DISTRICT 19
COMMUNITY SERVICES BOARD

Annual Financial Report
For the Fiscal Year Ended June 30, 2019

DISTRICT 19
COMMUNITY SERVICES BOARD

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2019

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TABLE OF CONTENTS

TABLE OF CONTENTS (Continued)

Compliance:

DISTRICT 19 COMMUNITY SERVICES BOARD

BOARD OF DIRECTORS

Shel Bolyard-Douglas – Chairman	Prince George County
Brenda Ebron-Conner - Vice-Chairman	Dinwiddie County
Ray W. Spicer – Treasurer	City of Hopewell
W. Joe Green, Jr.	City of Colonial Heights
Richard Yates	City of Colonial Heights
Rose Mastracco	Dinwiddie County
Sherry Saunders	City of Emporia
Mark Shifflitt	Greensville County
Shamika Lewis	City of Hopewell
Antonio Morgan	City of Petersburg
Gary Talley	City of Petersburg
Daphne Turner	City of Petersburg
Kenneth Robinson	Prince George County
Jean Grim	Prince George County
Frances Randolph	Surry County

LEADERSHIP TEAM

Jennifer Tunstall	Executive Director
Lisa B. Clark	Director of Finance
Sherri Diven	Director of Children's and Adolescent Services
Melissa DeVault	Director of Operations
Jessica Thomas	Director of Adult Services
Sherry Condell	Director of Community & Crisis Services
Letitia Wallace	Manager of Psychiatric Nursing Services

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DISTRICT 19 COMMUNITY SERVICES BOARD

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

PROGRAM SERVICES

ADULT SERVICES

Adult Clinical Services
*Case Mgt.
*Out PT
*Area Clinics
*PACT

Psychosocial Programs
*Spring Center
*Atlantic House

Residential & Support Services
*Ellis Square Apts.
*MH Support
*ID Case Mgt.

SA/Jail Services
*Intensive Outpatient
*Relapse Prevention
*Co-occurring Program
*Jail Services
*Mandatory Outpatient Treatment
*HIV
*Project Link

Medical Services

*Psychiatric Services
*Nursing Services

Community and Crisis Services

*Emergency Services
*Enhanced Crisis Services
*Same Day Access
*Crisis Intervention
*Peer Support
*Grant Management
*Jail Diversion
*Integrated Treatment Approaches
*New Program Design and Implementation

CHILDREN'S SERVICES

Specialized Children's Services
*School Based Therapy
*Crater Detention
*Outpatient Services

Children's Clinical and Prevention Services
*Case Management
*CSA Care Coordinator
*Prevention

Infant Intervention

ADMINISTRATIVE SERVICES

Finance

*Accounting and Reimbursement
*Services
*Payroll

Operations

*QA/QI
*Procurement and Facilities
**HIPAA
*Credentialing
Medicaid Eligibility
*Medical Records
*Human Rights
*Consumer Advocacy
*Data Integrity

<u>Human Resources</u>
*Recruitment/ Selection
*Benefits/ Orientation
*Class/ Compensation

<u>MIS</u>
*Data Specialist
*Network Administrator
*Data Administrator
*IT Specialists II
*Project Manager

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BASIC FINANCIAL STATEMENTS

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ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

CPAs | CONSULTANTS

Independent Auditors' Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of District 19 Community Services Board, as of and for the year ended June 30, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of District 19 Community Services Board, as of June 30, 2019, and the respective 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 that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-7 and 46-57 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise District 19 Community Services Board's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited District 19 Community Services Board's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of District 19 Community Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of District 19 Community Services Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District 19 Community Services Board's internal control over financial reporting and compliance.

Richmond, Virginia
October 15, 2019

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DISTRICT 19 COMMUNITY SERVICES BOARD
Management's Discussion & Analysis
Year Ended June 30, 2019

The following Management Discussion and Analysis (MD&A) of District 19 Community Services Board (CSB) financial performance provides the reader with an overview of the CSB financial statements for the fiscal year ended June 30, 2019.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL SUMMARY

Financial Position: A summary of the CSB's Statement of Net Position for the years ended June 30, 2019 and 2018 are presented below:

	2019	2018
Current Assets	$ 3,291,237	$ 3,242,354
Property and Equipment, less Accumulated Depreciation	782,183	944,225
Net Pension Asset	4,418,940	3,813,870
TOTAL ASSETS	$ 8,492,360	$ 8,000,449
DEFERRED OUTFLOWS OF RESOURCES	$ 262,342	$ 311,187
Current Liabilities	$ 1,110,090	$ 1,135,855
Long Term Liabilities	2,527,618	2,452,247
TOTAL LIABILITIES	$ 3,637,708	$ 3,588,102
DEFERRED INFLOWS OF RESOURCES	$ 751,118	$ 1,224,467
Net Position:		
Invested in Capital Assets	$ 782,183	$ 944,225
Unrestricted	3,583,693	2,554,842
TOTAL NET POSITION	$ 4,365,876	$ 3,499,067

The financial condition of the CSB increased in 2019 compared to 2018, mainly due to actuarial changes regarding GASB 68 and GASB 75. Net Position increased by $866,809 as the overall the CSB's financial position remained strong.

