

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

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BOARD OF DIRECTORS

Brian F. Melchor Blake James C. Alan Hogge Phyllis Austin Dorothy Jones Amy Lehman Rachel Lewis

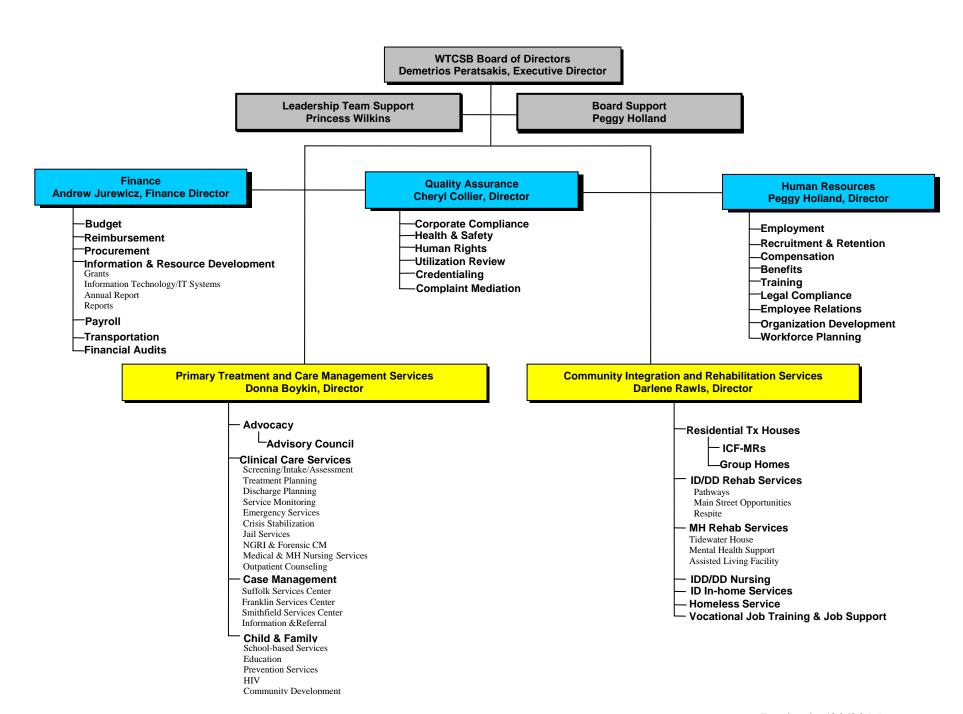
Vicki Wiggins Pittman
Donald Robertson
June Steele
Toni Brown

SENIOR MANAGEMENT TEAM

Demetrios Peratsakis Executive Director

Andrew Jurewicz Finance Director

Peggy W. Holland Human Resources Director
Cheryl Collier Quality Assurance Director
Darlene Rawls Community Support Director
Donna Boykin Care Coordination Director



ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Board of Directors Western Tidewater Community Services Board Suffolk, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Western Tidewater 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 Western Tidewater 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 15 to the financial statements, in 2015, the Western Tidewater 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 4-7 and 44-47 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 Western Tidewater Community Services Board's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are 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 also not a required part of the basic financial statements.

The combining financial statements and the schedule of expenditures of federal awards 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 combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Western Tidewater Community Services Board's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 8, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

As described in Note 15 to the financial statements, GASB Statement Nos. 68 and 71 were implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net pension liability and related items was unavailable. Therefore, the 2014 amounts related to pensions have not been restated to reflect the requirements of GASB Statement Nos. 68 and 71. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

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

Charlottesville, Virginia December 18, 2015

Robinson, Faren, Cox Associates

Management's Discussion and Analysis Year Ended June 30, 2015

This Management's Discussion and Analysis (MD&A) of Western Tidewater Community Services Board's (WTCSB) financial performance provides an overview to the financial statements of the WTCSB for the fiscal year ended June 30, 2015.

Western Tidewater Community Services Board (WTCSB) presents three basic financial statements for the purpose of analyzing the financial position of the WTCSB as of June 30, 2015. These are: (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Net Position; and (3) Statement of Cash Flows.

WTCSB's financial position is measured in terms of resources (assets and deferred outflows) owned and obligations (liabilities and deferred inflows) owed as of June 30, 2015 and 2014. This information is reflected on the Statement of Net Position. The excess of assets over liabilities is the net position.

Information showing the results of operations during fiscal year 2015 and 2014 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement details total revenue and total expenses and reflects an excess or deficiency of revenue over expenses for the fiscal years ending June 30, 2015 and 2014.

The flow of cash resources into and out of WTCSB during the fiscal year is reflected on the Statement of Cash Flows. This statement also reflects the net increase or decrease in cash and cash equivalents for the year and the ending cash and cash equivalents as of June 30, 2015 and 2014.

A summary of WTCSB's statements of net position at June 30, 2015 and 2014 is presented below:

Statement of Net Position

Statement of N	uCt i	OSITION	
		2015	 2014
Current assets Restricted assets Capital assets	\$	12,767,847 530,378 9,255,635	\$ 8,453,588 525,993 9,233,577
Total assets		22,553,860	18,213,158
Deferred outflows of resources	\$	668,809	\$ -
Current liabilities Liabilities payable from restricted assets	\$	5,997,871 156,807	\$ 3,333,810 158,939
Long-term liabilities		3,186,351	3,131,626
Total liabilities	\$	9,341,029	\$ 6,624,375
Deferred inflows of resources	\$	1,742,046	\$ -
Net Position: Net investment in capital assets Restricted Unrestricted	\$	6,100,758 437,465 5,601,371	\$ 6,146,424 502,575 4,939,784
Total net position	\$	12,139,594	\$ 11,588,783

The financial position of Western Tidewater Community Services Board increased by \$2,367,531 during the year ended June 30, 2015 and increased by \$1,754,899 in 2014.

A summary of WTCSB's Statement of Revenues, Expenses and Changes in Net Position for fiscal years 2015 and 2014 is presented below.

Summary Statement of Revenues, Expenses and Changes in Net Position

<u> </u>	<u> </u>	
	2015	2014
Operating revenues: Net patient service revenue	\$ 16,593,389	\$ 16,377,295
Operating expenses	 20,714,697	 21,187,453
Operating income (loss)	\$ (4,121,308)	\$ (4,810,158)
Net non-operating income	6,488,839	6,565,057
Change in net position	\$ 2,367,531	\$ 1,754,899

Operating Income is generated from providing patient services. The majority of Operating Income is generated from Medicaid services. In fiscal years 2015 and 2014, net Patient Service Revenue increased 1.32% and 12.67%, respectively.

Operating expenses decreased 2.23% in 2015 and increased 4.93% in 2014.

<u>Cash Flow:</u> A summary of WTCSB's Statement of Cash Flows for fiscal years 2015 and 2014 is presented below.

Condensed	Statement	of	Cash	Flows
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	2015	2014
Cash flows from operating activities	\$ (1,942,854)	\$ (4,231,380)
Cash flows from non-capital financing activities	6,974,472	6,739,617
Cash flows from capital and related	(953,009)	(474 (22)
financing activities	(852,008)	(474,632)
Cash flows from investing activities	 2,179	 2,067
Net increase (decrease) in cash and cash equivalents	\$ 4,181,789	\$ 2,035,672
Cash and cash equivalents beginning of year	6,974,961	4,939,289
Cash and cash equivalents end of year	\$ 11,156,750	\$ 6,974,961

Cash Flows provided or used by Operating Activities reconcile the operating loss recorded on the Statement of Revenues, Expenses and Changes in Net Assets to cash provided by operating activities. In this process, the Operating Loss is decreased by the amount of any non-cash transaction (depreciation) and adjusted for changes in assets and liabilities. (Please see the full Statement of Cash Flows for a full listing of these transactions).

Cash Flows from Non-Capital Financing Activities consist of income received primarily from government grants.

Cash Flows from Capital and Related Financing Activities represent funds from loan proceeds less the costs of acquisitions of capital assets (see Notes to Financial Statements, Note 4 - Capital Assets). Also reflected are principal and interest payments on mortgages and loans payable.

Cash Flows from Investing Activities are comprised of interest income.

