# GOOCHLAND-POWHATAN COMMUNITY SERVICES

## FINANCIAL STATEMENTS

## YEAR ENDED JUNE 30, 2015

PBMares[SM]

ASSURANCE, TAX & ADVISORY SERVICES

**GOOCHLAND-POWHATAN COMMUNITY SERVICES**

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# INTRODUCTORY SECTION

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

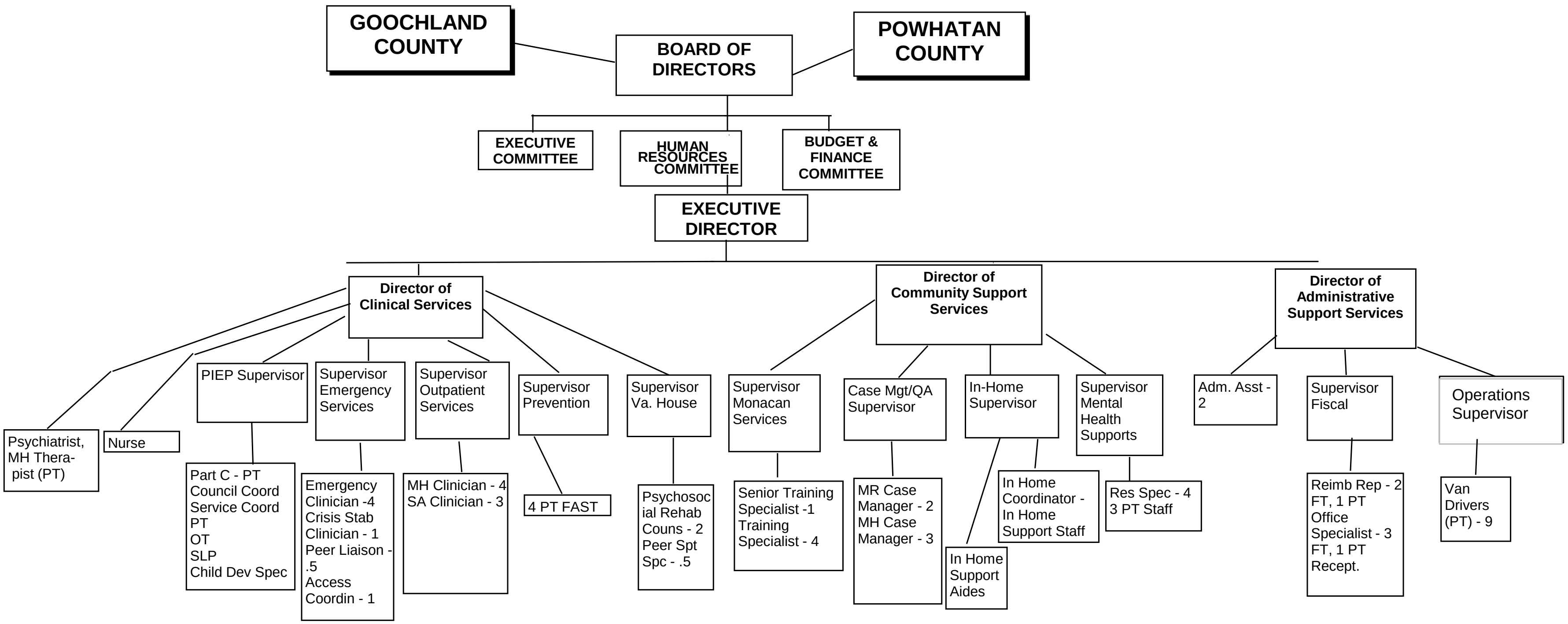


***Principal Management Team***

| | |
| --- | --- |
| Susan Bergquist | Executive Director |
| Carinne Kight | Director of Administration |
| Allison Meyer | Director of Clinical Services |
| Lateshia Goode | Director of Case Management and Residential Services |

GOOCHLAND-POWHATAN COMMUNITY SERVICES

# ORGANIZATIONAL CHART



# FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Goochland-Powhatan Community Services

**Report on the Financial Statements**

We have audited the accompanying financial statements of Goochland-Powhatan Community Services (the 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 and specifications require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board'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 Board'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 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 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.

## Emphasis of Matter

*Change in Accounting Principle*

As discussed in Note 10 to the financial statements, the Board restated beginning net position to record the net pension liability and related components in accordance with the implementation of GASB Statements No. 68 and 71.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-5 and 30-31, respectively, 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 the Board's basic financial statements. The accompanying schedules listed in the table of contents as other supplementary information, supporting schedules, and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and supporting schedules are the responsibility of management and were derived from and relate 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 other supplementary information, supporting schedules, and introductory section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2015 on our consideration of the 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 the Board's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 14, 2015

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

### Management's Discussion and Analysis
### June 30, 2015

The following management's discussion and analysis (MD&A) of the Goochland-Powhatan Community Services (the Board) financial performance provides the reader with an overview to the financial statements of the Board for the fiscal year ended June 30, 2015.

The Board presents the following as part of its basic financial statements: (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Net Position; (3) Statement of Cash Flows; and (4) Notes to Financial Statements.

The Board's financial position is measured in terms of resources (assets) owned and obligations (liabilities) owed as of June 30, 2015. This information is reflected on the Statement of Net Position. The excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources is the net position.

Information reflecting the results of operations and other changes in net position during the fiscal year 2015 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement reflects total revenues and total expenses for the fiscal year ended June 30, 2015 and the change in net position for the year.

The flow of cash resources into and out of the Board during the fiscal year is reflected on the Statement of Cash Flows. This statement also reflects the net increase in cash and cash equivalents for the year and the ending cash and cash equivalents as of June 30, 2015.

A summary of the Board's net position for fiscal years 2015 and 2014 is presented below.