Change in Net Position: A summary of the CSB's Statement of Revenues, Expenses and Net Position for the years ended June 30, 2019 and 2018 are presented below:

		2019		2018
Operating Revenues	$	5,315,210	$	5,320,292
Operating Expenses		15,292,380		15,743,747
Operating Income (Loss)	$	(9,977,170)	$	(10,423,455)
Non-operating Income		10,843,979		10,800,442
Change in Net Position	$	866,809	$	376,987

Operating Revenues represent the revenue received from providing patient (consumer) services. The largest source of patient service revenue to the CSB is Medicaid. Net Patient Service Fees decreased by $5,082.

Operating Expenses decreased by $451,367. Operating Expenses include staff salaries and benefits, supply purchases, minor (non-capitalized) equipment purchases, payments for contract services and lease payments.

Non-operating revenues (expenses) consist of state, local and federal appropriations, regional funding and interest income from investments. Non-operating income increased by $43,537.

Cash Flows: A summary of the CSB's Statement of Cash Flows for 2019 and 2018 are presented below:

	2019	2018
Cash Flows from Operating Activities	$ (10,952,000)	$ (10,863,096)
Cash Flows from Non-Capital Activities	10,914,822	10,805,563
Cash Flows from Capital Activities	(17,065)	(92,421)
Cash Flows from Investing Activities	9,962	3,656
Net Increase (Decrease) in Cash	$ (44,281)	$ (146,298)
Cash-Beginning of Year	2,410,211	2,556,509
Cash-End of Year	$ 2,365,930	$ 2,410,211

Cash flows (use of cash) for operating activities decreased by $88,904 in 2019 over 2018. This is primarily the result of an increase in payments for operating activities combining with a decrease in receipts from 2018 to 2019.

Cash flows from non-capital activities increased by $109,259 in 2019 over 2018. This is primarily the result of an increase in government and other agency grants.

Capital Assets and Debt Administration

Capital Assets

The CSB had $782,183 in net capital assets at June 30, 2019. In 2019, the CSB acquired $18,155 in capitalized fixed assets and disposed of $681,515.

Long-Term Debt

The CSB had no debt outstanding in FY 2019. Long term liabilities consist entirely of compensated absences and other post-employment benefits.

REQUEST FOR INFORMATION

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

DISTRICT 19 COMMUNITY SERVICES BOARD

Statement of Net Position
As of June 30, 2019
(with Comparative Totals as of June 30, 2018)

		2019		2018
ASSETS				
Current Assets:				
Cash and cash equivalents	$	2,365,930	$	2,410,211
Client receivables, less allowance for uncollectible		690,608		625,993
Other receivable		973		-
Receivables from other governmental units		46,870		38,729
Prepaid items		186,856		167,421
Total current assets	$	3,291,237	$	3,242,354
Capital Assets:				
Property and equipment, less accumulated depreciation	$	782,183	$	944,225
Other Assets:				
Net pension asset	$	4,418,940	$	3,813,870
Total assets	$	8,492,360	$	8,000,449
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$	137,525	$	253,344
OPEB related items		124,817		57,843
Total deferred outflows of resources	$	262,342	$	311,187
LIABILITIES				
Current Liabilities:				
Accounts payable	$	670,277	$	725,799
Wages payable		207,124		202,141
Grants refundable		138,726		114,598
Current portion of compensated absences		93,963		93,317
Total current liabilities	$	1,110,090	$	1,135,855
Long-Term Liabilities:				
Compensated absences, less current portion	$	845,668	$	839,849
Net OPEB liabilities		1,681,950		1,612,398
Total long-term liabilities	$	2,527,618	$	2,452,247
Total liabilities	$	3,637,708	$	3,588,102
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$	614,809	$	1,059,932
OPEB related items		136,309		164,535
Total deferred inflows of resources	$	751,118	$	1,224,467
NET POSITION				
Investment in capital assets	$	782,183	$	944,225
Unrestricted		3,583,693		2,554,842
Total net position	$	4,365,876	$	3,499,067

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

DISTRICT 19 COMMUNITY SERVICES BOARD

Statement of Revenues, Expenses & Changes in Net Position

Year Ended June 30, 2019

(with Comparative Totals for 2018)