Cash and cash equivalents increased \$4,181,789 in 2015 and increased \$2,035,672 in 2014. The increase in 2014 was due to the holding of regional funds, increase in grant funding, and increases in net patient service revenue. The increase in 2015 was related primarily to increases in amounts held for others.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015 and 2014 the WTCSB had \$9,255,635 and \$9,233,577 in net capital assets. These were comprised primarily of land, buildings and improvements, and equipment and vehicles. (See Notes to Financial Statements, Note 4 - Capital Assets.)

Long-Term Debt

Long-term obligations as of June 30, 2015 are \$3,186,351 a net increase of \$54,725 from June 30, 2014 (see Notes to Financial Statements, Note 6 - Long-term Obligations). This debt is for five facilities. 1000 Commercial Lane, our Suffolk Services Center and the Pathways ID day support complex is financed by SunTrust Bank with a balance of \$1,900,491. 5268 Godwin Boulevard our Administration/Day Program Complex is financed by Bank of America with a balance of \$406,987. The two Intermediate Care Facilities located at 4373 and 4395 Pruden Blvd. are financed with a \$574,800 loan from Farmer's Bank with a balance of \$520,494. Neighbor's Place located at 22510 Thomas Woods Lane, Zuni, Virginia is financed with a loan from the Department of Housing and Urban Development with a balance of \$304,035.

Other Significant Activities in Fiscal Year 2015

Western Tidewater Community Services Board provided 345,488 units of service across all disabilities (Mental Health, Substance Abuse, and Intellectual Disabilities) to over 3,717 distinct consumers in the cities of Suffolk, Franklin, and the counties of Southampton and Isle of Wight. These consumers were primarily underinsured families with children or adult members suffering from chronic and pervasive disabilities.

Western Tidewater CSB continues to balance services and increasing demand with diminishing resources by actively seeking grant opportunities and regional initiatives. These initiatives include: CIT, FEP, MH and ID Regional Crisis Response for Children.

Western Tidewater officially began its Crisis Intervention Team (CIT) in 2011 with training of local government police officers and sheriff personnel. During 2015 a CIT assessment site was approved and provided with ongoing funding. The site will provide comprehensive medical/psychiatric evaluation and triage to individuals in psychiatric crisis due to symptoms of mental illness, substance use disorders, and intellectual disabilities. The assessment site will be located in Suffolk and by cooperative agreement, will serve residents of the Cities of Suffolk and Franklin, the Counties of Isle of Wight and Southampton, and the Towns of Windsor and Smithfield, Virginia. This will fill a gap in the continuum of behavioral health services and provide a valuable resource for citizens of these localities.

The Department of Behavioral Health and Developmental Services (DBHDS) awarded WTCSB for development of an innovative treatment service for adolescents and young adults experiencing their First Episode of Psychosis (FEP) or major depression. WTCSB implemented a treatment team designed to provide an array of outpatient services for this targeted population and it is anticipated that evaluation and research opportunities will prove its utility as a comprehensive system of care for the Commonwealth.

Two Regional programs operated by WTCSB continue to provide a crisis response system for both youth with acute behavioral issues and those with intellectual or developmental issues. WTCSB acts as a program developer, employer and fiscal agent to provide crisis response and mobile counseling to the region. The programs focus on diversion from hospitalization and follow up stabilization services to assist with transition back to community to prevent recidivism.

Western Tidewater has developed telemedicine mechanisms to provide and receive services at Regional Boards, Local Hospitals, Emergency Services, and Regional Law Enforcement (police, sheriff, magistrates) offices. The demand and utilization of Tele-medicine has continued to increase and fortunately various grants have allowed the agency to leverage funds to build the infrastructure needed to provide these services. Over the past two years Psychiatry has been delivered to 255 consumers for over five hundred hours of service and Emergency services has provided service to 71 consumers with over two hundred hours of service using Tele-Psychiatry.

During Fiscal Year 2015 The Governor's plan for providing health insurance to uninsured Virginians began, the initiative was called *A Healthy Virginia*. *A Healthy Virginia* is a ten step plan that expands access to care, improves care for veterans and for those with severe mental illness, and enhances value and innovation across the health system. The first step of this process was the Governor's Access Plan (GAP), which provides basic medical and targeted behavioral health care to approximately 20,000 uninsured Virginians with severe mental illness (SMI). Enrollment began in January of 2015 with covered treatment beginning in February of 2015. Since January of 2015 Western Tidewater CSB completed 168 assessments resulting in 121 individuals determined eligible for GAP benefits. This has allowed opportunities for persons with SMI to access behavioral health and primary health services, as well as enhancing the treatment they can receive.



Statement of Net Position At June 30, 2015 (With Comparative Totals for 2014)