### SUMMARY OF NET POSITION

| | 2015 | 2014 |
|---|---|---|
| Assets: | | |
| Unrestricted current assets | $ 904,901 | $ 974,332 |
| Restricted current assets | 10,363 | 9,340 |
| Capital assets (net of accumulated depreciation) | 1,639,189 | 1,798,451 |
| Other assets | 509,515 | - |
| **Total assets** | 3,063,968 | 2,782,123 |
| Deferred outflows of resources: | | |
| Pension Plan | 148,638 | - |
| **Total deferred outflows of resources** | 148,638 | - |
| Liabilities: | | |
| Current liabilities | 297,389 | 234,938 |
| Non-current liabilities | 892,263 | 1,140,107 |
| **Total liabilities** | 1,189,652 | 1,357,045 |
| Deferred inflows of resources: | | |
| Pension Plan | 480,399 | - |
| **Total deferred inflows of resources** | 480,399 | - |
| Net position: | | |
| Net investment in capital assets | 686,461 | 687,909 |
| Restricted – escrow funds | 10,363 | 9,340 |
| Unrestricted | 845,731 | 709,829 |
| **Total net position** | $ 1,542,555 | $ 1,407,078 |

A summary of the Board's revenues, expenses and changes in net position for fiscal years 2015 and 2014 is presented below.

**SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

| | 2015 | 2014 |
|---|---|---|
| Operating revenues | $ 1,676,711 | $ 1,669,362 |
| Operating expenses | 4,573,954 | 4,757,655 |
| **Operating loss** | (2,897,243) | (3,088,293) |
| Nonoperating revenue, net | 2,969,374 | 3,050,653 |
| **Change in net position** | 72,131 | (37,640) |
| Net position, beginning of year, as restated | 1,470,424 | 1,444,718 |
| Net position, end of year | $ 1,542,555 | $ 1,407,078 |

Ending net position at June 30, 2014 does not match beginning net position as of July 1, 2014. This is due to implementation of GASB Statements No. 68 and 71. Information needed to restate fiscal year 2014 is not available.

Operating revenues are generated from providing patient services with the substantial majority of this revenue generated from Medicaid. In fiscal year 2015, Medicaid income represented over 80% of the Board's total operating revenues.

## Capital Assets and Debt Administration

### *Capital Assets*

On June 30, 2015, the Board had $1,639,189 in net capital assets comprised primarily of land, buildings and improvements, and equipment and vehicles.

### *Long-Term Obligations*

Long-term debt as of June 30, 2015 was $1,144,565. Of the total long-term debt, mortgages and loans payable of $789,365 are for two facilities located in Powhatan, Virginia, the Goochland Office Building, and two lots located in Goochland, Virginia. These facilities are financed with three mortgage loans – one from the Virginia Housing Development Authority with a balance of $60,019, one from the U.S. Department of Agriculture Rural Development Office with a balance of $80,948, and one from Wells Fargo for the Goochland office buildings and two lots, with a balance of $648,398.

The remaining long-term obligation relates to compensated absences of $191,837 and a capital lease with future minimum payments equal to $163,363.

## Requests for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 3058 River Road West, Goochland, Virginia 23063.

# BASIC FINANCIAL STATEMENTS

**GOOCHLAND-POWHATAN COMMUNITY SERVICES**

**STATEMENT OF NET POSITION**
**June 30, 2015**

| | |
|---|---|
| **ASSETS** | |
| Current Assets | |
| Cash and cash equivalents | $ 566,423 |
| Accounts receivable, less allowance for uncollectibles | 215,486 |
| Prepaid items | 122,992 |
| Restricted cash and cash equivalents | 10,363 |
| **Total current assets** | 915,264 |
| Noncurrent Assets | |
| Capital assets: | |
| Land, property and equipment, net | 1,639,189 |
| Net pension asset | 509,515 |
| **Total noncurrent assets** | 2,148,704 |
| **Total assets** | 3,063,968 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Pension plan | 148,638 |
| **Total deferred outflows of resources** | 148,638 |
| **LIABILITIES** | |
| Current Liabilities | |
| Accounts payable and accrued expenses | 45,087 |
| Compensated absences | 24,092 |
| Long-term debt, current portion | 228,210 |
| **Total current liabilities** | 297,389 |
| Noncurrent Liabilities | |
| Compensated absences | 167,745 |
| Long-term debt, less current portion | 724,518 |
| **Total noncurrent liabilities** | 892,263 |
| **Total liabilities** | 1,189,652 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pension plan | 480,399 |
| **Total deferred inflows of resources** | 480,399 |
| **NET POSITION** | |
| Net Investment in Capital Assets | 686,461 |
| Restricted - escrow funds | 10,363 |
| Unrestricted | 845,731 |
| **Total net position** | $ 1,542,555 |

See Notes to Financial Statements.

**GOOCHLAND-POWHATAN COMMUNITY SERVICES**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**Year Ended June 30, 2015**

| | | |
|---|---|---|
| Operating Revenues | | |
| Net patient service revenue | $ | 1,676,711 |
| Operating Expenses | | |
| Salaries and benefits | | 3,573,426 |
| Staff development | | 20,201 |
| Facility | | 273,556 |
| Supplies | | 109,952 |
| Travel | | 122,159 |
| Contractual and consulting | | 217,995 |
| Depreciation and amortization | | 182,955 |
| Other | | 73,710 |
| **Total operating expenses** | | 4,573,954 |
| **Operating loss** | | (2,897,243) |
| Nonoperating Revenues (Expenses) | | |
| Grants and appropriations: | | |
| Commonwealth of Virginia | | 2,028,037 |
| Federal government | | 348,596 |
| Local governments | | 505,460 |
| Other | | 160,399 |
| Interest revenue | | 62 |
| Interest expense | | (73,180) |
| **Nonoperating revenue, net** | | 2,969,374 |
| **Change in net position** | | 72,131 |
| Net Position, beginning of year, as restated | | 1,470,424 |
| Net Position, end of year | $ | 1,542,555 |

