

GOOCHLAND-POWHATAN COMMUNITY SERVICES

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2019



ASSURANCE, TAX & ADVISORY SERVICES

GOOCHLAND-POWHATAN COMMUNITY SERVICES

TABLE OF CONTENTS

INTRODUCTORY SECTION

Board of Directors and Principal Management Team	i
Organizational Chart	ii

FINANCIAL SECTION

Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 4
<i>Basic Financial Statements:</i>	
Statement of Net Position	5
Statement of Revenues, Expenses and Change in Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	8 – 36
<i>Required Supplementary Information:</i>	
Schedule of Employer's Share of Net OPEB Liability – Group Life Insurance Program	37
Schedule of Employer Contributions – OPEB – Group Life Insurance Program	38
Notes to Required Supplementary Information – Other Postemployment Benefits	39
Schedule of Changes in the Board's Net Pension Asset and Related Ratios – Virginia Retirement System	40
Schedule of Board Contributions – Virginia Retirement System	41
Notes to Required Supplementary Information – Virginia Retirement System	42
<i>Supporting Schedules:</i>	
Schedule of Insurance as of June 30, 2019	43
Client Statistics	44

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45 – 46
---	---------

INTRODUCTORY SECTION

GOOCHLAND-POWHATAN COMMUNITY SERVICES

Board of Directors

Goochland County

Parthenia Dinora

Eileen Ford

Elizabeth Kuhns-Boyle

Elizabeth Nelson-Lyda

Powhatan County

Angela Cimmino

Juliana Franklin

Susie Hackenberg

GaElla Matthews

Principal Management Team

Stacy Gill

Carinne Kight

Allison Meyer

Lateshia Brown

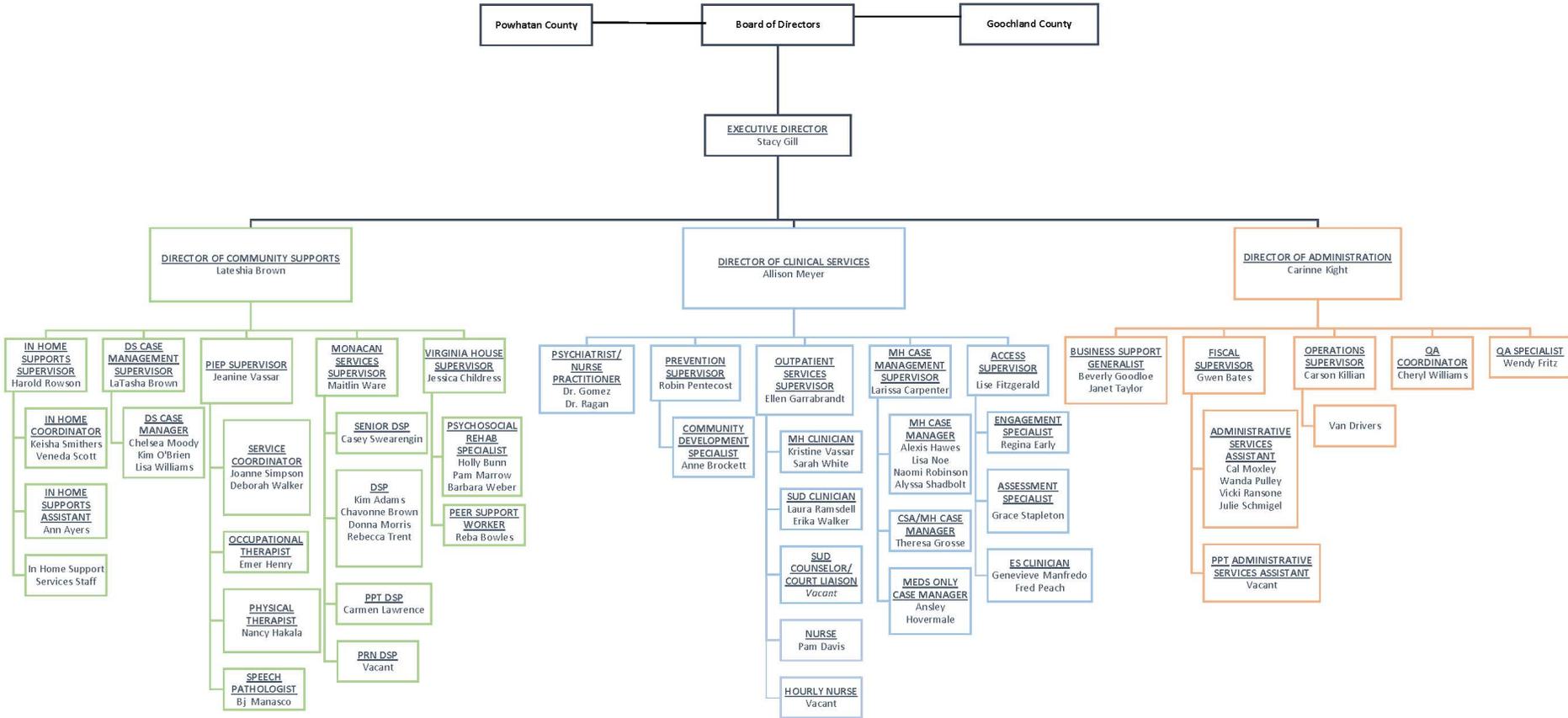
Executive Director

Director of Administration

Director of Clinical Services

Director of Community Support
Services

GOOCHLAND-POWHATAN COMMUNITY SERVICES ORGANIZATIONAL CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Goochland-Powhatan Community Services (the Board), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 3-4 and 38-42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The accompanying schedules listed in the table of contents as supporting schedules and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

YBMares, LLP

Harrisonburg, Virginia
November 18, 2019

GOOCHLAND-POWHATAN COMMUNITY SERVICES

Management's Discussion and Analysis June 30, 2019

The following management's discussion and analysis (MD&A) of the Goochland-Powhatan Community Services (the Board) financial performance provides the reader with an overview to the financial statements of the Board for the fiscal year ended June 30, 2019.

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