		2019		2018
Operating revenues:				
Patient service fees	$	5,315,210	$	5,320,292
Operating expenses:				
Personnel	$	9,691,353	$	10,141,352
Fringe benefits		1,651,188		1,716,183
Purchased services		941,981		1,032,325
Other charges		2,041,102		1,854,869
Leases and rentals		852,467		850,731
Depreciation		114,289		148,287
Total operating expenses	$	15,292,380	$	15,743,747
Operating income (loss)	$	(9,977,170)	$	(10,423,455)
Non-operating income (loss):				
Appropriations:				
Commonwealth of Virginia, including pass-through grants of $1,677,238 from the federal government	$	8,824,482	$	8,474,584
Local governments		818,466		810,513
Other agencies		1,028,332		1,180,036
Interest income		9,962		3,656
Gain (loss) on sale of capital assets		(64,818)		98,866
Miscellaneous local		227,555		232,787
Total non-operating income (loss)	$	10,843,979	$	10,800,442
Change in net position	$	866,809	$	376,987
Net position at beginning of year		3,499,067		3,122,080
Net position at end of year	$	4,365,876	$	3,499,067

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

DISTRICT 19 COMMUNITY SERVICES BOARD

Statement of Cash Flows
Year Ended June 30, 2019
(with Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Receipts from customers	$ 5,250,595	$ 5,167,954
Payments to suppliers	(3,910,507)	(3,381,246)
Payments to employees	(12,292,088)	(12,649,804)
Total cash flows provided by (used for) operating activities	$ (10,952,000)	$ (10,863,096)
Cash flows from non-capital and related financing activities:		
Government and other agency grants	$ 10,687,267	$ 10,572,776
Other	227,555	232,787
Total cash flows provided by (used for) non-capital and related financing activities	$ 10,914,822	$ 10,805,563
Cash flows from capital and related financing activities:		
Purchase of capital assets	$ (18,155)	$ (257,061)
Sale of capital assets	1,090	164,640
Total cash flows provided by (used for) capital and related financing activities	$ (17,065)	$ (92,421)
Cash flows from investing activities:		
Interest income	$ 9,962	$ 3,656
Net increase (decrease) in cash and cash equivalents	$ (44,281)	$ (146,298)
Cash and cash equivalents, beginning of year	2,410,211	2,556,509
Cash and cash equivalents, end of year	$ 2,365,930	$ 2,410,211

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

	2019	2018
Operating income (loss)	$ (9,977,170)	$ (10,423,455)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operations:		
Depreciation	114,289	148,287
Changes in assets, liabilities, and deferred inflows/outflows of resources:		
Client receivables	(64,615)	(152,338)
Prepaid items	(19,435)	8,426
Net pension asset	(605,070)	(2,104,522)
Deferred outflows of resources	48,845	840,042
Accounts payable	(56,495)	348,253
Wages payable	4,983	(79,542)
Net OPEB liabilities	69,552	(186,465)
Compensated absences	6,465	126,343
Deferred inflows of resources	(473,349)	611,875
Cash flows provided by (used for) operating activities	$ (10,952,000)	$ (10,863,096)

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description and Purpose of Agency

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

B. Reporting Entity

For financial reporting purposes, the Board has no organizations for which it is considered financially accountable.

C. Individual Component Unit Disclosures

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

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

D. Basis of Accounting

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

E. Financial Statement Presentation

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

F. Enterprise Fund Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Use of Estimates

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

H. Cash and Cash Equivalents

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

I. Investments

Investments, when applicable, are reported at fair value.

J. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

K. Net Client Service Revenue

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

The Board bills and collects fees for services from its clients. At June 30, 2019, the Board was due $690,608 in client receivables which was made up of Medicaid funds and other client fees. When applicable, the Board calculates its allowance for uncollectible accounts using historical data. The allowance for uncollectible accounts was $26,907 at June 30, 2019.

L. Financial Assistance

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Capital Assets

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

N. Comparative Totals

Comparative totals are presented in the financial statements for informational purposes only.

O. Operating and Nonoperating Revenues and Expenses

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

P. Compensated Absences

The Board's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of services. Employees terminating their employment are paid by the Board their accumulated annual leave up to the maximum limit. Unused sick leave is paid at the date of separation based on length of service. The amount of annual and sick leave recognized as expense is the amount earned during the year. The balance at June 30, 2019 was $939,631.

Q. Budgetary Accounting

The Board follows these procedures in establishing its budgets:

1. In response to Letters of Notification received from the Department of Behavioral Health and Developmental Services (the Department), the Board submits a Performance Contract to the Department. This application contains budgets for core services.

2. The Board's Performance Reports are filed with the Department during the fiscal year, 45 working days after the end of the second quarter. The final quarterly report is due by September 15 (unless extended), following the end of the fiscal year.