**GOOCHLAND-POWHATAN COMMUNITY SERVICES**

**STATEMENT OF CASH FLOWS**
**Year Ended June 30, 2015**

| | |
|---|---|
| Cash Flows From Operating Activities | |
| Receipts from customers | $ 1,676,711 |
| Payments to suppliers | (803,371) |
| Payments to and for employees | (3,559,397) |
| Other | (15,332) |
| **Net cash used in operating activities** | (2,701,389) |
| | |
| Cash Flows From Noncapital and Related Financing Activities | |
| Government grants and appropriations | 2,882,093 |
| Other | 160,399 |
| **Net cash provided by noncapital and related financing activities** | 3,042,492 |
| | |
| Cash Flows From Capital and Related Financing Activities | |
| Acquisition of capital assets | (23,693) |
| Interest payments on long-term debt | (73,180) |
| Proceeds from new debt | 716,123 |
| Principal payments on long-term debt | (873,937) |
| **Net cash used in capital and related financing activities** | (254,687) |
| | |
| Cash Flows From Investing Activities | |
| Interest income | 62 |
| **Net cash provided by investing activities** | 62 |
| | |
| **Net increase in cash and cash equivalents** | 86,478 |
| | |
| Cash and Cash Equivalents, beginning of year | 490,308 |
| Cash and Cash Equivalents, end of year | $ 576,786 |

| | |
|---|---|
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | |
| Operating loss | $ (2,897,243) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation and amortization | 182,955 |
| Pension expense | 34,230 |
| Adjustment to bad debt allowance | (28,245) |
| Change in deferred outflows of resources | (148,638) |
| Changes in assets and liabilities: | |
| Accounts receivable | 180,496 |
| Prepaid items | 2,635 |
| Accounts payable and accrued expenses | (13,491) |
| Compensated absences | (14,088) |
| **Net cash used in operating activities** | $ (2,701,389) |

## Note 1. Summary of Significant Accounting Policies

***Description and purpose of Board:*** Goochland-Powhatan Community Services (the Board) operates as an agent for the counties of Goochland and Powhatan in the establishment and operation of community mental health, intellectual disabilities, and substance abuse programs as provided for in Chapter 10 of Title 37.2 of the *Code of Virginia* (1950), relating to the Department of Behavioral Health and Departmental Services. In addition, the Board provides a system of community mental health and intellectual disability and substance abuse services, which relate to and are integrated with existing and planned programs. The Board was established in 1982.

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and guidance issued by the Department of Behavioral Health and Departmental Services. The Board's more significant accounting policies are described herein.

***Reporting entity:*** For financial reporting purposes, in conformance with GAAP, the Board includes all organizations for which it is considered financially accountable. The members of the Board also appoint the Board of Directors of Cedarwood Residential, Inc., which is exempt from taxation under Internal Revenue Code Section 501(c)(2). Accordingly, Cedarwoods Residential, Inc. has been included as a blended component unit of the Board.

***Financial statement presentation:*** For entities like the Board that are engaged solely in business-type activities, the basic financial statements include:

1. *Statement of Net Position* – The Statement of Net Position is designed to display the financial position of the Board. The net position of the Board is broken down into three categories – (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

2. *Statement of Revenues, Expenses and Changes in Net Position* – The Statement of Revenues, Expenses and Changes in Net Position is designed to display the financial activities of the Board for the period.

3. *Statement of Cash Flows* – The Statement of Cash Flows is prepared using the direct method and is designed to display the yearly transactions that impacted cash and cash equivalents.

4. *Notes to Financial Statements.*

***Measurement focus and basis of accounting:*** The Board's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, wherein revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Nonexchange transactions, in which the Board receives value without directly giving equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Changes in financial position are distinguished between operating revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Board's principal ongoing operations. Nonoperating items include nonexchange revenues and interest revenues and expenses.

**Note 1. Summary of Significant Accounting Policies (Continued)**

***Use of estimates:*** The preparation of financial statements in conformity with GAAP 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.

***Cash and cash equivalents:*** Cash and cash equivalents include cash on hand, checking and savings accounts, and short-term highly liquid investments. 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). The Act requires financial institutions to meet specific collateralization requirements. For reporting purposes, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Accounts receivable – client services:*** Revenue and related receivables for healthcare services are recorded at the Board's full established rates. Amounts receivable from third-party payors for healthcare services are usually less than the Board's full established rates. The realizable amounts are generally determined by contractual agreements with the third-party payor (e.g. Medicaid). The provision for contractual adjustments (difference between established rates and third-party payor payments) and discounts (difference between established rates and amounts collectible) are deducted from gross accounts receivable to determine accounts receivable – net client services.

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

***Client fees and allowance for uncollectible accounts:*** 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 a 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.

A significant majority of fees collected result from Medicaid billings. An allowance for doubtful client accounts has been estimated by management to equal all balances older than 90 days, which approximated $14,600 at June 30, 2015.

***Restricted cash and cash equivalents:*** Restricted cash and cash equivalents consist of funds held in escrow by the Virginia Housing Development Authority. When both restricted and unrestricted resources are available for use, the Board's policy is to use restricted resources first, then unrestricted resources as they are needed.

***Capital assets:*** Capital asset acquisitions that cost $5,000 or more are capitalized and recorded at cost. Depreciation or amortization is provided over the estimated useful life of each class of depreciable assets ranging from 3 to 30 years and is computed using the straight-line method. Donated capital assets are recorded at their estimated fair market value at the time of the gift.

## Note 1. Summary of Significant Accounting Policies (Continued)

***Compensated absences:*** The Board's employees earn annual leave (vacation pay and sick leave) in varying amounts and can accumulate leave based on length of service. Maximum annual leave accumulation hours are the hours allowable at the time of separation or at the end of any calendar year.

Employees terminating their employment are paid their accumulated annual leave up to the maximum limit, based on years of employment. Unused sick leave is paid at the date of separation at 25% of the total up to a maximum amount of $3,000.

Compensated absences have been reported as a current liability for that amount expected to be paid out in the upcoming fiscal year, with the balance as a noncurrent liability.

***Pensions:*** For purposes of measuring the net pension liability, 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 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.