The Board's financial position is measured in terms of resources (assets) owned and obligations (liabilities) owed as of June 30, 2019. This information is reflected on the Statement of Net Position. The excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources is the net position.

Information reflecting the results of operations and other changes in net position during the fiscal year 2019 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement reflects total revenues and total expenses for the fiscal year ended June 30, 2019 and the change in net position for the year.

The flow of cash resources into and out of the Board during the fiscal year is reflected on the Statement of Cash Flows. This statement also reflects the net increase in cash and cash equivalents for the year and the ending cash and cash equivalents as of June 30, 2019.

A summary of the Board's net position for fiscal years 2019 and 2018 is presented below.

SUMMARY OF NET POSITION

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets	\$ 1,398,708	\$ 1,192,486
Capital assets (net of accumulated depreciation and amortization)	1,197,918	1,279,793
Other assets	1,675,846	1,363,626
Total assets	<u>4,267,472</u>	<u>3,835,905</u>
Deferred outflows of resources:		
Pension plan and OPEB	40,469	38,724
Total deferred outflows of resources	<u>40,469</u>	<u>38,724</u>
Liabilities:		
Current liabilities	85,450	211,757
Noncurrent liabilities	376,098	582,728
Total liabilities	<u>461,548</u>	<u>794,485</u>
Deferred inflows of resources:		
Pension plan and OPEB	243,772	360,174
Total deferred inflows of resources	<u>243,772</u>	<u>360,174</u>
Net position:		
Net investment in capital assets	1,197,918	939,608
Unrestricted	2,404,703	1,780,362
Total net position	<u>\$ 3,602,621</u>	<u>\$ 2,719,970</u>

A summary of the Board’s revenues, expenses and changes in net position for fiscal years 2019 and 2018 is presented below.

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2019	2018
Operating revenues	\$ 1,606,455	\$ 1,681,284
Operating expenses	4,506,716	4,439,054
Operating loss	(2,900,261)	(2,757,770)
Nonoperating revenues, net	3,782,912	3,357,947
Change in net position	882,651	600,177
Net position, beginning of year	2,719,970	2,119,793
Net position, end of year	\$ 3,602,621	\$ 2,719,970

Operating revenues are generated from providing patient services with the substantial majority of this revenue generated from Medicaid. In fiscal year 2019, Medicaid income represented over 27% of the Board’s total operating revenues.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2019, the Board had \$1,197,918 in net capital assets comprised primarily of land, buildings and improvements, software, and equipment and vehicles.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOOCHLAND-POWHATAN COMMUNITY SERVICES