3. If any changes are made during the fiscal year in state or federal block grants, or local match funds, the Board submits Performance Contract revisions that reflect these changes in time to be received by required deadlines.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Net Position

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

S. Net Position Flow Assumption

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

T. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource until then. The Board has one item that qualifies for reporting in this category. It is comprised of contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension asset and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on this item, reference the related notes.

U. Pensions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and HIC Plans and the additions to/deductions from the VRS OPEB Plans' 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.

For purposes of measuring the medical and dental pay-as-you go liability, deferred outflows of resources and deferred inflows of resources related to the Plan's OPEB, and the related OPEB expenses, information about the fiduciary net position of the Board's Medical and Dental Pay-As-You go Plan and the additions to/deductions from the Board's OPEB Plan's net fiduciary position have been determined in accordance with GASB 75 based on key assumptions to include: turnover and retirement rates, healthcare trend and claim costs, mortality and discount rate. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2019, District 19 Community Services Board had no investments.

NOTE 3 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Board are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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.

NOTE 3 - PENSION PLAN (Continued)

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service.

b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service.

c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

NOTE 3 - PENSION PLAN (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:

	Number
Inactive members or their beneficiaries currently receiving benefits	129
Inactive members:	
Vested inactive members	68
Non-vested inactive members	65
Inactive members active elsewhere in VRS	122
Total inactive members	255
Active members	172
Total covered employees	556

Contributions

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

The Board's contractually required employer contribution rate for the year ended June 30, 2019 was 2.00% 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were $137,525 and $253,344 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Asset

The net pension asset (NPA) 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 the Board, 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.

NOTE 3 - PENSION PLAN (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Board's Retirement Plan was based on an actuarial valuation as of June 30, 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	2.50%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:
RP-2014 Employee Rates to 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.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:
RP-2014 Employee Rates to 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.

NOTE 3 - PENSION PLAN (Continued)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: (Continued)

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:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated 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 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated 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 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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NOTE 3 - PENSION PLAN (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
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%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Board was also provided with an opportunity to use an alternative 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 liability.

DISTRICT 19 COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2019

NOTE 3 - PENSION PLAN (Continued)

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2017	$ 30,911,019	$ 34,724,889	$ (3,813,870)
Changes for the year:			
Service cost	$ 780,347	$ -	$ 780,347
Interest	2,111,354	-	2,111,354
Differences between expected and actual experience	(271,104)	-	(271,104)
Contributions - employer	-	250,447	(250,447)
Contributions - employee	-	442,715	(442,715)
Net investment income	-	2,557,090	(2,557,090)
Benefit payments, including refunds of employee contributions	(1,497,643)	(1,497,643)	-
Administrative expenses	-	(22,322)	22,322
Other changes	-	(2,263)	2,263
Net changes	$ 1,122,954	$ 1,728,024	$ (605,070)
Balances at June 30, 2018	$ 32,033,973	$ 36,452,913	$ (4,418,940)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Board's Net Pension Liability (Asset)	$ 3,122	$ (4,418,940)	$ (8,068,707)

NOTE 3 - PENSION PLAN (Continued)

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 of ($799,476). At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 264,522
Change in assumptions	-	40,911
Net difference between projected and actual earnings on pension plan investments	-	309,376
Employer contributions subsequent to the measurement date	137,525	-
Total	$ 137,525	$ 614,809

$137,525 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2020	$ (144,722)
2021	(80,027)
2022	(358,987)
2023	(31,073)
2024	-
2025	-
Thereafter	-

NOTE 3 - PENSION PLAN (Continued)

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://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, VA 23218-2500.

NOTE 4—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan 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 group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from 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.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. 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.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

NOTE 4—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Contributions

The contribution requirements for the GLI Program are governed by §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 entity were $46,331 and $45,656 for the years ended June 30, 2019 and June 30, 2018, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2019, the entity reported a liability of $702,000 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 .04618% as compared to .04517% 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 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	$ 34,000	$ 13,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	23,000
Change in assumptions	14,000	29,000
Changes in proportion	-	45,000
Employer contributions subsequent to the measurement date	46,331	-
Total	$ 94,331	$ 110,000

NOTE 4—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)

$46,331 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 Ended June 30		
2020	$	(17,000)
2021		(17,000)
2022		(17,000)
2023		(11,000)
2024		(1,000)
Thereafter		1,000

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. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
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 OPEB liabilities.

NOTE 4—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – 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 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)	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
Line of Duty Disability	Increased rate from 14% to 20%

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 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.

NOTE 4—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)

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
Line of Duty Disability	Increased rate from 14% to 15%

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 is 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
Employers' Net GLI OPEB Liability (Asset)	$	1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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.