***Fiscal agent:*** The County of Goochland, Virginia (County) is the fiscal agent for the Board.

## Note 2. 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 in a self-insured liability plan sponsored by the state of Virginia for local political subdivisions. The plan provides $1,000,000 coverage against public official liability claims, a maximum coverage of $3,000,000 for property and related coverage, and $250,000 for employee dishonesty. The Board participates in the Virginia Association of Counties Self Insurance Risk Pool for comprehensive property and casualty coverage, a general liability coverage (claims made), automobile coverage, and employer's liability. Certain other risks are covered by commercial insurance policies. Management believes that the above-described coverage is sufficient to preclude any significant uninsured losses to the Board. The Board's risk exposure is anticipated to be limited to policy deductibles. There have been no settlements in excess of insurance coverage in the past three years.

## Note 3. Deposits

The Board's primary deposit account is maintained by the County.

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.

## Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 is summarized below:

| | Beginning Balance | Increases | (Deletions)/ Reclassifications | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated or amortized: | | | | |
| Land | $ 320,690 | $ - | $ - | $ 320,690 |
| **Total capital assets, not being depreciated or amortized** | 320,690 | - | - | 320,690 |
| Capital assets, being depreciated or amortized: | | | | |
| Buildings and improvements | 1,313,822 | - | - | 1,313,822 |
| Furnishings and equipment | 122,934 | - | - | 122,934 |
| Vehicles | 579,292 | 23,693 | (19,112) | 583,873 |
| Software | 416,355 | - | - | 416,355 |
| **Total capital assets being depreciated or amortized** | 2,432,403 | 23,693 | (19,112) | 2,436,984 |
| Less accumulated depreciation and amortization | 954,642 | 182,955 | (19,112) | 1,118,485 |
| **Net capital assets being depreciated or amortized** | 1,477,761 | (159,262) | - | 1,318,499 |
| Net Capital Assets | $ 1,798,451 | $ (159,262) | $ - | $ 1,639,189 |

## Note 5. Lease Agreements

The Board leases office space from the County of Powhatan. The future minimum lease payments are $135,000 for the year ending June 30, 2016.

The Board leases apartment space from Powhatan Apartments. This lease is renewed annually. Lease expense for the year ended June 30, 2015 approximated $10,365.

## Note 6. Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2015 is summarized as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Mortgages and loans payable | $ 892,479 | $ 716,123 | $ 819,237 | $ 789,365 | $ 173,510 |
| Capital leases | 218,063 | - | 54,700 | 163,363 | 54,700 |
| | 1,110,542 | 716,123 | 873,937 | 952,728 | 228,210 |
| Compensated absences | 205,925 | 256,035 | 270,123 | 191,837 | 24,092 |
| Long-term liabilities | $ 1,316,467 | $ 972,158 | $ 1,144,060 | $ 1,144,565 | $ 252,302 |

Debt service requirements to maturity for long-term debt are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 228,210 | $ 30,565 | $ 258,775 |
| 2017 | 183,943 | 26,542 | 210,485 |
| 2018 | 189,481 | 20,267 | 209,748 |
| 2019 | 142,097 | 13,688 | 155,785 |
| 2020 | 147,080 | 6,789 | 153,869 |
| 2021-2025 | 23,202 | 13,136 | 36,338 |
| 2026-2030 | 28,571 | 7,721 | 36,292 |
| 2031-2032 | 10,144 | 838 | 10,982 |
| Total | $ 952,728 | $ 119,546 | $ 1,072,274 |

**Note 6. Long-Term Obligations (Continued)**

Long-term debt outstanding at June 30, 2015 is as follows:

| | Balance | Current Portion |
|---|---|---|
| $140,000 loan from Virginia Housing Development Authority, payable in monthly installments of $517, which includes principal and interest, through February 2016 with a principal and interest balloon payment of $56,755, due in March 2016, interest at 2%, secured by a deed of trust on property located in Powhatan, Virginia | $ 60,019 | $ 60,019 |
| $120,000 loan from the U. S. Department of Agriculture Rural Development Office, payable in monthly installments of $610, which includes principal and interest, through September 2031, interest at 4.75%, secured by a deed of trust on property located in Powhatan, Virginia | 80,948 | 3,454 |
| $264,505 capital lease with Credible, Inc., payable in monthly installments of $3,350 and annual installments due in July of $14,500 through June 2018 | 163,363 | 54,700 |
| $716,123 loan from Wells Fargo Bank, N.A., payable in monthly installments of $12,374, which includes principal and interest, through June 2020, interest at 4.75%, secured by a deed of trust on property located in Goochland, Virginia | 648,398 | 110,037 |
| | $ 952,728 | $ 228,210 |

**Note 7. Pension Plan**

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. 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 Virgini*a, 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:

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **About Plan 1**<br>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**<br>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**<br>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")<br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.<br>• 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. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

## Plan 1

### 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.

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.

## Plan 2

### 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.

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.

## Hybrid Retirement Plan

### About the Hybrid Retirement Plan (Continued)

- 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 the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees.*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through 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:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

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.