STATEMENT OF NET POSITION

June 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,004,524
Accounts receivable, less allowance for uncollectibles	258,579
Deposits	10,871
Prepaid items	119,734
	<hr/>
Total current assets	1,393,708
Noncurrent Assets	
Capital assets:	
Land, property and equipment, net	1,197,918
Net pension asset	1,675,846
	<hr/>
Total noncurrent assets	2,873,764
	<hr/>
Total assets	4,267,472
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan	12,796
Other Postemployment Benefits	27,673
	<hr/>
Total deferred outflows of resources	40,469
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	61,030
Compensated absences	24,420
	<hr/>
Total current liabilities	85,450
Noncurrent Liabilities	
Compensated absences	191,098
Other postemployment benefits	185,000
	<hr/>
Total noncurrent liabilities	376,098
	<hr/>
Total liabilities	461,548
DEFERRED INFLOWS OF RESOURCES	
Pension Plan	221,772
Other Postemployment Benefits	22,000
	<hr/>
Total deferred inflows of resources	243,772
NET POSITION	
Net Investment in Capital Assets	1,197,918
Unrestricted	2,404,703
	<hr/>
Total net position	\$ 3,602,621

GOOCHLAND-POWHATAN COMMUNITY SERVICES

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION Year Ended June 30, 2019

<hr/>	
Operating Revenues	
Net patient service revenue	<u>\$ 1,606,455</u>
Operating Expenses	
Salaries and benefits	3,406,601
Staff development	23,419
Facility	195,723
Supplies	125,215
Travel	114,310
Contractual and consulting	493,725
Depreciation and amortization	81,875
Other	<u>65,848</u>
Total operating expenses	<u>4,506,716</u>
Operating loss	<u>(2,900,261)</u>
Nonoperating Revenues (Expenses)	
Grants and appropriations:	
Commonwealth of Virginia	2,367,810
Federal government	608,745
Local governments	547,362
Other	263,213
Interest expense	<u>(4,218)</u>
Nonoperating revenues, net	<u>3,782,912</u>
Change in net position	882,651
Net Position, beginning of year	<u>2,719,970</u>
Net Position, end of year	<u><u>\$ 3,602,621</u></u>

GOOCHLAND-POWHATAN COMMUNITY SERVICES

STATEMENT OF CASH FLOWS Year Ended June 30, 2019

Cash Flows From Operating Activities	
Receipts from customers	\$ 1,593,478
Payments to suppliers	(989,782)
Payments to and for employees	(3,854,793)
	<hr/>
Net cash used in operating activities	(3,251,097)
Cash Flows From Noncapital and Related Financing Activities	
Government grants and appropriations	3,523,917
Other	263,213
	<hr/>
Net cash provided by noncapital and related financing activities	3,787,130
Cash Flows From Capital and Related Financing Activities	
Interest payments on long-term debt	(4,218)
Principal payments on long-term debt	(340,185)
	<hr/>
Net cash used in capital and related financing activities	(344,403)
Net increase in cash and cash equivalents	191,630
Cash and Cash Equivalents, beginning of year	<hr/> 812,894
Cash and Cash Equivalents, end of year	<hr/> \$ 1,004,524
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (2,900,261)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	81,875
Pension expense	(424,536)
Other postemployment benefit expense	(10,000)
Adjustment to bad debt allowance	(5,053)
Changes in assets and liabilities:	
Accounts receivable	(7,924)
Prepaid items	3,385
Accounts payable and accrued expenses	1,654
Compensated absences	9,594
Deferred outflows of resources - contributions made subsequent to measurement date	169
	<hr/>
Net cash used in operating activities	\$ (3,251,097)

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

Reporting entity: For financial reporting purposes, in conformance with GAAP, the Board includes all organizations for which it is considered financially accountable. The members of the Board also appoint the Board of Directors of Cedarwood Residential, Inc., which is exempt from taxation under Internal Revenue Code Section 501(c)(2). Accordingly, Cedarwoods Residential, Inc. has been included as a blended component unit of the Board under provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*.

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

1. *Statement of Net Position* – The Statement of Net Position is designed to display the financial position of the Board. The net position of the Board is broken down into three categories – (1) net investment in capital assets, (2) restricted, and (3) unrestricted.
2. *Statement of Revenues, Expenses and Change in Net Position* – The Statement of Revenues, Expenses and Change in Net Position is designed to display the financial activities of the Board for the period.
3. *Statement of Cash Flows* – The Statement of Cash Flows is prepared using the direct method and is designed to display the yearly transactions that impacted cash and cash equivalents.
4. *Notes to Financial Statements*.