Current Assets: Cash and cash equivalents	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		2015		2014
Restricted Assets: 5523,642 \$519,301 Cash and cash equivalents 6,736 6,693 Accounts receivable 6,736 6,693 Total restricted assets \$530,378 \$525,993 Capital Assets: \$2,173,592 \$2,753,592 Cother capital assets, less accumulated depreciation 7,082,043 7,059,985 Total capital assets, net \$2,255,360 \$1,283,367 Total assets \$2,255,360 \$1,281,315 Deferred outflows of resources: Post measurement date employer pension contributions \$668,809 \$1,283,365 Compensated accrued expenses \$668,809 \$1,285,336 Compensated absences \$1,289,228 \$1,285,336 Compensated absences \$964,204 \$928,350 Amounts held for others - regional funds \$1,289,228 \$1,285,336 Unexpended grant funds and other unearned revenue \$3,144,567 \$3,333,810 Unexpended grant funds and other unearned revenue \$8,073 \$3,333,810 Liabilities Payable from Restricted Assets: <td>Cash and cash equivalents</td> <td>\$</td> <td></td> <td>\$</td> <td></td>	Cash and cash equivalents	\$		\$	
Accounts receivable \$ 523,642 \$ 519,301 Accounts receivable \$ 530,378 \$ 525,993 Total restricted assets \$ 530,378 \$ 525,993 Capital Assets: \$ 2,173,592 \$ 2,173,592 \$ 2,173,592 \$ 7,082,043 7,059,985 Other capital assets, less accumulated depreciation \$ 9,255,635 \$ 9,233,577 70tal assets \$ 9,255,635 \$ 9,233,577 Total assets \$ 9,255,635 \$ 9,233,577 \$ 9,255,635 \$ 9,233,577 Total assets \$ 9,255,635 \$ 9,233,577 \$ 9,255,635 \$ 9,233,577 Total assets \$ 9,255,635 \$ 9,233,577 \$ 668,809 \$ 5.92,33,577 Total assets \$ 668,809 \$ 5.92,33,577 \$ 5.92,575 \$ 5.92,57,535 \$ 9.23,357 Current controllations \$ 1,289,228 \$ 1,289,228 \$ 1,289,238 \$ 5.92,33,57 \$ 5.92,33,57 \$ 5.92,33,57 \$ 5.92,33,57 \$ 5.93,33,53 \$ 5.93,33,53 \$ 5.93,33,53 \$ 5.93,33,53 \$ 5.93,33,53 \$ 5.93,33,53 \$ 5.93,33,53 \$ 5.93,33,53 \$ 5.93,33,53 \$ 5.93,33,53 \$ 5.93,33,53	Total current assets	\$	12,767,847	\$	8,453,588
Capital Assets: \$ 2,173,592 \$ 2,173,592 \$ 2,173,592 \$ 2,173,592 \$ 2,173,592 \$ 2,173,592 \$ 2,759,885 \$ 7,059,985 \$ 7,259,985 \$ 7,259,985 \$ 7,259,985 \$ 7,259,935 \$ 7,259,935 \$ 7,259,935 \$ 7,259,934 \$ 7,259,358 \$ 7,259,959 \$ 7,245,945 \$ 7,285,959 \$ 7,259,959 \$ 7,259,959 \$ 7,259,959 \$ 7,259,959 \$ 7,259,959	Cash and cash equivalents Accounts receivable		6,736	\$	6,692
Cand		\$	530,378	\$	525,993
Total assets \$ 22,553,860 \$ 18,213,158 Deferred outflows of resources: Post measurement date employer pension contributions \$ 668,809 \$ - LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION Current Liabilities: Accounts payable and accrued expenses \$ 1,289,228 \$ 1,285,336 Compensated absences 964,204 928,350 Amounts held for others - regional funds 31,44,567 856,595 Unexpended grant funds and other unearned revenue 323,990 263,529 Total current liabilities \$ 5,997,871 \$ 3,333,810 Liabilities Payable from Restricted Assets: \$ 89,707 \$ 87,679 Cient and consumer funds \$ 89,707 \$ 87,679 Accounts payable and accrued expenses \$ 89,707 \$ 87,693 Long-term debt, current portion 8 89,707 \$ 87,693 Long-term debt, current portion 8 89,707 \$ 87,603 Long-term debt, current portion 8 8,073 7,427 Security deposits \$ 156,807 \$ 158,939 Long-term Liabilities \$ 33,186,351 \$ 3,131,626	Land	\$		\$	
Post measurement date employer pension contributions LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION Current Liabilities: Accounts payable and accrued expenses Compensated absences Amounts held for others - regional funds Unexpended grant funds and other unearned revenue Long-term debt, current portion Liabilities Payable from Restricted Assets: Client and consumer funds Accounts payable and accrued expenses Long-term debt, current portion Liabilities Payable from Restricted Assets: Client and consumer funds Accounts payable and accrued expenses Long-term debt, current portion Long-term Liabilities Net pension liabilities Net pension liability Long-term debt, less current portion Long-term debt, curr	Total capital assets, net	\$	9,255,635	\$	9,233,577
Post measurement date employer pension contributions	Total assets	\$	22,553,860	\$	18,213,158
OF RESOURCES AND NET POSITION Current Liabilities: 3 1,289,228 \$ 1,285,336 Accounts payable and accrued expenses \$ 964,204 928,350 Compensated absences 964,204 928,350 Amounts held for others - regional funds 3,144,567 856,595 Unexpended grant funds and other unearned revenue 323,990		\$	668,809	\$	
Accounts payable and accrued expenses \$ 1,289,228 \$ 1,285,336 Compensated absences 964,204 928,350 Amounts held for others - regional funds 3,144,567 856,595 Unexpended grant funds and other unearned revenue 233,990 - Long-term debt, current portion 275,882 263,529 Total current liabilities \$ 5,997,871 \$ 3,333,810 Liabilities Payable from Restricted Assets: \$ 89,707 \$ 87,679 Client and consumer funds \$ 89,707 \$ 87,679 Accounts payable and accrued expenses 53,098 57,603 Long-term debt, current portion 8,073 7,427 Security deposits 5,929 6,230 Total liabilities payable from restricted assets \$ 156,807 \$ 158,939 Long-term Liabilities: \$ 338,299 \$ - Net pension liability \$ 3,186,351 \$ 3,131,626 Total long-term liabilities \$ 9,341,029 \$ 6,624,375 Deferred inflows of resources: \$ 9,341,029 \$ 6,624,375 Net difference of actual and expected pension liability earnings \$ 1,742,046 \$ - Net investment in capital assets					
Total current liabilities \$ 5,997,871 \$ 3,333,810 Liabilities Payable from Restricted Assets: \$ 89,707 \$ 87,679 Client and consumer funds \$ 89,707 \$ 87,679 Accounts payable and accrued expenses 53,098 57,603 Long-term debt, current portion 8,073 7,427 Security deposits 5,929 6,230 Total liabilities payable from restricted assets \$ 156,807 \$ 158,939 Long-term Liabilities: \$ 338,299 \$ - Net pension liability \$ 338,299 \$ - Long-term debt, less current portion 2,848,052 3,131,626 Total long-term liabilities \$ 3,186,351 \$ 3,131,626 Total liabilities \$ 9,341,029 \$ 6,624,375 Deferred inflows of resources: \$ 9,341,029 \$ 6,624,375 Net Position: \$ 1,742,046 \$ - Net investment in capital assets \$ 6,100,758 \$ 6,146,424 Restricted 437,465 502,575 Unrestricted 5,601,371 4,939,784	Accounts payable and accrued expenses Compensated absences Amounts held for others - regional funds Unexpended grant funds and other unearned revenue	\$	964,204 3,144,567 323,990	\$	928,350 856,595
Liabilities Payable from Restricted Assets: Client and consumer funds \$ 89,707 \$ 87,679 Accounts payable and accrued expenses 53,098 57,603 Long-term debt, current portion 8,073 7,427 Security deposits 5,929 6,230 Total liabilities payable from restricted assets \$ 156,807 \$ 158,939 Long-term Liabilities: \$ 338,299 \$ - Net pension liability \$ 338,299 \$ - Long-term debt, less current portion 2,848,052 3,131,626 Total long-term liabilities \$ 3,186,351 \$ 3,131,626 Total liabilities \$ 9,341,029 \$ 6,624,375 Deferred inflows of resources: \$ 9,341,029 \$ 6,624,375 Net difference of actual and expected pension liability earnings \$ 1,742,046 \$ - Net Position: Net investment in capital assets \$ 6,100,758 \$ 6,146,424 Restricted 437,465 502,575 Unrestricted 5,601,371 4,939,784		Ś	•	Ś	
Long-term debt, current portion $8,073$ $7,427$ Security deposits $5,929$ $6,230$ Total liabilities payable from restricted assets \$ $156,807$ \$ $158,939$ Long-term Liabilities: \$ 338,299 \$ - Net pension liability \$ $2,848,052$ $3,131,626$ Total long-term liabilities \$ $3,186,351$ \$ $3,131,626$ Total liabilities \$ $9,341,029$ \$ $6,624,375$ Deferred inflows of resources: \$ $9,341,029$ \$ $6,624,375$ Net difference of actual and expected pension liability earnings \$ $1,742,046$ \$ $-$ Net Position: \$ $6,100,758$ \$ $6,146,424$ Restricted $437,465$ $502,575$ Unrestricted $5,601,371$ $4,939,784$	Liabilities Payable from Restricted Assets: Client and consumer funds Accounts payable and accrued	·	89,707	\$	87,679
Long-term Liabilities: \$ 338,299 \$ - Net pension liability \$ 338,299 \$ - Long-term debt, less current portion 2,848,052 \$ 3,131,626 Total long-term liabilities \$ 3,186,351 \$ 3,131,626 Total liabilities \$ 9,341,029 \$ 6,624,375 Deferred inflows of resources: Net difference of actual and expected pension liability earnings \$ 1,742,046 \$ - Net Position: Net investment in capital assets \$ 6,100,758 \$ 6,146,424 Restricted 437,465 502,575 Unrestricted 5,601,371 4,939,784	Long-term debt, current portion		8,073		7,427
Net pension liability	Total liabilities payable from restricted assets	\$	156,807	\$	158,939
Total liabilities \$ 9,341,029 \$ 6,624,375 Deferred inflows of resources: Net difference of actual and expected pension liability earnings \$ 1,742,046 \$ - Net Position: Net investment in capital assets \$ 6,100,758 \$ 6,146,424 Restricted \$ 437,465 \$ 502,575 Unrestricted \$ 5,601,371 \$ 4,939,784	Net pension liability	\$	•	\$	- 3,131,626
Deferred inflows of resources: Net difference of actual and expected pension liability earnings \$ 1,742,046 \$ - Net Position: Net investment in capital assets \$ 6,100,758 \$ 6,146,424 Restricted \$ 437,465 \$ 502,575 Unrestricted \$ 5,601,371 \$ 4,939,784	Total long-term liabilities	\$	3,186,351	\$	3,131,626
Net difference of actual and expected pension liability earnings \$ 1,742,046 \$ - Net Position: \$ 6,100,758 \$ 6,146,424 Restricted 437,465 502,575 Unrestricted 5,601,371 4,939,784	Total liabilities	\$	9,341,029	\$	6,624,375
Net investment in capital assets \$ 6,100,758 \$ 6,146,424 Restricted 437,465 502,575 Unrestricted 5,601,371 4,939,784		\$	1,742,046	\$	-
	Net investment in capital assets Restricted	\$	437,465	\$	502,575
		\$		\$	

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

Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2015 (With Comparative Totals for 2014)

	_	2015		2014
Operating revenue:				
Net patient service revenue	\$	16,593,389	\$	16,377,295
Operating expenses:				
Salaries and benefits	\$	16,180,190	\$	15,579,938
Staff development		176,828		105,944
Facility		1,034,123		1,026,963
Supplies		1,032,379		903,104
Travel		379,937		451,366
Contractual and consulting		1,343,917		2,545,959
Depreciation		394,903		436,259
Other	-	172,420		137,920
Total operating expenses	\$	20,714,697	\$	21,187,453
Operating income (loss)	\$	(4,121,308)	\$	(4,810,158)
Nonoperating income (expenses):				
Appropriations:	\$	4 2 40 002	Ļ	4 0 40 505
Commonwealth of Virginia	\$, ,	\$	4,940,595
Federal government		944,711		686,241
Local governments		547,737		543,498
Rentals		204,265		196,615
Interest income Other		2,179		2,067
		714,327		372,905
Interest expense	-	(164,472)		(176,864)
Net nonoperating income	\$.	6,488,839	\$	6,565,057
Change in net position	\$	2,367,531	\$	1,754,899
Net position, beginning of year, as restated		9,772,063		9,833,884
Net position, end of year	\$	12,139,594	\$	11,588,783

