GREENSVILLE-EMPORIA

DEPARTMENT OF SOCIAL SERVICES

(A Component Unit of Greensville County, Virginia)

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

Table of Contents

GREENSVILLE-EMPORIA DEPARTMENT OF SOCIAL SERVICES
(A Component Unit of Greensville County, Virginia)

Board of Social Services

Michael W. Ferguson, Chairman

Dr. Carolyn S. Carey, Vice-Chairman

Jacqueline Jordan

Brian S. Thrower

K. David Whittington

Officers

John Holtkamp, Director

Pamela Lifsey, District Fiscal Officer

Independent Auditors' Report

To the Board of Directors
Greensville-Emporia Department of Social Services
Emporia, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Greensville-Emporia Department of Social Services, a component unit of Greensville County, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Greensville-Emporia Department of Social Services' 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 opinions 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 Counties, Cities, and Towns,* 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Greensville-Emporia Department of Social Services, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 12 to the financial statements, in 2018, the Department adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement Nos. 85 *Omnibus 2017.* Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 12 to the financial statements, in 2018, the Department restated beginning net position to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 3-5 and 63-73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greensville-Emporia Department of Social Services' basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019, on our consideration of Greensville-Emporia Department of Social Services' 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 Greensville-Emporia Department of Social Services 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 Greensville-Emporia Department of Social Services' internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
February 21, 2019

As management of Greensville-Emporia Department of Social Services (the Department) we offer this narrative overview and analysis of the financial performance of the Department's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented herein in connection with the Department's basic financial statements.

Financial Highlights

The liabilities and deferred inflows of resources of the Department exceed its assets and deferred outflows of resources (net position) at the close of the most recent fiscal year by $1,198,322.

The Department's increase in net position was $104,290 for the current year.

The Department is run as a governmental entity. The department expenditures are offset by local monies from the County of Greensville and the City of Emporia to reduce the change in fund balance to zero each year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the department's basic financial statements. Since the Department is engaged only in governmental and fiduciary activities, its basic financial statements are comprised of four components: 1) government-wide financial statements 2) governmental fund financial statements 3) fiduciary fund financial statements and 4) notes to the financial statements.

General Fund

The General Fund accounts for and reports the operations of the social services function of the department.

Special Welfare Fund

The Special Welfare fund is money held by the department on behalf of clients. These funds are not included in the government-wide statements because they are not used to finance the operations of the department.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Department as a Whole

Statement of Net Position

A summary of the Department's Statement of Net Position for June 30, 2018 and 2017 is presented below:

Summary of Statement of Net Position

		June 30, 2018		June 30, 2017
Current and other assets	$	767,578	$	786,040
Capital assets		19,190		-
Total assets	$	786,768	$	786,040
Deferred outflow of resources	$	182,803	$	299,547
Due to governmental entities	$	480,069	$	498,531
Current portion of long-term liabilities		15,369		14,981
Long-term liabilities		1,547,825		1,658,535
Total liabilities	$	2,043,263	$	2,172,047
Deferred inflows of resources	$	124,630	$	57,032
Net position:				
Investment in capital assets	$	19,190	$	-
Restricted for employee benefits		730		730
Unrestricted		(1,218,242)		(1,144,222)
Total net position	$	(1,198,322)	$	(1,143,492)

The Department's net position increased by $104,290 during the year.

A summary of the Department's revenues, expenses, and changes in net position for June 30, 2018 and 2017 is presented below:

Summary of Statement of Activities

		June 30, 2018		June 30, 2017
Revenues:				
Interest	$	163	$	134
Operating grants		2,504,821		2,415,648
Other revenue		5,854		3,776
Total revenues	$	2,510,838	$	2,419,558
Expenses:				
Administration	$	1,921,621	$	1,990,218
Public assistance		484,927		413,830
Total expenses	$	2,406,548	$	2,404,048
Increase (decrease) in net position	$	104,290	$	15,510
Net position, beginning of year, as restated		(1,302,612)		(1,159,002)
Net position, end of year	$	(1,198,322)	$	(1,143,492)

Capital Assets

The Department's investment in capital assets as of June 30, 2018 amounts to $19,190 (net of accumulated depreciation). Below are items that makeup capital assets as of June 30, 2018 and 2017.

	June 30, 2018	June 30, 2017
Vehicles and equipment (net)	$ 19,190	$ -

Economic Factors and Review of Operations

The Greensville-Emporia Department of Social Services is an organization dedicated to providing social services to the citizens of Greensville County and City of Emporia. The Department is governed by a Board of Directors appointed by the Board of Supervisors of Greensville County, Virginia, and the City of Emporia, Virginia.

Contacting the Department's Financial Management

This financial report is designed to provide a general overview of the Department's finances for those with an interest in the government's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be directed to the Department's Treasurer, Greensville-Emporia Department of Social Services, 1748 East Atlantic Street, Emporia, VA 23847-1136.