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

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

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

A significant majority of fees collected result from Medicaid billings. An allowance for doubtful client accounts has been estimated by management to equal all client balances older than 90 days, totaling \$28,295 at June 30, 2019.

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

Deferred outflows/inflows of resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For more detailed information on these items, reference the pension plan and other post employment benefit plan notes.

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (continued): In addition to liabilities, the Statement of Net 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. For more detailed information on these items, reference the pension plan and other post employment benefits notes.

Compensated absences: The Board's employees earn annual leave (vacation pay and sick leave) in varying amounts and can accumulate leave based on length of service. All full-time employees earn sick leave at a rate of 11 hours per month. Sick leave for full-time Hybrid Plan employees is capped at 200 hours. Legacy employees do not have a cap on the amount of sick leave that can be earned. Permanent part-time employees accrue sick leave on a pro-rated basis, rounded up to the nearest half hour. Temporary, hourly, and relief employees do not accrue sick leave. Maximum annual leave accumulation hours are the hours allowable at the time of separation or at the end of any calendar year.

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

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

Net position and net position flow assumption: 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 and amortization, less any outstanding debt related to the acquisition, construction or improvement of those assets.

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Group life insurance: The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Subsequent events: The Board has evaluated subsequent events through November 18, 2019, the date on which the financial statements were available to be issued.

Note 2. Risk Management

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

Note 3. Deposits and Investments

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

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with 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.

The Board had no investments at June 30, 2019 subject to fair value measurements.

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2019 is summarized below:

	Beginning Balance	Increases	(Deletions)	Transfers	Ending Balance
Capital assets not being depreciated or amortized:					
Land	\$ 311,690	\$ -	\$ -	\$ -	\$ 311,690
Total capital assets not being depreciated or amortized	311,690	-	-	-	311,690
Capital assets being depreciated or amortized:					
Land improvements	80,800	-	-	-	80,800
Buildings and improvements	1,324,022	-	-	-	1,324,022
Furnishings and equipment	122,934	-	-	-	122,934
Vehicles	653,855	-	(19,011)	-	634,844
Software	416,355	-	-	-	416,355
Total capital assets being depreciated or amortized	2,597,966	-	(19,011)	-	2,578,955
Less accumulated depreciation and amortization	1,629,863	81,875	(19,011)	-	1,692,727
Net capital assets being depreciated or amortized	968,103	(81,875)	-	-	886,228
Net capital assets	\$ 1,279,793	\$ (81,875)	\$ -	\$ -	\$ 1,197,918

Note 5. Lease Agreements

The Board leases office space from the County of Powhatan. Monthly rental payments approximate \$5,500 to the County of Powhatan. The expiration date of the lease is June 30, 2021. The future minimum lease payments are \$132,300. Total rent expense for the year ended June 30, 2019 approximated \$66,150.

Note 6. Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2019 is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Mortgages and loans payable	\$ 340,185	\$ -	\$ 340,185	\$ -	\$ -
	340,185	-	340,185	-	-
Compensated absences	205,924	258,294	248,700	215,518	24,420
Long-term liabilities	\$ 546,109	\$ 258,294	\$ 588,885	\$ 215,518	\$ 24,420

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

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

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

Plan 1	Plan 2	Hybrid Retirement Plan
<p>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.</p>	<p>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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none">• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>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 and they have not taken a refund.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>About the Hybrid Retirement Plan (Continued)</p> <ul style="list-style-type: none"> In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees.* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Retirement Contributions Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>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.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

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

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>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.</p> <p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Vesting (Continued) <u>Defined Contribution Component (Continued)</u></p> <ul style="list-style-type: none">• After two years, a member is 50% vested and may withdraw 50% of employer contributions.• After three years, a member is 75% vested and may withdraw 75% of employer contributions.• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70 1/2.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Calculating the Benefit <u>Defined Benefit Component</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p> <p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier <u>Defined Benefit Component</u> The retirement multiplier for the defined benefit component is 1.0%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component</u> Same as Plan 2. <u>Defined Contribution Component</u> Not applicable.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Earliest Unreduced Retirement Eligibility Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component</u> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component</u> Age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>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.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component</u> Same as Plan 2.</p> <p><u>Defined Contribution Component</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

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

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none">• Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component</u> Not applicable.</p>

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	28
Inactive members:	
Vested	23
Non-vested	16
Active elsewhere in VRS	38
Total inactive members	<u>77</u>
Active members	<u>48</u>
Total covered employees	<u><u>153</u></u>

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Board's contractually required contribution rate for the year ended June 30, 2019 was 1.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$9,520 and \$4,296 for the years ended June 30, 2019 and 2018, respectively.