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

Statement of Cash Flows Year Ended June 30, 2015 (With Comparative Totals for 2014)

		2015	2014
Cash flows from operating activities: Receipts from customers Payments to suppliers Payments to and for employees	\$	16,456,578 \$ (1,849,912) (16,549,520)	15,842,359 (4,623,469) (15,450,270)
Net cash provided by (used for) operating activities	\$	(1,942,854) \$	(4,231,380)
Cash flows from noncapital financing activities: Government grants Other	\$	6,056,530 \$ 917,942	6,170,334 569,283
Net cash provided by (used for) noncapital financing activities	\$_	6,974,472 \$	6,739,617
Cash flows from capital and related financing activities: Acquisition of capital assets Interest on long-term debt Principal payments on mortgages and capital leases payable	\$	(416,961) \$ (164,472) (270,575)	(39,533) (176,911) (258,188)
Net cash provided by (used for) capital and related financing activities	\$_	(852,008) \$	(474,632)
Cash from investing activities: Interest income	\$_	2,179_\$_	2,067
Net increase (decrease) in cash and cash equivalents	\$	4,181,789 \$	2,035,672
Cash and cash equivalents, beginning of year		6,974,961	4,939,289
Cash and cash equivalents, end of year	ş_	11,156,750 \$	6,974,961
Reconciliation to statement of net position: Cash and cash equivalents Cash and cash equivalents - restricted	\$ _	10,633,108 \$ 523,642	6,455,660 519,301
Total cash and cash equivalents, end of year	\$_	11,156,750 \$	6,974,961
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	\$	(4,121,308) \$	(4,810,158)
Depreciation Changes in assets, liabilities, and		394,903	436,259
deferred outflows/inflows of resources: Accounts receivable Deferred outflows of resources		(136,811) 97,501	(534,936)
Accounts payable and accrued expenses		(308) 35,854	211,743 77,552
Compensated absences Amounts held for others - regional funds		2,287,972	379,060
Client and consumer funds		2,028	9,100
Net pension liability Deferred inflows of resources		(2,244,731) 1,742,046	- -
Net cash provided by (used for) operating activities	\$_	(1,942,854) \$	(4,231,380)

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

Notes to Financial Statements As of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Organization:

The Board operates as an agent for the Cities of Suffolk and Franklin and Counties of Isle of Wight and Southampton in the establishment and operation of community mental health, intellectual disability and substance abuse programs as provided for in Chapter 5 of 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 and intellectual disability 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 No. 39, *Determining Whether Certain Organizations are Component Units*, the Board includes all organizations for which it is considered financially accountable. All component units included in these financial statements have years which end on June 30.

C. Individual Component Unit Disclosures:

<u>Blended Component Units:</u> Blended component units, although legally separate entities are, in substance, part of the Board's operations, and so data from these units are combined with data of the Board. The Board has the following blended component units.

<u>Isle of Wight Opportunities for the Disabled:</u> Isle of Wight Opportunities for the Disabled owns a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

<u>Jay's Place</u>: Jay's Place is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

<u>The Wilkins of Suffolk:</u> The Wilkins of Suffolk is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

<u>Reggie's Place</u>: Reggie's Place is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

<u>Barrett House:</u> Barrett House is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

<u>Gabriel's Place</u>: Gabriel's Place is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) 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 liability measurement date, which will be recognized as a reduction of the net pension liability 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 liability 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.

E. 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 due.

F. <u>Financial Statement Presentation:</u>

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB) and the Virginia Department of Behavioral Health and Developmental Services. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

G. Enterprise Fund Accounting:

Western Tidewater 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 revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

H. 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.

I. <u>Cash and Cash Equivalents:</u>

The Board maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the <u>Code of Virginia</u>. 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 from the date of acquisition.

J. <u>Net Client Service Revenue:</u>

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. Estimated uncollectible amounts are deducted from revenues.

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 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.

The vast majority of fees collected result from Medicaid billings.

L. Capital Assets:

Capital assets, which include property, furniture, equipment and vehicles, acquired are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 31 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. All capital asset additions with a cost greater than \$5,000 are capitalized.

M. Restricted Assets:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

N. Compensated Absences:

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

Employees terminating their employment are paid by the Board their accumulated annual leave up to the maximum limit which is 320 hours. Unused sick leave is paid at the date of separation based on length of service. The amount that shall be paid is limited to 25% of accrued sick leave up to a maximum of \$5,000 for employees with at least five years of service.

The liabilities for annual and sick leave have been recorded in accordance with the provisions of GASB Statement 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 \$964,204. Because the timing of the use of accrued leave is not estimable, the total amount has been classified as a current liability.

O. Investments:

Investments are reported at fair market value.

P. Budgetary Accounting:

The Board follows these procedures in establishing its budgets:

- 1. In response to Letters of Notification received from the Virginia Department of Behavioral Health and Developmental Services (the Department), the Board submits a Performance Contract to the Department. This application contains complete budgets for all 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 and third quarters. The final quarterly report is due by September 30, 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 which reflect these changes in time to be received by the Department by required deadlines.

Q. 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 capital and noncapital related financing and other expenses.

R. Comparative Totals:

Comparative totals for the prior year are presented for informational purposes only.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

S. <u>Net Position:</u>

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:

The Board may fund outlays for a particular purpose from both restricted 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 or used before unrestricted net position is applied.

U. Rental Income:

The component unit organizations receive rental income from tenants, including those eligible for certain U.S. Department of Housing and Urban Development programs. Tenant lease agreements are generally for one year terms and rental income is recorded when earned. This revenue is reported in other nonoperating income for financial reporting.

V. <u>Pensions:</u>

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'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.

W. Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. This represents a liability incurred by the Board for monies accepted from a grantor using the advance method for payments. The liability is reduced and revenue recorded when expenses are made in accordance with the grantor's requirements. If expenses are not made, the funds may revert to the grantor.

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

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.

Restricted Cash:

Restricted cash represents funds held for clients, debt service reserves and cash held by the component unit organizations for various purposes.

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).

Custodial Credit Risk (Investments):

The Board's investment policy requires it to take all possible precautions to minimize the credit risk of its investments through the monitoring of the credit worthiness of the banks and other organizations in which it deposits its money.

Credit Risk of Debt Securities:

The Board's rated debt investments as of June 30, 2015 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Rated Debt Investments' Values

Rated Debt Investments				Fair Q	ua	lity	Ratin	gs			
		AAAm		AA			Α		A1		Unrated
Virginia Local Government	_		_							_	
Investment Pool	\$	1,814,261	\$		-	\$	-	\$	-	\$	-
Federated Government Obligations											
Trust (Money Market Mutual Fund)		265,106	_		-		-		-	_	-
Total	\$	2,079,367	\$		-	\$	-	\$	-	\$	-

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

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Concentration of Credit Risk:

The Board's investment policy regarding the concentration of credit risk requires the minimization of credit risk by limiting investments to the safest securities, prequalifying financial institutions, brokers, dealers and other organizations, and diversifying the investment portfolio to limit potential losses on individual securities.

Interest Rate Risk:

The Board's investment policy requires the investing of operating funds primarily in short-term securities, money market funds or similar investment pools to minimize interest rate risk. The following details the Board's investments at June 30, 2015.

