. No capitalized interest is included in reported historical costs.

M. Restricted Assets

The Board segregates monies held on behalf of third parties and restricted donations which have not been totally expended for their intended purposes.

N. Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses are defined as those items that result from providing services, and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investment and other income. Nonoperating expenses are defined as noncapital related financing and other expenses.

O. Compensated Absences

The Board's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of services.

Employees terminating their employment are paid by the Board their accumulated annual leave up to the maximum limit. Unused sick leave is paid at the date of separation based on length of service.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Compensated Absences (Continued)

The liabilities for annual and sick leave have been recorded in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Accordingly, the amount of annual and sick leave recognized as expense is the amount earned during the year. The balance at June 30, 2015 was \$864,910.

P. Budgetary Accounting

The Board follows these procedures in establishing its budgets:

1. In response to Letters of Notification received from the Department of Behavioral Health and Developmental Services (the Department), the Board submits a Performance Contract to the Department. This application contains budgets for core services.
2. The Board's Performance Reports are filed with the Department during the fiscal year, 45 working days after the end of the second quarter. The final quarterly report is due by September 15 (unless extended), following the end of the fiscal year.
3. If any changes are made during the fiscal year in state or federal block grants, or local match funds, the Board submits Performance Contract revisions that reflect these changes in time to be received by required deadlines.

Q. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of net 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 resource until then. The Board only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset measurement date, which will be recognized as an increase of the net pension asset next fiscal year. For more detailed information on these items, reference the pension note.

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 Board has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension asset are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Board's Retirement Plan and the additions to/deductions from the Board's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

T. Net Position Flow Assumption

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g. restricted bond or 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 Board's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

U. Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The Board implemented the financial reporting provisions of the above statements for the fiscal year ended June 30, 2015. These statements establish standards for measuring and recognizing liabilities, assets, deferred outflows of resources, and deferred inflows of resources, and expenses related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these statements resulted in a restatement of net position, reference Note 14.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2015

NOTE 2 - 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. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the Board 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). At June 30, 2015, District 19 Community Services Board had no investments.

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DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 3 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Board are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") <ul style="list-style-type: none">• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none">• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none">• Political subdivision employees*• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: <ul style="list-style-type: none">• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

DISTRICT 19 COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)****As of June 30, 2015****NOTE 3 - PENSION PLAN (Continued)**

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions</u> <u>Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none">• After two years, a member is 50% vested and may withdraw 50% of employer contributions.• After three years, a member is 75% vested and may withdraw 75% of employer contributions.• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1

DISTRICT 19 COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**

As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.

DISTRICT 19 COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)****As of June 30, 2015****NOTE 3 - PENSION PLAN (Continued)**

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

DISTRICT 19 COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)****As of June 30, 2015****NOTE 3 - PENSION PLAN (Continued)*****Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <u>Eligibility:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none">• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.• The member retires on disability.• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

DISTRICT 19 COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)****As of June 30, 2015****NOTE 3 - PENSION PLAN (Continued)*****Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none">• Hybrid Retirement Plan members are ineligible for ported service.• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	91
Inactive members:	
Vested inactive members	71
Non-vested inactive members	76
Inactive members active elsewhere in VRS	<u>106</u>
Total inactive members	253
Active members	<u>191</u>
Total covered employees	<u><u>535</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Board's contractually required contribution rate for the year ended June 30, 2015 was 5.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. However, during 2015, the Board paid a reduced, certified rate approved by the VRS of 4.40% of covered employee compensation.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$395,794 and \$414,591 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Asset

The Board's net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Board's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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DISTRICT 19 COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)****As of June 30, 2015****NOTE 3 - PENSION PLAN (Continued)*****Long-Term Expected Rate of Return***

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

DISTRICT 19 COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)****As of June 30, 2015****NOTE 3 - PENSION PLAN (Continued)*****Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Board Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2013	\$ 25,526,241	\$ 26,027,044	\$ (500,803)
Changes for the year:			
Service cost	\$ 955,514	\$ -	\$ 955,514
Interest	1,756,243	-	1,756,243
Contributions - employer	-	414,951	(414,951)
Contributions - employee	-	443,806	(443,806)
Net investment income	-	4,123,203	(4,123,203)
Benefit payments, including refunds of employee contributions	(874,104)	(874,104)	-
Administrative expenses	-	(22,018)	22,018
Other changes	-	217	(217)
Net changes	\$ 1,837,653	\$ 4,086,055	\$ (2,248,402)
Balances at June 30, 2014	\$ 27,363,894	\$ 30,113,099	\$ (2,749,205)