B. Net Pension Asset

The Board's net pension asset is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Asset (Continued)

Actuarial Assumptions

The total pension liability for General Employee’s in the Board’s retirement plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Asset (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Asset (Continued)

Discount Rate

The discount rate used to measure the total pension asset was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension asset.

C. Changes in the Net Pension Asset

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances at June 30, 2017	\$ 7,530,106	\$ 8,893,732	\$ (1,363,626)
Changes for the year:			
Service cost	185,663	-	185,663
Interest	514,773	-	514,773
Difference between expected and actual experience	(254,984)	-	(254,984)
Contributions – employer	-	4,296	(4,296)
Contributions – employee	-	106,354	(106,354)
Net investment income	-	653,330	(653,330)
Benefit payments, including refunds of employee contributions	(352,407)	(352,407)	-
Administrative expense	-	(5,731)	5,731
Other changes	-	(577)	577
Net changes	93,045	405,265	(312,220)
Balances at June 30, 2018	\$ 7,623,151	\$ 9,298,997	\$ (1,675,846)

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

C. Changes in the Net Pension Asset (Continued)

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Board's net pension asset	\$ (694,799)	\$ (1,675,846)	\$ (2,487,872)

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

For the year ended June 30, 2019, the Board recognized pension expense (benefit) of (\$420,034). The Board also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 332	\$ 145,077
Changes in assumptions	2,944	-
Net difference between projected and actual earnings on pension plan investments	-	76,695
Employer contributions subsequent to the measurement date	9,520	-
Total	\$ 12,796	\$ 221,772

The \$9,520 reported as deferred outflows of resources related to pensions resulting from the Board’s contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2020.

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

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

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (76,710)
2021	(42,223)
2022	(91,878)
2023	<u>(7,685)</u>
	<u>\$ (218,496)</u>

E. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://caretire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the Board are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

**Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program
(Continued)**

A. Plan Description (Continued)

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts The benefits payable under the GLI Program have several components.</p> <ul style="list-style-type: none">• Natural Death Benefit – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p>Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under GLI Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and was increased to \$8,279 effective July 1, 2018.</p>

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI Program are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Board were \$12,673 and \$12,059 for the years ended June 30, 2019 and June 30, 2018, respectively.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2019, the Board reported a liability of \$185,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.01220% as compared to 0.01253% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$2,000. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,000	\$ (3,000)
Net difference between projected and actual investment earnings on OPEB plan investments	-	(6,000)
Change in assumptions	-	(8,000)
Changes in proportion	6,000	(5,000)
Employer contributions subsequent to the measurement date	12,673	-
Total	\$ 27,673	\$ (22,000)

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

**Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program
(Continued)**

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

The \$12,673 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2020	\$ (2,000)
2021	(2,000)
2022	(2,000)
2023	(2,000)
2024	-
Thereafter	<u>1,000</u>
	<u><u>\$ (7,000)</u></u>

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Locality – general employees	3.5%-5.35%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,113,508
Plan fiduciary net position	1,594,773
Employer's net GLI OPEB liability	\$ 1,518,735
Plan fiduciary net position as a percentage of the total GLI OPEB liability	51.22%

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

E. Net GLI OPEB Liability (Continued)

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

F. Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s 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 System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Entity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

**Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program
(Continued)**

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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 Board for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

H. Sensitivity of the Board’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Board’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the Board’s proportionate share of the net GLI OPEB 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:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Plan's net OPEB liability	\$ 242,000	\$ 185,000	\$ 139,000

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 9. Funding from Participating Localities

Appropriations from participating localities for the year ended June 30, 2019 were as follows:

County of Goochland	\$ 273,731
County of Powhatan	<u>273,631</u>
	<u>\$ 547,362</u>

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 10. Blended Component Unit

The following table shows a condensed statement of net position as of June 30, 2019:

	Goochland- Powhatan Community Services	Cedarwoods Residential, Inc.	Total
Assets:			
Current assets	\$ 1,302,943	\$ 90,765	\$ 1,393,708
Capital assets (net of accumulated depreciation and amortization)	1,085,775	112,143	1,197,918
Net pension asset	1,675,846	-	1,675,846
Total assets	4,064,564	202,908	4,267,472
Deferred outflows of resources:			
Pension plan	12,796	-	12,796
Other postemployment benefits	27,673	-	27,673
Total deferred outflows of resources	40,469	-	40,469
Liabilities:			
Current liabilities	85,450	-	85,450
Noncurrent liabilities	376,098	-	376,098
Total liabilities	461,548	-	461,548
Deferred inflows of resources:			
Pension plan	221,772	-	221,772
Other postemployment benefits	22,000	-	22,000
Total deferred inflows of resources	243,772	-	243,772
Net position:			
Net investment in capital assets	1,085,775	112,143	1,197,918
Unrestricted	2,313,938	90,765	2,404,703
Total net position	\$ 3,399,713	\$ 202,908	\$ 3,602,621

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 10. Blended Component Unit (Continued)

The following table shows a condensed statement of revenues, expenses and change in net position for the year ended June 30, 2019:

	Goochland- Powhatan Community Services	Cedarwoods Residential, Inc.	Total
Operating revenues	\$ 1,414,681	\$ 191,774	\$ 1,606,455
Operating expenses	4,388,694	118,022	4,506,716
Operating income (loss)	(2,974,013)	73,752	(2,900,261)
Nonoperating revenues (expenses), net	3,791,441	(8,529)	3,782,912
Income before transfers	817,428	65,223	882,651
Transfers out	(69,117)	69,117	-
Change in net position	748,311	134,340	882,651
Net position, beginning of year	2,651,402	68,568	2,719,970
Net position, end of year	\$ 3,399,713	\$ 202,908	\$ 3,602,621

The following table shows a condensed statement of cash flows for the year ended June 30, 2019:

	Goochland- Powhatan Community Services	Cedarwoods Residential, Inc.	Total
Operating activities	\$ (3,324,849)	\$ 73,752	\$ (3,251,097)
Noncapital and related financing activities	3,787,130	-	3,787,130
Capital and related financing activities	(344,403)	-	(344,403)
Net increase in cash and cash equivalents	117,878	73,752	191,630
Cash and cash equivalents, beginning of year	795,225	17,669	812,894
Cash and cash equivalents, end of year	\$ 913,103	\$ 91,421	\$ 1,004,524

Note 11. Commitments and Contingencies

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

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 12. Pending GASB Statements

At June 30, 2019, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Board. The statements which might impact the Board is as follows:

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, will increase the usefulness of the Board's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for the fiscal year beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement No. 90 will be effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 91, *Conduit Debt Obligation*, will provide a single method of reporting conduit debt obligations by issuer and eliminate diversity in practice associate with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 will be effective for the fiscal years beginning after December 15, 2020.

Management has not determined the effect these new Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

GOOCHLAND-POWHATAN COMMUNITY SERVICES

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM Year Ended June 30, 2019⁽²⁾

	Fiscal Year June 30,	
	2017	2018
Employer's proportion of the net GLI OPEB liability	0.01253%	0.01220%
Employer's proportionate share of the net GLI OPEB liability	\$ 189,000	\$ 185,000
Employer's covered payroll	\$ 2,282,900	\$ 2,319,038
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.28%	7.98%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board will present information for those years for which information is available.
- (2) The amounts presented have a measurement date of the previous fiscal year end.

GOOCHLAND-POWHATAN COMMUNITY SERVICES

SCHEDULE OF EMPLOYER CONTRIBUTIONS OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,	
	2018	2019
Contractually required contribution (CRC)	\$ 12,059	\$ 12,673
Contributions in relation to the CRC	12,059	12,673
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered payroll	\$ 2,319,038	\$ 2,437,115
Contributions as a percentage of covered payroll	0.52%	0.52%

Note to Schedule:

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

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS (OPEB) Year Ended June 30, 2019

Note 1. Group Life Insurance Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2016:

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change

GOOCHLAND-POWHATAN COMMUNITY SERVICES

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

	Fiscal Year June 30,				
	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	\$ 260,060	\$ 221,355	\$ 185,842	\$ 194,426	\$ 185,663
Interest	473,363	503,335	516,708	491,853	514,773
Change in assumptions	-	-	-	12,180	-
Differences between expected and actual experience	-	(208,202)	(702,761)	1,474	(254,984)
Benefit payments, including refunds of employee contributions	(276,735)	(333,746)	(317,151)	(392,585)	(352,407)
Net change in total pension liability	456,688	182,742	(317,362)	307,348	93,045
Total pension liability - beginning	6,900,690	7,357,378	7,540,120	7,222,758	7,530,106
Total pension liability - ending (a)	\$ 7,357,378	\$ 7,540,120	\$ 7,222,758	\$ 7,530,106	\$ 7,623,151
Plan Fiduciary Net Position					
Contributions - employer	\$ 148,439	\$ 133,686	\$ 134,539	\$ 10,846	\$ 4,296
Contributions - employee	108,601	109,382	104,648	106,855	106,354
Net investment income	1,076,702	361,437	142,256	983,507	653,330
Benefit payments, including refunds of employee contributions	(276,735)	(333,746)	(317,151)	(392,585)	(352,407)
Administrative expense	(5,768)	(4,958)	(5,044)	(5,827)	(5,731)
Other	57	(77)	(60)	(869)	(577)
Net change in plan fiduciary net position	1,051,296	265,724	59,188	701,927	405,265
Plan fiduciary net position - beginning	6,815,597	7,866,893	8,132,617	8,191,805	8,893,732
Plan fiduciary net position - ending (b)	\$ 7,866,893	\$ 8,132,617	\$ 8,191,805	\$ 8,893,732	\$ 9,298,997
The Board's net pension asset - ending (a) - (b)	\$ (509,515)	\$ (592,497)	\$ (969,047)	\$ (1,363,626)	\$ (1,675,846)
Plan fiduciary net position as a percentage of the total pension liability	106.93%	107.86%	113.42%	118.11%	121.98%
Covered payroll	\$ 2,276,672	\$ 2,050,399	\$ 2,063,481	\$ 2,282,900	\$ 2,315,420
The Board's net pension asset as a percentage of covered payroll	22.38%	28.90%	46.96%	59.73%	72.38%

Note to Schedule:

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

GOOCHLAND-POWHATAN COMMUNITY SERVICES

SCHEDULE OF BOARD CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,					
	2014	2015	2016	2017	2018	2019
Contractually required contribution (CRC)	\$ 148,439	\$ 133,686	\$ 134,539	\$ 10,846	\$ 4,296	\$ 9,520
Contributions in relation to the CRC	148,439	133,686	134,539	10,846	4,296	9,520
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 2,276,672	\$ 2,050,399	\$ 2,063,481	\$ 2,282,900	\$ 2,315,420	\$ 2,437,051
Contributions as a percentage of covered-employee payroll	6.52%	6.52%	6.52%	0.48%	0.19%	0.39%

Note to Schedule:

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

GOOCHLAND-POWHATAN COMMUNITY SERVICES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA RETIREMENT SYSTEM

Year Ended June 30, 2019

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change

Note 3. Contractually Required Contributions

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

SUPPORTING SCHEDULES

GOOCHLAND-POWHATAN COMMUNITY SERVICES

SCHEDULE OF INSURANCE

June 30, 2019

Insurance Company	Policy Number	Policy Period	Annual Policy Cost	Insurance Type and Coverage	
Vaco Risk Management Programs (VaCoRP)	VA-GO-037A-19	7/1/2018 - 6/30/2019	\$ 17,511	Automobile:	
				Liability/comprehensive and collision - ACV	\$ 3,000,000
			750	Medical payments	5,000
			4,284	Employee dishonesty	250,000
				Real property, personal property, 90% coinsurance	Various
			9,502	General liability	3,000,000
				Fire damage	500,000
			27,803	Workers' compensation:	
				Each accident	1,000,000
				Policy limit – disease	1,000,000
Commonwealth of Virginia Division of Risk Management	N/A	7/1/2018 - 6/30/2019	4,875	Public officials liability:	
				Per occurrence	1,000,000
	N/A	7/1/2018 - 6/30/2019	264	Medical malpractice:	
				General liability	Subject to <i>Code of Virginia</i> §8.01-581.15

GOOCHLAND-POWHATAN COMMUNITY SERVICES

CLIENT STATISTICS

Last Ten Fiscal Years

	Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Unduplicated clients served:										
Mental health	531	407	407	378	453	466	436	552	436	479
Intellectual disability	195	197	235	218	219	220	223	190	239	310
Substance abuse	106	99	88	110	139	169	139	213	139	146
Services outside of programs	485	596	448	516	574	580	537	537	537	569

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Goochland-Powhatan Community Services (the Board), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
November 18, 2019