Investment Type		Fair Value	_	Less Than One Year	 1-5 Years	 6-10 Years	10 Years +
Virginia Local Government Investment Pool Federated Government Obligations	\$	1,814,261	\$	1,814,261	\$ -	\$ - \$	-
Trust (Money Market Mutual Fund)	_	265,106		265,106	-		-
Total	\$	2,079,367	\$	2,079,367	\$ -	\$ - \$	-

External Investment Pools:

The fair value of the positions in the external investment pools (Local Government Investment Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

Summary of Cash, Deposits and Investments:

	2015	2014
Cash on hand	\$ 3,920	\$ 3,890
Cash in banks	8,955,042	4,893,759
Investments	2,079,367	2,077,312
Total	\$ 11,038,329	\$ 6,974,961
Cash and cash equivalents:		
Unrestricted	\$ 10,633,108	\$ 6,455,660
Restricted	523,642	519,301
Total	\$ 11,156,750	\$ 6,974,961
Restricted cash and cash equivalents consist of:		
Client and consumer funds	\$ 89,842	\$ 87,679
Debt service reserves	315,429	315,429
Other entities	118,371	116,193
Total	\$ 523,642	\$ 519,301

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

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2015 and 2014 the Board had accounts receivable due from the following primary sources.

	2015	2014
Virginia Department of Medical Assistance Services (Medicaid) Direct client and third party Other	\$ 2,060,059 766,541 1,119,833	\$ 1,918,506 571,624 953,456
Total Less: Allowance for uncollectibles	\$ 3,946,433 (1,804,958)	\$ 3,443,586 (1,438,966)
Net accounts receivable	\$ 2,141,475	\$ 2,004,620

Other than the amounts due for Medicaid charges, there are no other individually significant sources of receivables.

Net accounts receivables are allocated as follows:

	2015	2014
Unrestricted	\$ 2,134,739	\$ 1,997,928
Restricted	6,736	 6,692
Total	\$ 2,141,475	\$ 2,004,620

The allowance for uncollectible accounts has been computed using historical data and specific account analysis.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year is as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated: Land	\$ 2,173,592	\$ -	\$ -	\$ 2,173,592
Total capital assets not being depreciated	\$ 2,173,592	\$ -	\$ -	\$ 2,173,592
Other capital assets: Buildings and improvements Furniture and equipment Vehicles Total other capital assets	\$ 8,796,260 705,312 2,629,053 \$ 12,130,625	\$ - 141,600 275,361 \$ 416,961	\$ - 9,373 - \$ 9,373	\$ 8,796,260 837,539 2,904,414 \$ 12,538,213
Less: Accumulated depreciation Buildings and improvements Furniture and equipment Vehicles	\$ 2,042,895 474,045 2,553,700	\$ 254,441 87,407 53,055	\$ - 9,373 -	\$ 2,297,336 552,079 2,606,755
Total accumulated depreciation	\$ 5,070,640	\$ 394,903	\$ 9,373	\$ 5,456,170
Other capital assets, net	\$ 7,059,985	\$ 22,058	\$ -	\$ 7,082,043
Net capital assets	\$ 9,233,577	\$ 22,058	\$ -	\$ 9,255,635

Depreciation expense totaled \$394,903 for FY 2015 and \$436,259 for FY 2014.

NOTE 5 - LEASE COMMITMENTS:

The Board leases office space, vehicles and other facilities from various lessors. The lease terms generally range from monthly to one year.

Rent expenses totaled \$126,015 for fiscal year 2015 and \$117,552 for fiscal year 2014.

NOTE 6 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the year:

	Mortgages	Net Pension	
	Payable	Liability	Total
Balance at July 1, 2014	\$ 3,402,582	\$ 2,583,030	\$ 5,985,612
Additions	-	2,911,440	2,911,440
Retirements	(270,575)	(5,156,171)	(5,426,746)
Balance at June 30, 2015	\$ 3,132,007	\$ 338,299	\$ 3,470,306

NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)

Annual requirements to amortize mortgages payable at current interest rates are as follows:

Year Ending			
June 30,	F	rincipal	Interest
2016	\$	283,955	\$ 151,145
2017		776,158	137,511
2018		289,511	99,789
2019		239,310	86,534
2020		186,317	76,968
2021-2025		1,079,490	236,932
2026-2030		204,437	56,572
2031-2033		72,829	 7,828
Total	\$	3,132,007	\$ 853,279

Details of Long-term Obligations:

Mortgages Payable:

		Current
	Balance	Portion
\$3,000,000, SunTrust Bank, interest at 4.60%, due in monthly installments of \$19,171 through November 2025, secured by real estate	\$ 1,900,491	\$ 145,678
\$375,000, U.S. Department of Housing and Urban Development, interest at 8.375%, due in monthly installments of \$2,769 through October 2032,		
secured by real estate	304,035	8,073
\$1,372,500, Bank of America, interest at 4.50%, due in monthly installments of \$10,501 through December 2018, secured by real estate	406,987	109,950
\$574,800, Farmer's Bank, interest at 5%, payable in monthly installments of \$3,817 through May 2017 with a final payment of \$481,942 due June 2017	520,494	20,254
Total mortgages payable	\$ 3,132,007	\$ 283,955
Net pension liability	\$ 338,299	\$ -
Total long-term obligations	\$ 3,470,306	\$ 283,955

The Board is in compliance with federal arbitrage regulations.

Total interest cost for fiscal year 2015 was \$164,472, all of which was expensed.

NOTE 7 - 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 <u>Code of Virginia</u>, 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") • 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.	

NOTE 7 - PENSION PLAN: (continued)

RETI	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.) • 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: • 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: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.		

NOTE 7 - PENSION PLAN: (continued)

RETIF	REMENT PLAN PROVISIONS (CONTI	NUED)
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) of 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.

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT 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.	Creditable Service Same as Plan 1.	Creditable Service Defined Benefit Component: 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. Defined Contributions Component: 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)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
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. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting Defined Benefit Component: 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. Defined Contributions Component: 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. Members are always 100% vested in the contributions that they make.		

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) Defined Contributions Component: (Cont.) 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. • 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		

NOTE 7 - PENSION PLAN: (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.) Defined Contribution Component: 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	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 Defined Benefit Component: 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:	

NOTE 7 - PENSION PLAN: (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 Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: 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 Defined Benefit Component: 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. Defined Contribution Component: 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 Defined Benefit Component: VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.		

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)		
Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: 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%. Eligibility: 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%. Eligibility: Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.		

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • 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-inservice 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.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) Exceptions to COLA Effective Dates: Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.	

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work- related disability benefits.	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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. 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 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 Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • 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. <u>Defined Contribution Component:</u> Not applicable.	

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

NOTE 7 - 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:

	Number
Inactive members or their beneficiaries currently receiving benefits	64
Inactive members:	
Vested inactive members	55
Non-vested inactive members	59
Inactive members active elsewhere in VRS	79
Total inactive members	193
Active members	243
Total covered employees	500

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, 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 7.05% 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$668,809 and \$766,310 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Board's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability 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.

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

NOTE 7 - 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*

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

^{*} 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.

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

NOTE 7 - 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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NOTE 7 - 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:

			Weighted
		Arithmetic	Average
		Long-Term	Long-Term
	Target	Expected	Expected
Asset Class (Strategy)	Allocation	Rate of Return	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 arithme	tic 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)

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 Western Tidewater Community Services 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 Liability

	_	Increase (Decrease)				
		Total Plan			Net	
		Pension		Fiduciary		Pension
		Liability		Net Position		Liability
	_	(a)		(b)		(a) - (b)
Balances at June 30, 2013	\$_	27,068,545	\$	24,485,515	\$	2,583,030
Changes for the year:						
Service cost	\$	1,025,485	\$	-	\$	1,025,485
Interest		1,865,455		-		1,865,455
Differences between expected and actual experience		_		_		_
Contributions - employer		_		766,310		(766,310)
Contributions - employee		_		484,390		(484,390)
Net investment income		_		3,905,265		(3,905,265)
Benefit payments, including refunds				0,700,200		(0,700,=00)
of employee contributions		(838, 386)		(838, 386)		-
Administrative expenses		-		(20,500)		20,500
Other changes		-		206		(206)
Net changes	\$	2,052,554	\$	4,297,285	\$	(2,244,731)
Balances at June 30, 2014	\$_	29,121,099	\$	28,782,800	\$	338,299

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

NOTE 7 - PENSION PLAN: (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability 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)	\$ 4,855,191	\$ 338,299	\$ (3,346,518)

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 \$263,625. 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	\$	-	\$	1,742,046
Employer contributions subsequent to the measurement date		668,809		
Total	\$	668,809	\$	1,742,046

\$724,879 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability 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	\$ (435,512)
2017	(435,512)
2018	(435,512)
2019	(435,510)
Thereafter	_

NOTE 8 - FISCAL AGENT:

The City of Franklin, Virginia acts as fiscal agent for the Board pursuant to the requirements of Section 37.1-195 of the <u>Code of Virginia</u> (1950), as amended.