Basic Financial Statements

- Government-wide Financial Statements -

GREENSVILLE-EMPORIA DEPARTMENT OF SOCIAL SERVICES **Exhibit 1**
(A Component Unit of Greensville County, Virginia)

Statement of Net Position
At June 30, 2018

		Governmental Activities
ASSETS		
Cash in custody of fiscal agent	$	272,863
Due from other governmental units		162,727
Due from participating jurisdiction - City of Emporia, Virginia - cost sharing		164,116
Due from participating jurisdiction - City of Emporia, Virginia		167,142
Restricted assets:		
Cash and cash equivalents		730
Capital assets (net of accumulated depreciation):		
Vehicles and equipment		19,190
Total assets	$	786,768
DEFERRED OUTFLOW OF RESOURCES		
Pension related items	$	172,418
OPEB related items		10,385
Total deferred outflows of resources	$	182,803
LIABILITIES		
Due to County of Greensville - cost sharing	$	250,000
Due to County of Greensville		230,069
Current portion of long-term liabilities		15,369
Long-term liabilities:		
Due in more than one year		1,547,825
Total liabilities	$	2,043,263
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$	113,364
OPEB related items		11,266
Total deferred inflows of resources	$	124,630
NET POSITION		
Investment in capital assets	$	19,190
Restricted for employee benefits		730
Unrestricted		(1,218,242)
Total net position	$	(1,198,322)

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

Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities
Health and welfare:					
Administration	$ 1,921,621	$ -	$ 2,000,092	$ -	$ 78,471
Public assistance	484,927	-	504,729	-	19,802
Total government activities	$ 2,406,548	$ -	$ 2,504,821	$ -	$ 98,273
General revenues:					
Unrestricted revenues from use of money and property					$ 163
Miscellaneous					5,854
Total general revenues					$ 6,017
Change in net position					$ 104,290
Net position, beginning of year, as restated					(1,302,612)
Net position, end of year					$ (1,198,322)

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

Basic Financial Statements

- Fund Financial Statements -

GREENSVILLE-EMPORIA DEPARTMENT OF SOCIAL SERVICES **Exhibit 3**
(A Component Unit of Greensville County, Virginia)

Balance Sheet
At June 30, 2018

ASSETS		
Cash in custody of fiscal agent (Note 3)	$	272,863
Due from other governmental units (Note 4)		162,727
Due from participating jurisdiction - City of Emporia - per cost sharing agreement (Note 4)		164,116
Due from participating jurisdiction - City of Emporia		167,142
Restricted assets:		
Cash and cash equivalents		730
Total assets	$	767,578
LIABILITIES		
Due to participating jurisdictions:		
County of Greensville - per cost sharing agreement (Note 4)	$	250,000
County of Greensville		230,069
Total liabilities	$	480,069
FUND BALANCES		
Fund Balances:		
Restricted:		
Public assistance	$	286,779
Employee benefits funds		730
Total fund balances	$	287,509
Total liabilities and fund balances	$	767,578

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

GREENSVILLE-EMPORIA DEPARTMENT OF SOCIAL SERVICES **Exhibit 4**

(A Component Unit of Greensville County, Virginia)

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position At June 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Funds		$ 287,509
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		19,190
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 172,418	
OPEB related items	10,385	182,803
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (153,690)	
Net pension liability	(1,258,638)	
Net opeb liabilities	(150,866)	(1,563,194)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (113,364)	
OPEB related items	(11,266)	(124,630)
Net position of governmental activities		$ (1,198,322)

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

GREENSVILLE-EMPORIA DEPARTMENT OF SOCIAL SERVICES **Exhibit 5**

(A Component Unit of Greensville County, Virginia)

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

Revenues:		
Revenue from local sources:		
Revenue from use of money:		
Interest income	$	163
Miscellaneous		5,854
Total revenue from local sources	$	6,017
Intergovernmental:		
Contributions from participating jurisdictions:		
County of Greensville - regular operating (Schedule 1)	$	183,859
City of Emporia - regular operating (Schedule 1)		180,143
Total intergovernmental	$	364,002
Revenue from the Commonwealth:		
Public assistance grants	$	673,427
Total revenue from the Commonwealth	$	673,427
Revenue from the federal government:		
Public assistance grants	$	1,425,719
Cost allocation reimbursement		41,673
Total revenue from the federal government	$	1,467,392
Total revenues	$	2,510,838
Expenditures:		
Health and welfare:		
Administration	$	2,025,911
Public assistance		484,927
Total expenditures	$	2,510,838
Change in fund balances	$	-
Fund balances, beginning of year		287,509
Fund balances, end of year	$	287,509

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

GREENSVILLE-EMPORIA DEPARTMENT OF SOCIAL SERVICES Exhibit 6
(A Component Unit of Greensville County, Virginia)

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance - total governmental funds	$	-
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Depreciation expense on capital assets		(4,798)
Capital asset additions		23,988
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds:		
Pension expense		81,607
OPEB expense		7,373
(increase) decrease in compensated absences		(3,880)
Change in net position of governmental activities	$	104,290

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

Statement of Fiduciary Net Position
Fiduciary Fund
At June 30, 2018

	Agency Fund
Special welfare fund:	
ASSETS	
Cash and cash equivalents	$ 27,585
LIABILITIES	
Amounts held for social services clients	$ 27,585

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

Greensville-Emporia Department of Social Services was organized in 1935. The Department was established as a result of the Social Security Act of 1935. The Department became a district office in 1972 after Emporia became a city and was required by the state to provide social services for its residents.