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Retirement Contributions**<br>Members 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**<br>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; all employees will be paying the full 5% by July 1, 2016. | **Retirement Contributions**<br>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. |
| **Creditable Service**<br>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. | **Creditable Service**<br>Same as Plan 1. | **Creditable Service**<br>**Defined Benefit Component**<br>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.<br><br>**Defined Contribution Component**<br>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Vesting**<br>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.<br><br>Members are always 100% vested in the contributions that they make. | **Vesting**<br>Same as Plan 1. | **Vesting**<br>**Defined Benefit Component**<br>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.<br><br>**Defined Contribution Component**<br>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.<br><br>Members are always 100% vested in the contributions that they make.<br><br>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. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| | | **Vesting (Continued)**<br>**Defined Contribution Component (Continued)**<br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distribution is not required by law until age 70 1/2. |
| **Calculating the Benefit**<br>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.<br><br>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**<br>See definition under Plan 1. | **Calculating the Benefit**<br>**Defined Benefit Component**<br>See definition under Plan 1.<br><br>**Defined Contribution Component**<br>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**<br>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Service Retirement Multiplier**<br>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%. | **Service Retirement Multiplier**<br>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. | **Service Retirement Multiplier**<br>**Defined Benefit Component**<br>The retirement multiplier for the defined benefit component is 1.0%.<br><br>For members that 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.<br><br>**Defined Contribution Component**<br>Not applicable. |
| **Normal Retirement Age**<br>Age 65. | **Normal Retirement Age**<br>Normal Social Security retirement age. | **Normal Retirement Age**<br>**Defined Benefit Component**<br>Same as Plan 2.<br><br>**Defined Contribution Component**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Earliest Unreduced Retirement Eligibility**<br>Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. | **Earliest Unreduced Retirement Eligibility**<br>Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. | **Earliest Unreduced Retirement Eligibility**<br>**Defined Benefit Component**<br>Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.<br><br>**Defined Contribution Component**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Earliest Reduced Retirement Eligibility**<br>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**<br>Age 60 with at least five years (60 months) of creditable service. | **Earliest Reduced Retirement Eligibility**<br>**Defined Benefit Component**<br>Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.<br><br>**Defined Contribution Component**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Cost-of-Living Adjustment (COLA) in Retirement**<br>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%. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>**Defined Benefit Component**<br>Same as Plan 2.<br><br>**Defined Contribution Component**<br>Not applicable. |
| **Eligibility:**<br>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.<br><br>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. | **Eligibility:**<br>Same as Plan 1. | **Eligibility:**<br>Same as Plan 1 and Plan 2. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Cost-of-Living Adjustment (COLA) in Retirement (Continued)** | **Cost-of-Living Adjustment (COLA) in Retirement (Continued)** | **Cost-of-Living Adjustment (COLA) in Retirement (Continued)** |
| **Exceptions to COLA Effective Dates:**<br>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<br><br>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>• The member retires on disability.<br>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).<br>• 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.<br>• 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. | **Exceptions to COLA Effective Dates:**<br>Same as Plan 1. | **Exceptions to COLA Effective Dates:**<br>Same as Plan 1 and Plan 2. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Disability Coverage**<br>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.<br><br>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. | **Disability Coverage**<br>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.<br><br>Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. | **Disability Coverage**<br>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.<br><br>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. |
| **Purchase of Prior Service**<br>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. | **Purchase of Prior Service**<br>Same as Plan 1. | **Purchase of Prior Service**<br><br>**Defined Benefit Component**<br>Same as Plan 1, with the following exceptions:<br>• Hybrid Retirement Plan members are ineligible for ported service.<br>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.<br>• 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.<br><br>**Defined Contribution Component**<br>Not applicable. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (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:

| | Number |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 23 |
| Inactive members: | |
| Vested | 21 |
| Non-vested | 19 |
| Active elsewhere in VRS | 19 |
| Total inactive members | 82 |
| Active members | 54 |
| Total covered employees | 136 |

**Contributions**

The contribution requirement for active employees is governed by Section 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 5.00% 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 6.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were $148,638 and $148,439 for the years ended June 30, 2015 and 2014, respectively.

B. Net Pension Asset

The Board's net pension asset was measured as of June 30, 2014. The total pension asset 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.

**Note 7. Pension Plan (Continued)**

B. Net Pension Asset (Continued)

**Actuarial Assumptions**

The total pension liability for General Employee's 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 | 2.50% |
| Salary increases, including inflation | 3.50% - 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 benefits.

| | |
|---|---|
| Mortality Rates: | 14% of deaths are assumed to be service related. |
| – 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 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement. |

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:

- 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

**Note 7. Pension Plan (Continued)**

B. Net Pension Asset (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 estimates 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%.

**Note 7. Pension Plan (Continued)**

B. Net Pension Asset (Continued)

**Discount Rate**

The discount rate used to measure the total pension asset 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's 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 asset.

C. Changes in the Net Pension Asset

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---|---|---|---|
| Balances at June 30, 2013 | $ 6,900,690 | $ 6,815,597 | $ 85,093 |
| Changes for the Year: | | | |
| Service cost | 260,060 | - | 260,060 |
| Interest | 473,363 | - | 473,363 |
| Contributions – employer | - | 148,439 | (148,439) |
| Contributions – employee | - | 108,601 | (108,601) |
| Net investment income | - | 1,076,702 | (1,076,702) |
| Benefit payments, including refunds of employee contributions | (276,735) | (276,735) | - |
| Administrative expense | - | (5,768) | 5,768 |
| Other changes | - | 57 | (57) |
| Net changes | 456,688 | 1,051,296 | (594,608) |
| Balances at June 30, 2014 | $ 7,357,378 | $ 7,866,893 | $ (509,515) |

**Note 7. Pension Plan (Continued)**

C. Changes in the Net Pension Asset (Continued)

**Sensitivity of the Net Pension Asset to Changes in the Discount Rate**

The following presents the net pension asset of the Board, using the discount rate of 7.00%, as well as what the Board's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Board's net pension (asset) liability | $ 489,603 | $ (509,515) | $ (1,334,975) |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

D. 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 $34,230. The Board also reported deferred outflows of resources and deferred inflows of resources from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings on pension plan investments | $ - | $ 480,399 |
| Employer contributions subsequent to the measurement date | 148,638 | - |
| Total | $ 148,638 | $ 480,399 |

$148,638 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 of the net pension asset in the year ended June 30, 2016.

## Note 7. Pension Plan (Continued)

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

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | | |
|---|---|---|
| 2016 | $ | 120,100 |
| 2017 | | 120,100 |
| 2018 | | 120,100 |
| 2019 | | 120,099 |
| | $ | 480,399 |

## Note 8. Funding from Participating Localities

Appropriations from participating localities for the year ended June 30, 2015 were as follows:

| | | |
|---|---|---|
| County of Goochland | $ | 252,730 |
| County of Powhatan | | 252,730 |
| | $ | 505,460 |

## Note 9. Commitments and Contingencies

The Board participates in federal assistance programs, which are subject to audit by grantor agencies. The Board believes it is in compliance with applicable grant requirements, and any disallowances of costs by grantor agencies would not be significant.