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

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 reimbursement is remote and would not have a material effect on the overall financial position of the Board. Federal programs in which the Board participates were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133.

The reimbursement office of the Board is periodically reviewed by representatives of federal and state authorities regarding its billing of Medicaid and Medicare. These reviews may result in the Board refunding certain collections or prior claims to Medicare and Medicaid. The impact of these reviews cannot be presently determined. However, the Board's management believes that any liability for reimbursement which may arise as the result of these audits is not believed to be material to the financial position of the Board.

The Board may be involved in potential lawsuits arising in the ordinary course of business. It is management's belief that any liability resulting from such lawsuits would not be material in relation to the Board's financial position.

NOTE 10 - RISK MANAGEMENT:

The Board has contracted with the Commonwealth of Virginia Division of Risk Management and private insurance carriers for property damage and liability, workers' compensation, directors and officers liability and professional liability coverages. Coverages are \$12,090,000 for real and personal property and related items, \$1,000,000 for directors and officers and \$2,100,000 for professional liability policies. Workers' compensation coverages are for statutory amounts. There are no surety bond coverages required or purchased for members of the Board of Directors. Management believes its insurance coverages are sufficient to preclude any significant uninsured losses to the Board. There have been no settlements in excess of insurance coverage for the past three years. The Board and its related entities assume risks related to damages in excess of insurance coverages and related deductibles.

NOTE 11 - CONTRIBUTIONS BY PARTICIPANT LOCAL GOVERNMENTS:

Funds contributed by participant local governments were as follows:

	 2015		2014
City of Suffolk	\$ 281,152	\$	281,152
City of Franklin	35,198		35,198
County of Isle of Wight	163,477		160,272
County of Southampton	 67,910		66,876
Total	\$ 547,737	\$	543,498

NOTE 12 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenue sources were as follows:

	 2015		2014
Medicaid	\$ 14,278,031	\$	14,903,944
Direct client and third party	483,274		339,873
Other	1,832,084		1,133,478
Total	\$ 16,593,389	\$	16,377,295

NOTE 13 - NET POSITION:

Isle of Wight Opportunities for the Disabled, a component unit of the Board, has a deficit net position balance of \$159,814 at June 30, 2015.

Restricted net position consists of the following:

Cash and other assets held by component	
unit organizations which are restricted for	
HUD purposes	\$ 74,830
Other Board restrictions	473,183
Total	\$ 548,013

The net position restricted for HUD purposes is considered restricted due to the regulatory oversight over the component units funded by HUD and the restrictions on the use of the properties pursuant to the acceptance of capital advance funds and loans by the organizations.

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS:

Retiree Health Insurance Credit Program:

A. <u>Plan Description:</u>

The Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS: (continued)

Retiree Health Insurance Credit Program: (continued)

A. <u>Plan Description: (continued)</u>

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the <u>Code of Virginia</u>. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to Section 51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 7.

B. Funding Policy:

As a participating local political subdivision, the Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the <u>Code of Virginia</u> and the VRS Board of Trustees. The Board's contribution rate for the fiscal year ended 2015 was .19% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, is based on the annual required contribution (ARC). The Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For 2015, the Board's contribution of \$16,391 was equal to the ARC and OPEB cost. The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years are as follows:

Three-Year Trend Information

	Annual	Percentage	Net
Fiscal Year	OPEB Cost	of ARC	OPEB
Ending	(ARC) (1)	Contributed	Obligation
June 30, 2015	\$ 16,391	100%	\$ -

 June 30, 2014
 18,312
 100%

 June 30, 2013
 18,472
 100%

(1) Employer portion only

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS: (continued)

Retiree Health Insurance Credit Program: (continued)

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 312,750
Actuarial value of plan assets (AVA)	\$ 248,520
Unfunded actuarial accrued liability (UAAL)	\$ 64,230
Funded ratio (actuarial value of plan assets/AAL)	79.46%
Current payroll (active plan members)	\$ 9,618,715
UAAL as a percentage of covered payroll	0.67%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the 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 liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. 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 included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2014 was 29 years.

NOTE 15 - 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, deferred outflows of resources, and deferred inflows of resources, and expense related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

Net Position as reported at June 30, 2014 \$ 11,588,783 | Implementation of GASB Statement No. 68 (1,816,720) | Net Position as restated at June 30, 2014 \$ 9,772,063

In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirements of GASB 68 and 71.

NOTE 16 - UPCOMING PRONOUNCEMENTS:

Statement No. 72, Fair Value Measurement and Application, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, Fair Value Measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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

NOTE 16 - UPCOMING PRONOUNCEMENTS: (continued)

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.



Schedule of Components of and Changes in Net Pension Liability and Related Ratios For the Year Ended June 30, 2015

		2014
Total pension liability		
Service cost	\$	1,025,485
Interest		1,865,455
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions		-
Benefit payments, including refunds of employee contributions		(838,386)
Net change in total pension liability	\$	2,052,554
Total pension liability - beginning		27,068,545
Total pension liability - ending (a)	\$	29,121,099
Plan fiduciary net position		
Contributions - employer	\$	766,310
Contributions - employee	*	484,390
Net investment income		3,905,265
Benefit payments, including refunds of employee contributions		(838,386)
Administrative expense		(20,500)
Other		206
Net change in plan fiduciary net position	\$ -	4,297,285
Plan fiduciary net position - beginning	•	24,485,515
Plan fiduciary net position - ending (b)	\$	28,782,800
Board's net pension liability - ending (a) - (b)	\$	338,299
Plan fiduciary net position as a percentage of the total pension liability		98.84%
Covered-employee payroll	\$	9,637,830
Board's net pension liability as a percentage of covered-employee payroll		3.51%

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.

Schedule of Employer Contributions For the Year Ended June 30, 2015

			(Contributions in Relation to	l		Employer's	Contributions as a % of
	Co	ontractually		Contractually		Contribution	Covered	Covered
		Required		Required		Deficiency	Employee	Employee
	C	ontribution		Contribution		(Excess)	Payroll	Payroll
Date		(1)		(2)		(3)	 (4)	(5)
2015	\$	668,809	\$	668,809	\$	-	\$ 10,276,232	6.51%

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.

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

Schedule of OPEB Funding Progress Virginia Retirement System

Actuarial Valuation Date	Va	tuarial alue of assets (AVA) (a)		Actuarial Accrued Liability (AAL) (b)	 Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funde Ratio (a/b)		Covered Payroll (c)		UAAL as a % of Covered Payroll ((b-a)/c)
Retiree Health I	Insuran	ce Credi	t Pro	gram						
June 30, 2014	\$	248,520	\$	312,750	\$ 64,230	79.46	% \$	9,618,715	5	0.67%
June 30, 2013		207,533		298,309	90,776	69.57	%	9,685,016	ó	0.94%
June 30, 2012		178,062		263,140	85,078	67.67	%	9,250,437	7	0.92%



Combining Statement of Net Position At June 30, 2015

At June 30,	2015					
	_	Western Tidewater Community Services Board	_	Isle of Wight Opportunities for the Disabled	_	Jay's Place
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	_		_			
Current Assets: Cash and cash equivalents Accounts receivable, less	\$	10,633,108	\$	-	\$	-
allowance for uncollectibles	-	2,134,739		-		-
Total current assets	\$_	12,767,847	\$_	-	\$_	-
Restricted Assets: Cash and cash equivalents Accounts receivable	\$	405,271 -	\$_	10,484 1,408	\$	17,501 445
Total restricted assets	\$	405,271	\$	11,892	\$	17,946
Capital Assets: Land Other capital assets, less	\$	2,058,100	\$	35,192	\$	5,000
accumulated depreciation		5,813,326		117,779		152,642
Total capital assets, net	\$	7,871,426	\$	152,971	\$	157,642
Total assets	\$	21,044,544	\$	164,863	\$	175,588
Deferred Outflows of Resources:	_				_	_
Post measurement date employer pension contributions	\$_	668,809	\$_	-	\$	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION Current Liabilities: Accounts payable and accrued	_	4 000 000				
expenses Compensated absences	\$	1,289,228 964,204	\$	-	\$	-
Amounts held for others - regional funds		3,144,567		-		-
Unexpended grant funds and other unearned revenue Long-term debt, current portion	_	323,990 275,882		-	_	
Total current liabilities	\$_	5,997,871	\$_	-	\$_	-
Liabilities Payable from Restricted Assets: Client and consumer funds Accounts payable and accrued	\$	89,707	\$	-	\$	-
expenses		-		17,990		7,941
Long-term debt, current portion Security deposits	_	-		8,073 2,652		- 864
Total liabilities payable from restricted assets	\$_	89,707	\$_	28,715	\$_	8,805
Long-term Liabilities: Net pension liability Long-term debt, less current portion	\$	338,299 2,552,090	\$_	- 295,962	\$	
Total long-term liabilities	\$	2,890,389	\$	295,962	\$	-
Total liabilities	\$	8,977,967	\$_	324,677	\$_	8,805
Deferred Inflows of Resources: Net difference of actual and expected pension liability earnings	\$	1,742,046	\$	-	\$	_
Net Position: Net investment in capital assets Restricted Unrestricted	\$	5,020,584 362,635 5,610,121	\$	(151,064) - (8,750)	\$	157,642 9,141
Total net position	\$	10,993,340	\$	(159,814)	\$	166,783
. Julian position	Ÿ =	. 5, 7, 7, 5, 5, 10	·	(137,311)	· T =	