NOTE 4—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

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 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%.

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 ended June 30, 2018, the rate contributed by the entity 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.

NOTE 4—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Board's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 917,000	$ 702,000	$ 527,000

GLI 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, VA, 23218-2500.

NOTE 5—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

The Political Subdivision Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

NOTE 5—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

Benefit Amounts

The Political Subdivision Retiree HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

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

Inactive members or their beneficiaries currently receiving benefits	34
Inactive members:	
Vested inactive members	2
Total inactive members	36
Active members	172
Total covered employees	208

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Board's contractually required employer contribution rate for the year ended June 30, 2019 was .15% 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 was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Board to the HIC Program were $13,347 and $12,187 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net HIC OPEB Liability

The Board's net HIC OPEB liability was measured as of June 30, 2018. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

NOTE 5—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions

The total HIC 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%
Locality - Hazardous Duty employees	3.5%-4.75%
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.

Mortality Rates – 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 3 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 2 years, 110% of rates; females 125% of rates.

NOTE 5—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees (Continued)

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
Line of Duty Disability	Increased rate from 14% to 20%

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 3 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 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)	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
Line of Duty Disability	Increased rate from 14% to 15%

NOTE 5—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

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 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%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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 ended June 30, 2018, the rate contributed by the entity for the HIC 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 HIC 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 HIC OPEB liability.

NOTE 5—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	$ 318,122	$ 287,372	$ 30,750
Changes for the year:			
Service cost	$ 9,203	$ -	$ 9,203
Interest	21,534	-	21,534
Differences between expected and actual experience	2,124	-	2,124
Contributions - employer	-	12,183	(12,183)
Net investment income	-	20,288	(20,288)
Benefit payments	(20,984)	(20,984)	-
Administrative expenses	-	(471)	471
Other changes	-	(1,478)	1,478
Net changes	$ 11,877	$ 9,538	$ 2,339
Balances at June 30, 2018	$ 329,999	$ 296,910	$ 33,089

Sensitivity of the Board's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Board's HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Board's net HIC 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:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Board's Net HIC OPEB Liability (Asset)	$ 68,369	$ 33,089	$ 2,984

NOTE 5—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2019, the Board recognized HIC Program OPEB expense of $9,507. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to the Board's HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,798	$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	-	7,447
Change in assumptions	-	6,432
Employer contributions subsequent to the measurement date	13,347	-
Total	$ 15,145	$ 13,879

$13,347 reported as deferred outflows of resources related to the HIC OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC 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 HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2020	$ (3,439)
2021	(3,439)
2022	(3,437)
2023	(1,100)
2024	(834)
Thereafter	168

NOTE 5—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

HIC Program Plan Data

Information about the VRS Political Subdivision HIC Program 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, VA, 23218-2500.

NOTE 6—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN):

Plan Description

In addition to the pension and other postemployment benefits previously described, the Board administers a single-employer defined benefit healthcare plan, The District 19 Community Service Board Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits that are provided to eligible retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. No benefits are provided to Medicare eligible retirees or their spouses.

Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	175
Total retirees with coverage	5
Total spouses of retires with coverage	3
Total	183

Contributions

The Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Board. The amount paid by the Board for OPEB as the benefits came due during the year ended June 30, 2019 was $54,475

Total OPEB Liability

The Board's total OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

NOTE 6—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount Rate	3.50%
Actuarial cost method	Entry Age Normal
Medical Trend Rate	7.40% - 4.30% over 57 years
Salary increases including inflation	Graded Scale

Discount Rate

The discount rate is a single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the sum of:

1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return.
2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate.

Municipal Bond Rate

The Municipal Bond Rate is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in Total OPEB Liability

		Total OPEB Liability
Balances at June 30, 2018	$	901,648
Changes for the year:		
Service cost		43,851
Interest		35,547
Changes in assumptions		20,290
Benefit payments		(54,475)
Net changes	$	45,213
Balances at June 30, 2019	$	946,861

NOTE 6—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

Rate		
1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
$ 1,003,093	$ 946,861	$ 892,783

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.40% decreasing to 3.30% over 57 years) or one percentage point higher (8.40% decreasing to 5.30% over 57 years) than the current healthcare cost trend rates:

Rates		
1% Decrease 6.40%	Current Trend 7.40%	1% Increase 8.40%
$ 848,867	$ 946,861	$ 1,060,320

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the Board recognized OPEB expense in the amount of $80,338. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Changes in assumptions	$ 15,341	$ 12,430
Total	$ 15,341	$ 12,430

NOTE 6—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future report periods as follows:

Year Ended June 30		
2020	$	940
2021		940
2022		940
2023		91
2024		-
Thereafter		-

Additional disclosures on changes in net OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

NOTE 7 – SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT PLANS

Aggregate OPEB Information

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Board Group Life Insurance Program (Note 4)	$ 94,331	$ 110,000	$ 702,000	$ (2,000)
Board Health Insurance Credit Program (Note 5)	15,145	13,879	33,089	9,507
Board Stand-Alone Plan (Note 6)	15,341	12,430	946,861	80,338
Totals	$ 124,817	$ 136,309	$ 1,681,950	$ 87,845

NOTE 8 - CONTINGENT LIABILITIES

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

At June 30, 2019, there were no matters of litigation involving the Board which would materially affect the Board’s financial position should any court decision or pending matter not be favorable to the Board.