## Note 10. Restatement

The following adjustment was made to beginning net position at July 1, 2014:

| | | |
|---|---|---|
| Net position, beginning of year, as previously reported | $ | 1,407,078 |
| Change in accounting principle for the implementation of GASB Statements No. 68 and 71 – to record VRS net pension liability and related components | | 63,346 |
| Net position, beginning of year, as restated | $ | 1,470,424 |

# REQUIRED SUPPLEMENTARY INFORMATION

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## SCHEDULE OF CHANGES IN THE BOARD'S NET PENSION ASSET AND RELATED RATIOS - VIRGINIA RETIREMENT SYSTEM

| | | As of June 30, 2014 |
|---|---|---|
| Total Pension Liability | | |
| Service cost | $ | 260,060 |
| Interest | | 473,363 |
| Benefit payments, including refunds of employee contributions | | (276,735) |
| **Net change in total pension liability** | | 456,688 |
| Total pension liability - beginning | | 6,900,690 |
| Total pension liability - ending (a) | $ | 7,357,378 |
| Plan Fiduciary Net Position | | |
| Contributions - employer | $ | 148,439 |
| Contributions - employee | | 108,601 |
| Net investment income | | 1,076,702 |
| Benefit payments, including refunds of employee contributions | | (276,735) |
| Administrative expense | | (5,768) |
| Other | | 57 |
| **Net change in plan fiduciary net position** | | 1,051,296 |
| Plan fiduciary net position - beginning | | 6,815,597 |
| Plan fiduciary net position - ending (b) | $ | 7,866,893 |
| The Board's net pension asset - ending (a) - (b) | $ | (509,515) |
| Plan fiduciary net position as a percentage of the total pension liability | | 106.93% |
| Covered-employee payroll | $ | 2,276,672 |
| The Board's net pension asset as a percentage of covered-employee payroll | | 22.38% |

**Notes to Schedule:**

(1) **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 pension 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.

(2) **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 ended June 30, 2012:

a. Update mortality table
b. Decrease in rates of service retirement
c. Decrease in rates of disability retirement
d. Reduce rates of salary increases by 0.25% per year

(3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board will present information for those years for which information is available.

**GOOCHLAND-POWHATAN COMMUNITY SERVICES**

**SCHEDULE OF BOARD CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM**

| | Fiscal Year June 30, 2014 |
|---|---|
| Contractually required contribution (CRC) | $ 148,439 |
| Contributions in relation to the CRC | 148,439 |
| Contribution deficiency (excess) | $ - |
| | |
| Employer's covered-employee payroll | $ 2,276,672 |
| Contributions as a percentage of covered-employee payroll | 6.52% |

**Notes to Schedule:**

(1) Valuation date: June 30, 2014

(2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

(3) Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 20-29 years |
| Asset valuation method | 5-year smoothed market |
| Cost-of-living adjustments | 2.25%-2.50% |
| Projected salary increases | 3.50%-5.35%, including inflation at 2.50% |
| Investment rate of return | 7.0%, including inflation at 2.50% |

(4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board will present information for those years for which information is available.

# OTHER SUPPLEMENTARY INFORMATION

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## COMBINING SCHEDULE OF NET POSITION
## June 30, 2015

| | Goochland-Powhatan Community Services | | | | Total Goochland-Powhatan Community Services | Cedarwoods Residential, Inc. | Fundraising Account Cedarwoods Residential, Inc. | Total |
|---|---|---|---|---|---|---|---|---|
| | Operating | Capital | Auto | Subtotal | | | | |
| **ASSETS** | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash and cash equivalents | $ 224,906 | $ 248,468 | $ 76,353 | $ 549,727 | $ 549,727 | $ 9,949 | $ 6,747 | $ 566,423 |
| Accounts receivable, less allowance for uncollectibles | 215,486 | - | - | 215,486 | 215,486 | - | - | 215,486 |
| Prepaid items | 122,992 | - | - | 122,992 | 122,992 | - | - | 122,992 |
| Restricted cash and cash equivalents | - | - | - | - | - | 10,363 | - | 10,363 |
| **Total current assets** | 563,384 | 248,468 | 76,353 | 888,205 | 888,205 | 20,312 | 6,747 | 915,264 |
| Noncurrent Assets | | | | | | | | |
| Capital assets: | | | | | | | | |
| Land, property and equipment, net | 1,483,730 | - | - | 1,483,730 | 1,483,730 | 155,459 | - | 1,639,189 |
| Net pension asset | 509,515 | - | - | 509,515 | 509,515 | - | - | 509,515 |
| **Total noncurrent assets** | 1,993,245 | - | - | 1,993,245 | 1,993,245 | 155,459 | - | 2,148,704 |
| **Total assets** | 2,556,629 | 248,468 | 76,353 | 2,881,450 | 2,881,450 | 175,771 | 6,747 | 3,063,968 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | | | |
| Pension Plan | 148,638 | - | - | 148,638 | 148,638 | - | - | 148,638 |
| **Total deferred outflows of resources** | 148,638 | - | - | 148,638 | 148,638 | - | - | 148,638 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | | |
| Current Liabilities | | | | | | | | |
| Accounts payable and accrued expenses | 45,087 | - | - | 45,087 | 45,087 | - | - | 45,087 |
| Compensated absences | 24,092 | - | - | 24,092 | 24,092 | - | - | 24,092 |
| Long-term debt, current portion | 164,737 | - | - | 164,737 | 164,737 | 63,473 | - | 228,210 |
| **Total current liabilities** | 233,916 | - | - | 233,916 | 233,916 | 63,473 | - | 297,389 |
| Noncurrent Liabilities | | | | | | | | |
| Compensated absences | 167,745 | - | - | 167,745 | 167,745 | - | - | 167,745 |
| Long-term debt, less current portion | 647,024 | - | - | 647,024 | 647,024 | 77,494 | - | 724,518 |
| **Total noncurrent liabilities** | 814,769 | - | - | 814,769 | 814,769 | 77,494 | - | 892,263 |
| **Total liabilities** | 1,048,685 | - | - | 1,048,685 | 1,048,685 | 140,967 | - | 1,189,652 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | | |
| Pension Plan | 480,399 | - | - | 480,399 | 480,399 | - | - | 480,399 |
| **Total deferred inflows of resources** | 480,399 | - | - | 480,399 | 480,399 | - | - | 480,399 |
| **NET POSITION** | | | | | | | | |
| Net Investment in Capital Assets | 671,969 | - | - | 671,969 | 671,969 | 14,492 | - | 686,461 |
| Restricted - escrow funds | - | - | - | - | - | 10,363 | - | 10,363 |
| Unrestricted | 504,214 | 248,468 | 76,353 | 829,035 | 829,035 | 9,949 | 6,747 | 845,731 |
| **Total net position** | $ 1,176,183 | $ 248,468 | $ 76,353 | $ 1,501,004 | $ 1,501,004 | $ 34,804 | $ 6,747 | $ 1,542,555 |