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

į	The Wilkins of Suffolk		Reggie's Place	,	Barrett House	Gabriel's Place		,	Inter- Company Eliminations		Total
\$	-	\$	-	\$	-	\$	-	\$	-	\$	10,633,108
	-		_		_		-		-		2,134,739
\$	-	\$	-	\$	-	\$	-	\$	-	\$_	12,767,847
\$	23,434 122	\$	25,412 1,236	\$	15,319 1,237	\$	26,221 2,288	\$	-	\$	523,642 6,736
\$	23,556	\$	26,648	\$	16,556	\$	28,509	\$	-	\$	530,378
\$	5,000	\$	5,000	\$	14,000	\$	51,300	\$	-	\$	2,173,592
	142,192		211,430		198,643		446,031		-		7,082,043
\$	147,192	\$	216,430	\$	212,643	\$	497,331	\$	-	\$	9,255,635
\$	170,748	\$	243,078	\$	229,199	\$	525,840	\$	-	\$	22,553,860
\$	-	\$	-	\$	-	\$		\$	-	\$_	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	1,289,228
	-		-		-		-		-		964,204 3,144,567
	-		_		_		-		-		323,990
	-				-	_	-		-	_	275,882
\$	-	\$	-	\$	-	\$_	-	\$	-	\$_	5,997,871
\$	-	\$	-	\$	-	\$	-	\$	-	\$	89,707
	1,355		9,897		6,983		8,932		-		53,098
	- (42		-		-				-		8,073
•	642		526	,	330	-	915	·		-	5,929
\$	1,997	\$	10,423	\$	7,313	\$_	9,847	\$		\$_	156,807
\$		\$		\$		\$		\$		\$	338,299
	-		-		-	_	-	•	-	_	2,848,052
\$	-	\$	-	\$	-	\$_	-	\$	-	\$_	3,186,351
\$	1,997	\$	10,423	\$	7,313	\$_	9,847	\$		\$_	9,341,029
\$	-	\$		\$		\$_	-	\$	-	\$_	1,742,046
\$	147,192	\$	216,430	\$	212,643	\$	497,331	\$	_	\$	6,100,758
7	21,559	7	16,225	7	9,243	7	18,662	7	-	7	437,465
	-					_	<u> </u>		-	_	5,601,371
\$	168,751	\$	232,655	\$	221,886	\$_	515,993	\$	-	\$_	12,139,594

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

	_	Western Tidewater Community Services Board	Isle of Wight Opportunities for the Disabled	Jay's Place
Operating revenue: Net patient service revenue	\$	16,593,389 \$	- \$	_
Operating expenses: Salaries and benefits Staff development Facility Supplies Travel Contractual and consulting Depreciation Other	\$_ \$	16,180,190 \$ 176,828 881,140 1,032,379 379,937 1,343,917 332,083 172,420	- \$ - \$ 38,875 - - - 16,881	27,694 - - - - 6,602
Total operating expenses	\$_	20,498,894 \$	55,756 \$	34,296
Operating income (loss)	\$_	(3,905,505) \$	(55,756) \$	(34,296)
Nonoperating income (expenses): Appropriations: Commonwealth of Virginia Federal government Local governments Rentals Interest income Other Interest expense	\$	4,240,092 \$ 944,711 547,737 - 2,164 714,327 (138,720)	- \$ - 76,352 2 - (25,752)	- - - 31,591 3 - -
Net nonoperating income	\$_	6,310,311 \$	50,602 \$	31,594
Change in net position	\$	2,404,806 \$	(5,154) \$	(2,702)
Net position, beginning of year, as restated	_	8,588,534	(154,660)	169,485
Net position, end of year	\$_	10,993,340 \$	(159,814) \$	166,783

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

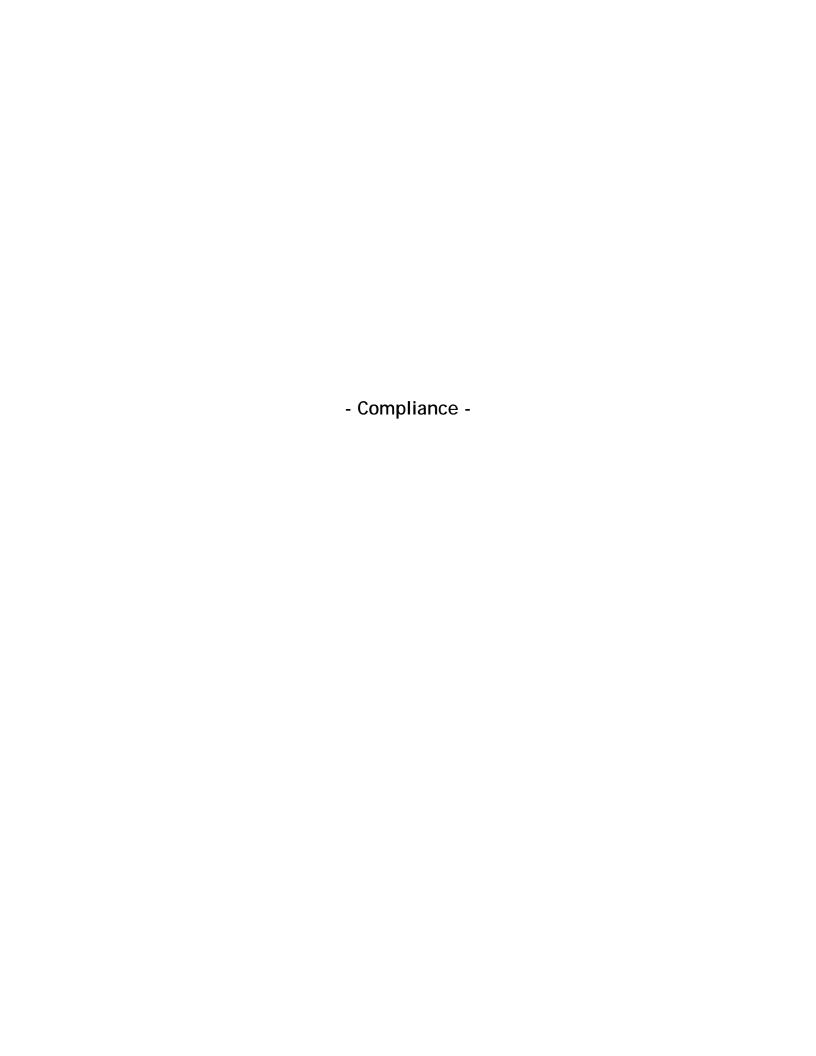
_	The Wilkins of Suffolk		Reggie's Place	_	Barrett House	-	Gabriel's Place		Inter- Company Eliminations		Total
\$_	-	\$	<u>-</u>	\$_	-	\$	-	\$	-	\$_	16,593,389
\$	- - 24 202	\$	-	\$		\$		\$	-	\$	16,180,190 176,828
	26,303		18,103 - - -		20,650		21,358		- - -		1,034,123 1,032,379 379,937 1,343,917
-	6,002		11,131	_	8,539 -		13,665		- -		394,903 172,420
\$_	32,305	\$_	29,234	\$_	29,189	\$_	35,023	\$_	-	\$_	20,714,697
\$_	(32,305)	\$	(29,234)	\$_	(29,189)	\$_	(35,023)	\$_	-	\$_	(4,121,308)
											4 2 42 222
\$	-	\$	-	\$	-	\$	-	\$	-	\$	4,240,092 944,711
	<u>-</u>		- -		- -		- -		-		547,737
	33,820		18,111		23,867		20,524		-		204,265
	2		2		1		5		-		2,179
	-		-		-		-		-		714,327
_	-	-		_	-		-	-	-	-	(164,472)
\$_	33,822	\$	18,113	\$_	23,868	\$	20,529	\$	-	\$_	6,488,839
\$	1,517	\$	(11,121)	\$	(5,321)	\$	(14,494)	\$	-	\$	2,367,531
_	167,234		243,776		227,207		530,487		-		9,772,063
\$	168,751	\$	232,655	\$_	221,886	\$	515,993	\$	-	\$	12,139,594