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 – OPERATING LEASE AGREEMENTS

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

Year Ended June 30,	Amount
2020	$ 783,592
2021	709,701
2022	592,318
2023	538,254
2024	542,196
2025 - 2029	2,770,248
2030 - 2031	704,685
Total	$ 6,640,994

Rent expense totaled $797,923 and $850,731 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTE 11 - FISCAL AGENT

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

NOTE 12 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019 is presented below:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not subject to depreciation:				
Land	$ 222,087	$ -	$ -	$ 222,087
Total capital assets not subject to depreciation	$ 222,087	$ -	$ -	$ 222,087
Capital assets subject to depreciation:				
Buildings	$ 905,765	$ -	$ 153,736	$ 752,029
Leasehold improvements	179,356	-	-	179,356
Equipment	2,304,587	18,155	527,779	1,794,963
Total capital assets being depreciated	$ 3,389,708	$ 18,155	$ 681,515	$ 2,726,348
Less accumulated depreciation for:				
Buildings	$ 509,632	$ 32,443	$ 87,828	$ 454,247
Leasehold improvements	11,957	11,957	-	23,914
Equipment	2,145,981	69,889	527,779	1,688,091
Total accumulated depreciation	$ 2,667,570	$ 114,289	$ 615,607	$ 2,166,252
Total capital assets being depreciated, net	$ 722,138	$ (96,134)	$ 65,908	$ 560,096
Total capital assets, net	$ 944,225	$ (96,134)	$ 65,908	$ 782,183

NOTE 13 - LOCAL GOVERNMENT CONTRIBUTIONS BY PARTICIPANT LOCAL GOVERNMENTS

The participating localities contributed the following for the fiscal year ended June 30, 2019:

City of Petersburg	$ 209,185
City of Colonial Heights	79,953
County of Greensville	55,112
County of Surry	64,127
City of Hopewell	120,551
City of Emporia	39,471
County of Sussex	64,499
County of Dinwiddie	78,226
County of Prince George	107,342
Total	$ 818,466

NOTE 14 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the Board for the year ended June 30, 2019:

	July 1, 2018	Increases	Decreases	June 30, 2019	Amounts due within one year
Compensated absences	$ 933,166	$ 99,782	$ 93,317	$ 939,631	93,963
Net OPEB liabilities	1,612,398	311,498	241,946	1,681,950	-
Total Liabilities	$ 2,545,564	$ 411,280	$ 335,263	$ 2,621,581	$ 93,963

Detail of Long-Term Obligations:

Compensated absences	$ 939,631
Net OPEB liabilities	1,681,950
Total long-term obligations	$ 2,621,581

NOTE 15 - DUE FROM OTHER GOVERNMENTS

At June 30, 2019, the Board had receivables from other governments as follows:

Other Local Governments:	
Richmond Behavioral Health Authority	$ 46,870
Total	$ 46,870

NOTE 16 – NET PATIENT REVENUE SOURCES

Net Patient Revenues for 2019 were from the following sources:

Medicaid	$ 5,236,917
Direct Client & Third Parties	78,293
Total	$ 5,315,210

NOTE 17 – UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

NOTE 17 – UPCOMING PRONOUNCEMENTS: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No, 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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REQUIRED SUPPLEMENTARY INFORMATION

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DISTRICT 19 COMMUNITY SERVICES BOARD