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
### Year Ended June 30, 2015

| | Goochland-Powhatan Community Services | | | | Total Goochland-Powhatan Community Services | Cedarwoods Residential, Inc. | Fundraising Account Cedarwoods Residential, Inc. | Total |
|---|---|---|---|---|---|---|---|---|
| | Operating | Capital | Auto | Subtotal | | | | |
| Operating Revenues | | | | | | | | |
| Net patient service revenue | $ 1,676,711 | $ - | $ - | $ 1,676,711 | $ 1,676,711 | $ - | $ - | $ 1,676,711 |
| Operating Expenses | | | | | | | | |
| Salaries and benefits | 3,573,426 | - | - | 3,573,426 | 3,573,426 | - | - | 3,573,426 |
| Staff development | 20,201 | - | - | 20,201 | 20,201 | - | - | 20,201 |
| Facility | 257,395 | 6,074 | - | 263,469 | 263,469 | 10,087 | - | 273,556 |
| Supplies | 109,952 | - | - | 109,952 | 109,952 | - | - | 109,952 |
| Travel | 122,159 | - | - | 122,159 | 122,159 | - | - | 122,159 |
| Contractual and consulting | 217,995 | - | - | 217,995 | 217,995 | - | - | 217,995 |
| Depreciation and amortization | 174,327 | - | - | 174,327 | 174,327 | 8,628 | - | 182,955 |
| Other | 58,378 | 408 | 2,904 | 61,690 | 61,690 | - | 12,020 | 73,710 |
| **Total operating expenses** | 4,533,833 | 6,482 | 2,904 | 4,543,219 | 4,543,219 | 18,715 | 12,020 | 4,573,954 |
| **Operating loss** | (2,857,122) | (6,482) | (2,904) | (2,866,508) | (2,866,508) | (18,715) | (12,020) | (2,897,243) |
| Nonoperating Revenues (Expenses) | | | | | | | | |
| Grants and appropriations: | | | | | | | | |
| Commonwealth of Virginia | 2,028,037 | - | - | 2,028,037 | 2,028,037 | - | - | 2,028,037 |
| Federal government | 348,596 | - | - | 348,596 | 348,596 | - | - | 348,596 |
| Local governments | 505,460 | - | - | 505,460 | 505,460 | - | - | 505,460 |
| Other | 123,301 | - | 3,738 | 127,039 | 127,039 | 24,250 | 9,110 | 160,399 |
| Interest income | - | - | 62 | 62 | 62 | - | - | 62 |
| Interest expense | (66,718) | - | - | (66,718) | (66,718) | (6,462) | - | (73,180) |
| **Nonoperating revenues, net** | 2,938,676 | - | 3,800 | 2,942,476 | 2,942,476 | 17,788 | 9,110 | 2,969,374 |
| **Net income (loss) before transfers** | 81,554 | (6,482) | 896 | 75,968 | 75,968 | (927) | (2,910) | 72,131 |
| Transfer to Other Funds | (70,386) | - | (23,693) | (94,079) | (94,079) | - | - | (94,079) |
| Transfers From Other Funds | 23,693 | 50,000 | 20,386 | 94,079 | 94,079 | - | - | 94,079 |
| **Net transfers between funds** | (46,693) | 50,000 | (3,307) | - | - | - | - | - |
| **Change in net position** | 34,861 | 43,518 | (2,411) | 75,968 | 75,968 | (927) | (2,910) | 72,131 |
| Net Position, beginning of year, as restated | 1,141,322 | 204,950 | 78,764 | 1,425,036 | 1,425,036 | 35,731 | 9,657 | 1,470,424 |
| Net Position, end of year | $ 1,176,183 | $ 248,468 | $ 76,353 | $ 1,501,004 | $ 1,501,004 | $ 34,804 | $ 6,747 | $ 1,542,555 |

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## COMBINING SCHEDULE OF CASH FLOWS
### Year Ended June 30, 2015