Combining Statement of Cash Flows Year Ended June 30, 2015

		Western Tidewater Community Services Board	Isle of Wight Opportunities for the Disabled	Jay's Place
Cash flows from operating activities: Receipts from customers Payments to suppliers Payments to and for employees	\$	16,456,578 \$ (1,692,729) (16,549,520)	- \$ (41,035)	- (31,292) -
Total cash flows provided by (used for) operating activities	\$_	(1,785,671) \$	(41,035) \$	(31,292)
Cash flows noncapital financing activities: financing activities: Government grants Other	\$ _	6,056,530 \$ 714,328	- \$ 76,405	- 32,193
Total cash flows provided by (used for) noncapital financing activities	\$	6,770,858 \$	76,405 \$	32,193
Cash flows from capital and related financing activities: Acquisition of capital assets Interest on long-term debt Principal payments on mortgages and capital leases payable	\$	(405,871) \$ (138,720) (263,149)		(8,127)
Total cash flows provided by (used for) capital and related financing activities	\$_	(807,740) \$	(36,141) \$	(8,127)
Cash flows from investing activities: Interest income	\$_	2,164_\$	2 \$	3
Net increase (decrease) in cash and cash equivalents	\$	4,179,611 \$	(769) \$	(7,223)
Cash and cash equivalents, beginning of year	_	6,858,768	11,253	24,724
Cash and cash equivalents, end of year	\$_	11,038,379 \$	10,484 \$	17,501
Reconciliation to combining statement of net position: Cash and cash equivalents Cash and cash equivalents - restricted	\$	10,633,108 \$ 405,271	- \$ 10,484	- 17,501
Total cash and cash equivalents, end of year	\$_	11,038,379 \$	10,484 \$	17,501
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: Operating income (loss) Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:	\$	(3,905,505) \$	(55,756) \$	(34,296)
Depreciation Changes in assets and liabilities:		332,083	16,881	6,602
Accounts receivable Deferred outflows of resources Accounts payable and accrued expenses Compensated absences Amounts held for others - regional funds Client and consumer funds Net pension liability Deferred inflows of resources	_	(136,811) 97,501 3,892 35,854 2,287,972 2,028 (2,244,731) 1,742,046	- (2,160) - - - - -	(3,598) - - - - -
Cash flows provided by (used for) operating activities	\$ <u></u>	(1,785,671) \$	(41,035) \$	(31,292)

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

	The Wilkins	Reggie's	Barrett	Gabriel's	Inter- Company		
	of Suffolk	Place	House	Place	Eliminations	_	Total
\$	- \$ (29,107) -	- \$ (16,201)	- \$ (23,386)	- (16,162) -	\$ - - -	\$	16,456,578 (1,849,912) (16,549,520)
\$	(29,107) \$	(16,201) \$	(23,386) \$	(16,162)	\$	\$	(1,942,854)
\$	- \$ 33,816	- \$ 18,005	- \$ 23,579	- 19,616	\$ <u>-</u>	\$_	6,056,530 917,942
\$	33,816 \$	18,005 \$	23,579 \$	19,616	\$ <u> </u>	\$_	6,974,472
\$	- \$ -	- \$ -	- \$ -	-	\$ - -	\$	(416,961) (164,472)
-	- -	<u> </u>	<u> </u>				(270,575)
\$_	- \$_	- \$_	<u> </u>	-	\$	\$_	(852,008)
\$	2 \$	2 \$	1 \$	5	\$ -	\$	2,179
\$	4,711 \$	1,806 \$	194 \$	3,459		\$	4,181,789
_	18,723	23,606	15,125	22,762		_	6,974,961
\$	23,434 \$	25,412 \$	15,319 \$	26,221	\$	\$_	11,156,750
\$	- \$ 23,434	- \$ 25,412	- \$ 15,319	- 26,221	\$ - 	\$	10,633,108 523,642
\$	23,434 \$	25,412 \$	15,319 \$	26,221	\$	\$_	11,156,750
\$	(32,305) \$	(29,234) \$	(29,189) \$	(35,023)	\$ -	\$	(4,121,308)
	6,002	11,131	8,539	13,665	-		394,903
	-	-	-	-	-		(136,811)
	(2,804)	- 1,902	(2,736)	5,196	-		97,501 (308)
	(2,804)	-	(2,730)	-	-		35,854
	-	-	-	-	-		2,287,972
	- -	-	-	-	-		2,028 (2,244,731)
-	<u> </u>	<u> </u>	<u> </u>				1,742,046
\$	(29,107) \$	(16,201) \$	(23,386) \$	(16,162)	\$	\$_	(1,942,854)



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 Western Tidewater Community Services Board Suffolk, Virginia

We have audited, 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, the financial statements of the business-type activities of Western Tidewater Community Services Board, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Western Tidewater Community Services Board's basic financial statements and have issued our report thereon dated December 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Tidewater 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 Western Tidewater Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Tidewater 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Robinson, Faren, Cox Associates
Charlottesville, Virginia

December 18, 2015

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Western Tidewater Community Services Board Suffolk, Virginia

Report on Compliance for Each Major Federal Program

We have audited Western Tidewater 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 Western Tidewater Community Services Board's major federal programs for the year ended June 30, 2015. Western Tidewater 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.

Western Tidewater Community Services Board's basic financial statements include the operations of component unit organizations Isle of Wight Opportunities for the Disabled, Jay's Place, The Wilkins of Suffolk, Reggie's Place, Barrett House and Gabriel's Place, which received, in the aggregate, a total of \$1,727,911 in federal awards which is not included in the Schedule of Federal Awards during the year ended June 30, 2015. Our audit, described below, did not include the operations of the above component units because each of the component units issues separate financial statements, and audits in accordance with OMB Circular A-133 are performed at the component unit level, where applicable.

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 Western Tidewater 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 Western Tidewater 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 Western Tidewater Community Services Board's compliance.

Opinion on Each Major Federal Program

In our opinion, Western Tidewater 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 Western Tidewater 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 Western Tidewater 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 Western Tidewater 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.

Charlottesville, Virginia December 18, 2015

Robinson, Faver, Cox Associates

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 Identification Number	Expend	ditures
Department of Agriculture Pass-Through Payments: Virginia Department of Agriculture Child and Adult Care Food Program	10.558	Not available	\$5	51,823
Department of Transportation: Pass-Through Payments: Virginia Department of Rail and Public Transportation Formula Grants for Rural Areas	20.509	Not available	\$6	o7,919
Department of Health and Human Services Pass-Through Payments: Virginia Department of Behavioral Health and Disability Services: Block Grants for Community Mental Health Services	93.958	Not available	\$ 10	01,510
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not available	69	2,063
Total Department of Health and Human Services			\$ 79	3,573
Total expenditures of federal awards			\$ 91	3,315

Notes to the Schedule of Expenditure of Federal Awards

Note A - Basis of Accounting:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Western Tidewater 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 Western Tidewater Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Western Tidewater Community Services Board.

Note B - Summary of Significant Accounting Polices:

- 1) Expenditures 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 States, 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.

Note C - Reconciliation of total expenditures of federal awards to federal revenues per financial statements:

Total expenditures of federal awards Unexpended grant funds, net	\$ 913,315 31,396
Federal revenue, per financial statements	\$ 944,711

Schedule of Findings and Questioned Costs 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?

Significant deficiency(ies) identified?

None reported

Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Significant deficiency(ies) identified?

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 Circular A-133,

Section .510 (a)?

Identification of major programs:

CFDA # Name of Federal Program or Cluster

93.959 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?

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Schedule of Prior Year Findings Year Ended June 30, 2015

There were no items reported for the year ended June 30, 2014.