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 780,347	$ 838,726	$ 925,010	$ 901,004	$ 955,514
Interest	2,111,354	2,041,818	1,972,594	1,879,617	1,756,243
Differences between expected and actual experience	(271,104)	(308,391)	(710,160)	(394,296)	-
Changes in assumptions	-	(177,279)	-	-	-
Benefit payments, including refunds of employee contributions	(1,497,643)	(1,305,372)	(1,091,689)	(1,024,457)	(874,104)
Net change in total pension liability	$ 1,122,954	$ 1,089,502	$ 1,095,755	$ 1,361,868	$ 1,837,653
Total pension liability - beginning	30,911,019	29,821,517	28,725,762	27,363,894	25,526,241
Total pension liability - ending (a)	$ 32,033,973	$ 30,911,019	$ 29,821,517	$ 28,725,762	$ 27,363,894
Plan fiduciary net position					
Contributions - employer	$ 250,447	$ 251,671	$ 373,560	$ 388,690	$ 414,951
Contributions - employee	442,715	448,728	440,678	448,201	443,806
Net investment income	2,557,090	3,824,651	544,770	1,376,722	4,123,203
Benefit payments, including refunds of employee contributions	(1,497,643)	(1,305,372)	(1,091,689)	(1,024,457)	(874,104)
Administrative expense	(22,322)	(22,260)	(19,417)	(18,769)	(22,018)
Other	(2,263)	(3,394)	(231)	(292)	217
Net change in plan fiduciary net position	$ 1,728,024	$ 3,194,024	$ 247,671	$ 1,170,095	$ 4,086,055
Plan fiduciary net position - beginning	34,724,889	31,530,865	31,283,194	30,113,099	26,027,044
Plan fiduciary net position - ending (b)	$ 36,452,913	$ 34,724,889	$ 31,530,865	$ 31,283,194	$ 30,113,099
Board's net pension liability (asset) - ending (a) - (b)	$ (4,418,940)	$ (3,813,870)	$ (1,709,348)	$ (2,557,432)	$ (2,749,205)
Plan fiduciary net position as a percentage of the total pension liability	113.79%	112.34%	105.73%	108.90%	110.05%
Covered payroll	$ 8,704,677	$ 8,290,330	8,787,778	$ 8,995,323	$ 8,861,243
Board's net pension liability (asset) as a percentage of covered payroll	-50.77%	-46.00%	-19.45%	-28.43%	-31.03%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

DISTRICT 19 COMMUNITY SERVICES BOARD

Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 137,525	$ 137,525	$ -	$ 8,897,911	1.55%
2018	253,344	253,344	-	8,704,677	2.91%
2017	275,239	275,239	-	8,290,330	3.32%
2016	483,328	386,662	96,666	8,787,778	5.50%
2015	494,743	395,794	98,949	8,995,323	5.50%
2014	593,703	415,592	178,111	8,861,243	6.70%
2013	596,544	417,580	178,963	8,903,635	6.70%
2012	360,838	360,838	-	8,736,994	4.13%
2011	358,902	358,902	-	8,690,111	4.13%
2010	300,297	300,297	-	8,884,527	3.38%

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2019

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

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 ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated 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 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated 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 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

DISTRICT 19 COMMUNITY SERVICES BOARD

Schedule of Board's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2018	0.04618%	$ 702,000	$ 8,780,091	8.00%	51.22%
2017	0.04517%	680,000	8,331,892	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

DISTRICT 19 COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 46,331	$ 46,331	$ -	$ 8,909,761	0.52%
2018	45,656	45,656	-	8,780,091	0.52%
2017	43,326	43,326	-	8,331,892	0.52%
2016	42,181	42,181	-	8,787,778	0.48%
2015	43,178	43,178	-	8,995,323	0.48%
2014	42,534	42,534	-	8,861,243	0.48%
2013	42,872	42,872	-	8,931,674	0.48%
2012	24,852	24,852	-	8,799,286	0.28%
2011	24,660	24,660	-	8,807,167	0.28%
2010	18,299	18,299	-	8,978,804	0.20%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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

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 ending June 30, 2016:

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
Line of Duty Disability	Increased rate from 14% to 20%

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
Line of Duty Disability	Increased rate from 14% to 15%

DISTRICT 19 COMMUNITY SERVICE BOARD

Schedule of Changes in Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2018 and 2017

	2018	2017
Total HIC OPEB Liability		
Service cost	$ 9,203	$ 10,012
Interest	21,534	20,993
Differences between expected and actual experience	2,124	-
Changes in assumptions	-	(9,068)
Benefit payments	(20,984)	(7,435)
Net change in total HIC OPEB liability	$ 11,877	$ 14,502
Total HIC OPEB Liability - beginning	318,122	303,620
Total HIC OPEB Liability - ending (a)	$ 329,999	$ 318,122
Plan fiduciary net position		
Contributions - employer	$ 12,183	$ 11,607
Net investment income	20,288	29,550
Benefit payments	(20,984)	(7,435)
Administrative expense	(471)	(485)
Other	(1,478)	1,478
Net change in plan fiduciary net position	$ 9,538	$ 34,715
Plan fiduciary net position - beginning	287,372	252,657
Plan fiduciary net position - ending (b)	$ 296,910	$ 287,372
Board's net HIC OPEB liability - ending (a) - (b)	$ 33,089	$ 30,750
Plan fiduciary net position as a percentage of the total HIC OPEB liability	89.97%	90.33%
Covered payroll	$ 8,704,677	$ 8,290,330
Board's net HIC OPEB liability as a percentage of covered payroll	0.38%	0.37%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