| | Goochland-Powhatan Community Services Operating | Goochland-Powhatan Community Services Capital | Goochland-Powhatan Community Services Auto | Goochland-Powhatan Community Services Subtotal | Total Goochland-Powhatan Community Services | Cedarwoods Residential Inc. | Fundraising Account Cedarwoods Residential Inc. | Total |
|---|---|---|---|---|---|---|---|---|
| Cash Flows From Operating Activities | | | | | | | | |
| Receipts from customers | $ 1,676,711 | $ - | $ - | $ 1,676,711 | $ 1,676,711 | $ - | $ - | $ 1,676,711 |
| Payments to suppliers | (787,210) | (6,074) | - | (793,284) | (793,284) | (10,087) | - | (803,371) |
| Payments to and for employees | (3,559,397) | - | - | (3,559,397) | (3,559,397) | - | - | (3,559,397) |
| Other | - | (408) | (2,904) | (3,312) | (3,312) | - | (12,020) | (15,332) |
| **Net cash used in operating activities** | (2,669,896) | (6,482) | (2,904) | (2,679,282) | (2,679,282) | (10,087) | (12,020) | (2,701,389) |
| Cash Flows From Noncapital and Related Financing Activities | | | | | | | | |
| Government grants and appropriations | 2,882,093 | - | - | 2,882,093 | 2,882,093 | - | - | 2,882,093 |
| Other | 123,301 | - | 3,738 | 127,039 | 127,039 | 24,250 | 9,110 | 160,399 |
| **Net cash provided by noncapital and related financing activities** | 3,005,394 | - | 3,738 | 3,009,132 | 3,009,132 | 24,250 | 9,110 | 3,042,492 |
| Cash Flows From Capital and Related Financing Activities | | | | | | | | |
| Acquisition of capital assets | (23,693) | - | - | (23,693) | (23,693) | - | - | (23,693) |
| Transfers from (to) other funds | (46,693) | 50,000 | (3,307) | - | - | - | - | - |
| Interest payments on long-term debt | (66,718) | - | - | (66,718) | (66,718) | (6,462) | - | (73,180) |
| Proceeds from new debt | 716,123 | - | - | 716,123 | 716,123 | - | - | 716,123 |
| Principal payments on long-term debt | (865,594) | - | - | (865,594) | (865,594) | (8,343) | - | (873,937) |
| **Net cash provided by (used in) capital and related financing activities** | (286,575) | 50,000 | (3,307) | (239,882) | (239,882) | (14,805) | - | (254,687) |
| Cash Flows From Investing Activities | | | | | | | | |
| Interest income | - | - | 62 | 62 | 62 | - | - | 62 |
| **Net cash provided by investing activities** | - | - | 62 | 62 | 62 | - | - | 62 |
| **Net increase (decrease) in cash and cash equivalents** | 48,923 | 43,518 | (2,411) | 90,030 | 90,030 | (642) | (2,910) | 86,478 |
| Cash and Cash Equivalents, beginning of year | 175,983 | 204,950 | 78,764 | 459,697 | 459,697 | 20,954 | 9,657 | 490,308 |
| Cash and Cash Equivalents, end of year | $ 224,906 | $ 248,468 | $ 76,353 | $ 549,727 | $ 549,727 | $ 20,312 | $ 6,747 | $ 576,786 |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities: | | | | | | | | |
| Operating loss | $ (2,857,122) | $ (6,482) | $ (2,904) | $ (2,866,508) | $ (2,866,508) | $ (18,715) | $ (12,020) | $ (2,897,243) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | | | | | | |
| Depreciation and amortization | 174,327 | - | - | 174,327 | 174,327 | 8,628 | - | 182,955 |
| Pension expense | 34,230 | - | - | 34,230 | 34,230 | - | - | 34,230 |
| Adjustment to bad debt allowance | (28,245) | - | - | (28,245) | (28,245) | - | - | (28,245) |
| Change in deferred outflows of resources | (148,638) | - | - | (148,638) | (148,638) | - | - | (148,638) |
| Changes in assets and liabilities: | | | | | | | | |
| Accounts receivable | 180,496 | - | - | 180,496 | 180,496 | - | - | 180,496 |
| Prepaid items | 2,635 | - | - | 2,635 | 2,635 | - | - | 2,635 |
| Accounts payable and accrued expenses | (13,491) | - | - | (13,491) | (13,491) | - | - | (13,491) |
| Compensated absences | (14,088) | - | - | (14,088) | (14,088) | - | - | (14,088) |
| **Net cash used in operating activities** | $ (2,669,896) | $ (6,482) | $ (2,904) | $ (2,679,282) | $ (2,679,282) | $ (10,087) | $ (12,020) | $ (2,701,389) |

# SUPPORTING SCHEDULES

**GOOCHLAND-POWHATAN COMMUNITY SERVICES**

**SCHEDULE OF INSURANCE**
**June 30, 2015**

| Insurance Company | Policy Number | Policy Period | Annual Policy Cost | Insurance Type and Coverage | |
|---|---|---|---|---|---|
| Vaco Risk Management Programs | | 7/1/2014 | | Automobile: | |
| (VaCoRP) | VA-GO-037A-13 | 6/30/2015 | $ 16,786 | Liability/comprehensive and collision - ACV | $ 3,000,000 |
| | | | | Medical payments | 5,000 |
| | | | 740 | Employee dishonesty | 250,000 |
| | | | 3,448 | Real property, personal property, | |
| | | | | 90% coinsurance | Various |
| | | | 9,332 | General liability | 3,000,000 |
| | | | | Fire damage | 500,000 |
| | | | 33,450 | Workers' compensation: | |
| | | | | Each accident | 1,000,000 |
| | | | | Policy limit – disease | 1,000,000 |
| Commonwealth of Virginia Division | | 7/1/2014 | 4,875 | Public officials liability: | |
| of Risk Management | N/A | 6/30/2015 | | Per occurrence | 1,000,000 |
| | | 7/1/2014 | 930 | Medical malpractice: | |
| | N/A | 6/30/2015 | | General liability | 2,100,000 |

**GOOCHLAND-POWHATAN COMMUNITY SERVICES**

**CLIENT STATISTICS**
**Last Ten Fiscal Years**

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Unduplicated clients served: | | | | | | | | | | |
| Mental health | 466 | 453 | 378 | 407 | 407 | 531 | 367 | 358 | 391 | 447 |
| Intellectual disability | 220 | 219 | 218 | 235 | 197 | 195 | 190 | 224 | 188 | 173 |
| Substance abuse | 169 | 139 | 110 | 88 | 99 | 106 | 167 | 190 | 150 | 180 |
| Services outside of programs | 580 | 574 | 516 | 448 | 596 | 485 | 179 | 125 | - | - |

# COMPLIANCE SECTION

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

To the Honorable Members of the Board of Directors
Goochland-Powhatan Community Services

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 Goochland-Powhatan Community Services (the 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, and have issued our report thereon dated November 14, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the Board'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 we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
November 14, 2015