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Board using the discount rate of 7.00%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Board			
Net Pension Liability (Asset)	1,245,849	(2,749,205)	(6,029,241)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Board recognized pension expense of \$8,637. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,842,088
Employer contributions subsequent to the measurement date	395,794	-
Total	\$ 395,794	\$ 1,842,088

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DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 3 - PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$395,794 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as an increase to the Net Pension Asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2016	\$	(460,522)
2017		(460,522)
2018		(460,522)
2019		(460,522)
Thereafter		-

NOTE 4 - CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

The Board operates programs which are funded by grants received from federal, state or local sources. Expenditures financed by grants are subject to audit by the grantor. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor. The Board believes that the likelihood of disallowance of expenditures and subsequent reimbursements is remote and would not have a material effect on the overall financial position of the Board.

At June 30, 2015, there were no matters of litigation involving the Board which would materially affect the Board's financial position should any court decision or pending matter not be favorable to the Board.

NOTE 5 - RISK MANAGEMENT:

The Board 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 Board participates with other localities in a public entity risk pool for their coverage of Public Official's Liability through the Commonwealth of Virginia's Division of Risk Management. The Board pays an annual premium to the pool for its general insurance through member premiums. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Board continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

DISTRICT 19 COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**
As of June 30, 2015**NOTE 6 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2015 is presented below:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not subject to depreciation:				
Land	\$ 248,687	\$ -	\$ -	\$ 248,687
Total capital assets not subject to depreciation	\$ 248,687	\$ -	\$ -	\$ 248,687
Capital assets subject to depreciation:				
Buildings	\$ 1,016,866	\$ -	\$ -	\$ 1,016,866
Equipment	2,443,327	235,623	325,762	2,353,188
Total capital assets being depreciated	\$ 3,460,193	\$ 235,623	\$ 325,762	\$ 3,370,054
Less accumulated depreciation for:				
Buildings	\$ 432,750	\$ 28,800	\$ -	\$ 461,550
Equipment	2,325,751	154,202	325,762	2,154,191
Total accumulated depreciation	\$ 2,758,501	\$ 183,002	\$ 325,762	\$ 2,615,741
Total capital assets being depreciated, net	\$ 701,692	\$ 52,621	\$ -	\$ 754,313
Total capital assets, net	\$ 950,379	\$ 52,621	\$ -	\$ 1,003,000

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DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2015

NOTE 7 - LEASE AGREEMENTS

The Board leases office space and other facilities from various lessors. The lease terms range from one to twelve years. The future minimum lease requirements under noncancelable leases for the next sixteen years are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 753,259
2017	717,693
2018	667,560
2019	615,147
2020	621,963
2021 - 2025	2,731,231
2026 - 2030	2,791,800
2031	140,937
Total	<u>\$ 9,039,590</u>

Rent expense totaled \$ 852,259 for 2015.

NOTE 8 - FISCAL AGENT

The County of Prince George, Virginia acts as fiscal agent for District 19 Community Services Board pursuant to the requirements of Section 37.2-195 of the Code of Virginia (1950) as amended.

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DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2015

NOTE 9 - LOCAL GOVERNMENT CONTRIBUTIONS BY PARTICIPANT LOCAL GOVERNMENTS

The participating localities contributed the following for the fiscal year ended June 30, 2015:

City of Petersburg	\$	181,955
City of Colonial Heights		70,000
County of Greenville		50,986
County of Surry		59,236
City of Hopewell		108,420
City of Emporia		39,471
County of Sussex		64,499
County of Dinwiddie		72,368
County of Prince George		99,305
Total	\$	<u>746,240</u>

NOTE 10 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term debt transactions of the Board for the year ended June 30, 2015:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Amounts due within one year</u>
Compensated Absences	\$ 859,479	\$ 91,379	\$ 85,948	\$ 864,910	86,491
Other Post-Employment Benefits Obligation	226,443	60,253	14,000	272,696	-
Total Liabilities	<u>\$ 1,085,922</u>	<u>\$ 151,632</u>	<u>\$ 99,948</u>	<u>\$ 1,137,606</u>	<u>\$ 86,491</u>