DISTRICT 19 COMMUNITY SERVICE BOARD

Schedule of Employer Contributions
Health Insurance Credit (HIC) Program
For the Years Ended June 30,2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 13,347	$ 13,347	$ -	$ 8,997,911	0.15%
2018	12,187	12,187	-	8,704,677	0.14%
2017	11,606	11,606	-	8,290,330	0.14%
2016	11,424	11,424	-	8,787,778	0.13%
2015	11,694	11,694	-	8,995,323	0.13%
2014	16,836	16,836	-	8,861,243	0.19%
2013	16,908	16,908	-	8,899,132	0.19%
2012	19,219	19,219	-	8,735,911	0.22%
2011	19,115	19,115	-	8,688,505	0.22%
2010	29,320	29,320	-	8,884,732	0.33%

DISTRICT 19 COMMUNITY SERVICE BOARD

Notes to Required Supplementary Information
Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

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

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 ending June 30, 2016:

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
Line of Duty Disability	Increased rate from 14% to 20%

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
Line of Duty Disability	Increased rate from 14% to 15%

DISTRICT 19 COMMUNITY SERVICE BOARD

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Medical and Dental OPEB Plan
For the Measurement Dates of June 30, 2018 and June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	$ 43,851	$ 44,726
Interest	35,547	31,975
Changes in assumptions	20,290	(20,448)
Benefit payments	(54,475)	(46,505)
Net change in total OPEB liability	$ 45,213	$ 9,748
Total OPEB liability - beginning	901,648	891,900
Total OPEB liability - ending	$ 946,861	$ 901,648
Covered payroll	$ 8,744,100	$ 8,744,100
Board's total OPEB liability (asset) as a percentage of covered payroll	10.83%	10.31%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

DISTRICT 19 COMMUNITY SERVICE BOARD

Notes to Required Supplementary Information - Medical and Dental OPEB Plan
For the Year Ended June 30, 2019

Valuation Date: 6/30/2017
Measurement Date: 6/30/2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Inflation	2.50%
Discount Rate	3.50%
Actuarial cost method	Entry Age Normal
Medical Trend Rate	7.40% - 4.30% over 57 years
Salary increase including inflation	Graded Scale

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COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of District 19 Community Services Board as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise District 19 Community Services Board's basic financial statements and have issued our report thereon dated October 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District 19 Community Services Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District 19 Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the District 19 Community Services Board's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District 19 Community Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Richmond, Virginia
October 15, 2019

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited District 19 Community Services Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of District 19 Community Services Board's major federal programs for the year ended June 30, 2019. District 19 Community Services Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of District 19 Community Services Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about District 19 Community Services Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of District 19 Community Services Board's compliance.

Opinion on Each Major Federal Program

In our opinion, District 19 Community Services Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of District 19 Community Services Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered District 19 Community Services Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District 19 Community Services Board's internal control over compliance.

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

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

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

Richmond, Virginia
October 15, 2019

DISTRICT 19 COMMUNITY SERVICES BOARD

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Department of Education				
Pass-Through Payments:				
Department of Behavioral Health and Developmental Services:				
Special Education- Grants for Infants and Families	84.181	445007-43081 & 445007-43082	$	92,691
Department of Health and Human Services:				
Pass-Through Payments:				
Department of Behavioral Health and Developmental Services:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	445001-52001 & 445001-52002	$	49,516
Opioid STR	93.788	445001-51012 & 445001-51013		45,051
Block Grants for Community Mental Health Services	93.958	445006-50127 & 445006-50128		97,576
Block Grants for Prevention and Treatment of Substance Abuse	93.959	445001-50197 & 445001-50198		1,392,404
Total Department of Health and Human Services			$	1,584,547
Total Expenditures of Federal Awards			$	1,677,238

See accompanying notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the District 19 CSB under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the District 19 CSB, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District 19 CSB.

Note B - Summary of Significant Accounting Policies

(1) - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

(3) - The Board did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note C - Subrecipients

No awards were passed through to subrecipients.

DISTRICT 19 COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs
As of June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:			*unmodified*	
Internal control over financial reporting:				
Material weakness(es) identified?		yes	✓	no
Significant deficiency(ies) identified?		yes	✓	none reported
Noncompliance material to financial statements noted?		yes	✓	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		yes	✓	no
Significant deficiency(ies) identified?		yes	✓	none reported
Type of auditors' report issued on compliance for major programs:			*unmodified*	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		yes	✓	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	✓	yes		no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Schedule of Prior Year Findings
Year Ended June 30, 2019

There were no items reported.