Detail of Long-Term Obligations:

Compensated Absences	<u>\$ 864,910</u>
Other Post-Employment Benefits Obligation	<u>\$ 272,696</u>
Total long-term obligations	<u>\$ 1,137,606</u>

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2015

NOTE 11 - DUE FROM OTHER GOVERNMENTS:

At June 30, 2015, the Board had receivables from other governments as follows:

Other Local Governments:

Richmond Behavioral Health Authority	\$	51,304
City of Petersburg		36,813
Total	\$	<u>88,117</u>

NOTE 12 - NET PATIENT REVENUE SOURCES:

Net Patient Revenues for 2015 were from the following sources:

Medicaid	\$	5,960,577
Direct Client & Third Parties		174,262
Total	\$	<u>6,134,839</u>

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

The Board allows retirees to remain on their health insurance plan after they retire from active service.

Participants must meet one of the following minimum criteria to be eligible for health benefits

General Employees Prior Plan - All Plan 1 Members vested as of January 1, 2013

- Attain age 50 with at least 10 years of service with VRS for a reduced pension benefit, or
- Attain age 55 with a least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (Continued)

General Employees Current Plan - All Plan 1 Members not vested as of January 1, 2013 and Members hired on or after July 1, 2011 (Plan 2)

- Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or
- Attain Social Security Normal Retirement Age with at least 5 years of service with VRS for an unreduced pension benefit.

Health benefits include medical, dental and vision. Retirees contribute 100% of the premium cost for retiree and spouse/dependent coverage. Medicare eligible retirees and spouses contribute 100% of the premium cost for retiree only coverage.

Funding Policy

The Board currently has 2 retirees and 1 spouse on its plan.

Annual OPEB Cost and Net OPEB Obligation

The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Board has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the Board. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation to the Retiree Health Plan:

	<u>BOARD</u>
Annual required contribution	\$ 60,700
Interest on net OPEB obligation	7,926
Adjustment to annual required contribution	<u>(8,373)</u>
Annual OPEB cost (expense)	\$ 60,253
Estimated Contributions made	<u>(14,000)</u>
Increase in net OPEB obligation	\$ 46,253
Net OPEB obligation-beginning of year	<u>226,443</u>
Net OPEB obligation-end of year	<u><u>\$ 272,696</u></u>

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2015

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (Continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2014, and 2015 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
6/30/2013	\$ 50,711	21.10%	\$ 186,311
6/30/2014	53,232	24.61%	226,443
6/30/2015	60,253	23.24%	272,696

Funded Status and Funding Progress

As of June 30, 2015, the Board's actuarial accrued liability for benefits was \$651,400 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,691,600 and the ratio of the unfunded actuarial liability to the covered payroll was 7.49 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)

As of June 30, 2015

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2015 using Scale AA.

Coverage elections-The actuarial assumed that 30% of eligible retirees will elect coverage and 30% who elect medical coverage will elect to cover a spouse.

Based on the historical and expected returns of the Board's short-term investment portfolio, a discount of 3.5% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was thirty years.

NOTE 14 - RESTATEMENT OF BEGINNING NET POSITION:

The following adjustments were made to beginning net position at June 30, 2014:

Net position as previously reported	\$ 3,298,223
Implementation of GASB 68	<u>1,272,828</u>
Net position as restated	<u><u>\$ 4,571,051</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

DISTRICT 19 COMMUNITY SERVICES BOARD**Schedule of Components of and Changes in Net Pension Asset and Related Ratios**
For the Year Ended June 30, 2015

		<u>2014</u>
Total pension liability		
Service cost	\$	955,514
Interest		1,756,243
Benefit payments, including refunds of employee contributions		(874,104)
Net change in total pension liability	\$	<u>1,837,653</u>
Total pension liability - beginning		<u>25,526,241</u>
Total pension liability - ending (a)	\$	<u><u>27,363,894</u></u>
 Plan fiduciary net position		
Contributions - employer	\$	414,951
Contributions - employee		443,806
Net investment income		4,123,203
Benefit payments, including refunds of employee contributions		(874,104)
Administrative expense		(22,018)
Other		217
Net change in plan fiduciary net position	\$	<u>4,086,055</u>
Plan fiduciary net position - beginning		<u>26,027,044</u>
Plan fiduciary net position - ending (b)	\$	<u><u>30,113,099</u></u>
 Board's net pension asset - ending (a) - (b)	\$	(2,749,205)
 Plan fiduciary net position as a percentage of the total pension liability		110.05%
 Covered-employee payroll	\$	8,861,243
 Board's net pension asset as a percentage of covered-employee payroll		-31.03%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

DISTRICT 19 COMMUNITY SERVICES BOARD

Schedule of Employer Contributions

For the Year Ended June 30, 2015

Date	Contributions in Relation to			Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2015	\$ 494,743	\$ 395,794	\$ 98,949	\$ 8,995,323	5.50%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

DISTRICT 19 COMMUNITY SERVICES BOARD

Schedule of Funding Progress - Retiree Healthcare Plan

As of June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Estimated Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2015	\$ -	\$ 651,400	\$ 651,400	0.00%	\$ 8,691,600	7.49%
6/30/2013	-	430,400	430,400	0.00%	8,921,400	4.82%
6/30/2011	-	411,900	411,900	0.00%	8,884,700	4.64%

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

TO THE BOARD OF DIRECTORS
DISTRICT 19 COMMUNITY SERVICES BOARD
PETERSBURG, 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 business-type activities of District 19 Community Services Board as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise District 19 Community Services Board's basic financial statements and have issued our report thereon dated November 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District 19 Community Services Board'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 District 19 Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the District 19 Community Services Board'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 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 District 19 Community Services Board'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.



Richmond, Virginia
November 18, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

TO THE BOARD OF DIRECTORS
DISTRICT 19 COMMUNITY SERVICES BOARD
PETERSBURG, VIRGINIA

Report on Compliance for Each Major Federal Program

We have audited District 19 Community Services Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of District 19 Community Services Board's major federal programs for the year ended June 30, 2015. District 19 Community Services Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of District 19 Community Services Board'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 District 19 Community Services Board'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 District 19 Community Services Board's compliance.

Opinion on Each Major Federal Program

In our opinion, District 19 Community Services Board 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, 2015.

Report on Internal Control over Compliance

Management of District 19 Community Services Board 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 District 19 Community Services Board'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 OMB Circular A-133, 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 District 19 Community Services Board'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Richmond, Virginia
November 18, 2015

DISTRICT 19 COMMUNITY SERVICES BOARD

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice: Pass Through Payments: Department of Criminal Justice Services: Edward Byrne Memorial Justice Assistance Grant Program	16.738	14-D2151AD12 15-E2151AD13	\$ 16,292
Department of Education Pass Through Payments: Department of Behavioral Health and Developmental Services: Special Education- Grants for Infants and Families	84.181	4450700-43077 & 4450700-43078	\$ 68,925
Department of Health and Human Services: Pass Through Payments: Department of Behavioral Health and Developmental Services: Block Grants for Community Mental Health Services	93.958	4450600-50124	91,550
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4450100-50164 & 4450100-50194	1,367,558
Total Department of Health and Human Services			\$ 1,459,108
Total Expenditures of Federal Awards			\$ 1,544,325

See accompanying notes to Schedule of Expenditures of Federal Awards.

District 19 Community Services Board

Notes to Schedule of Expenditures of Federal Awards In the Year Ended June 30, 2015

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the District 19 Community Services Board under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District 19 Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District 19 Community Services Board.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

District 19 Community Services Board

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes ✓ no

Significant deficiency(ies) 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 deficiency(ies) identified?

_____ yes ✓ none reported

Type of auditors' report issued on compliance
for major programs:

unmodified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133?

_____ yes ✓ no

Identification of major programs:

CFDA Number(s)

93.959

Name of Federal Program or Cluster

Block Grants for Prevention and
Treatment of Substance Abuse

Dollar threshold used to distinguish between type A
and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

✓ yes _____ no

Section II - Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

District 19 Community Services Board

Schedule of Prior Year Findings
For the Year Ended June 30, 2015

There were no items reported.