The purpose of the Department is to provide social services to the residents of Greensville County and the City of Emporia. These programs include benefit programs such as food stamps and medical and service programs such as day care and companion services.

B. Financial Reporting Entity:

The Department has determined that it is a discretely presented component unit of the County of Greensville, Virginia for financial reporting purposes. The Board of Supervisors of the County appoints a voting majority of the Department's governing body, there exists a financial benefit and burden relationship between the County and the Department, and the County is financially accountable for the Department. For these reasons, Greensville-Emporia Department of Social Services has been determined to be a component unit of the County of Greensville, Virginia.

C. Financial Statement Presentation:

Government-wide and Fund Financial Statements

Government-wide Financial Statements:

The reporting model includes financial statements prepared using full accrual accounting for all of the Department's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position:

The Statement of Net Position is designed to display the financial position of the Department. Governments will report all capital assets in the Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Financial Statement Presentation: (Continued)

Statement of Activities:

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules:

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and comparison of final budget and actual results.

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

D. Basis of Accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Basis of Accounting: (Continued)

The government-wide Statement of Activities reflects both the gross and net cost per functional category (administration and public assistance) which are otherwise being supported by intergovernmental revenues and grants. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

1. Governmental Funds: Governmental Funds utilize the modified accrual basis of accounting under which revenue and related assets are recorded when measurable and available to finance operations during the year. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure.

2. Fiduciary Funds: Agency Funds utilize the accrual basis of accounting.

E. Cash and Cash Equivalents:

The Department's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

F. Capital Assets:

Capital assets, which include property and equipment are reported in the financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than $2,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Vehicles	5

G. Accumulated Unpaid Annual Leave, Sick Pay, and Other Employee Benefit Amounts:

Accumulated unpaid annual leave, sick pay, and other employee benefit amounts are accrued when incurred. Upon termination of employment, the Department pays all employees their unused annual leave and 25% of unused sick leave up to a maximum of $5,000 to employees with a minimum of 5 years of employment. At June 30, 2018, the liability amounted to $153,690.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

H. Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. 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.

J. Net Position Flow Assumption:

Sometimes the Department 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 government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Department's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

K. Other Postemployment Benefits:

The Department's employees may elect to participate in postemployment health benefits provided by the Commonwealth of Virginia. The former employees are liable for any costs associated with these benefits, therefore there is no financial liability to report for the Department.

L. Fund Equity:

The Department reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

L. Fund Equity: (Continued)

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Department's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Director, who has been given the delegated authority to assign amounts by the Board.

M. Deferred Outflows/Inflows of Resources:

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

N. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Department's Retirement Plan and the additions to/deductions from the Department'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)

O. OPEB

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The 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. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Health Insurance Credit Program

The Department 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. For purposes of measuring the net HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision HIC Program, and the additions to/deductions from the VRS Political Subdivision HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments 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

The Department held no investments as of June 30, 2018.

NOTE 3 - FISCAL AGENT:

All of the Department's funds are in the custody of the fiscal agent, the Treasurer of the County of Greensville, Virginia.

NOTE 4 - DUE FROM/TO OTHER GOVERNMENTAL UNITS:

The following represent amounts due from (to) other governmental units at June 30, 2018:

Commonwealth of Virginia:		
Public Assistance Grants	$	51,029
Federal Government:		
Public Assistance Grants		111,698
Total due from other governments	$	162,727

Additionally, the following amounts are due to/from the County of Greensville and City of Emporia pursuant to the Cost Sharing Agreement.

County of Greensville:		
General	$	(250,000)
Total due from (to) County of Greensville (Note 6)	$	(250,000)
City of Emporia:		
General	$	164,116
Total due from (to) City of Emporia (Note 6)	$	164,116

The amount due to the County reported above ($250,000) is payable in eight annual installment payments of $50,000 each; due on July 31 of each year beginning on July 31, 2015 and continuing through July 31, 2022, pursuant to Section 3.2 of the Cost Sharing Agreement discussed in Note 6 below.

The amount due from the City reported above $164,116 is based on the provisions of Section 3.4 of the Cost Sharing Agreement discussed in Note 6 below. Section 3.4.2 of the Agreement provides for the Initial Forgiveness of $164,117 of the amount previously reported as due from the City upon the DSS making the Initial Payment to the County as provided for in the Agreement.

Section 3.4.3 of the Cost Sharing Agreement provides for the Annual Forgiveness of the remaining amount reported as due from the City upon the DSS making each Annual Payment to the County as provided for in Section 3.2.2 of the Agreement.

NOTE 5 - CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Subtractions	Balance June 30, 2018
Vehicles and equipment	$ 87,183	$ 23,988	$ -	$ 111,171
Less accumulated depreciation	(87,183)	(4,798)		(91,981)
Net capital assets	$ -	$ 19,190	$ -	$ 19,190

NOTE 6 - ALLOCATION OF COSTS:

The County and the City participate in Greensville-Emporia Department of Social Services ("DSS") pursuant to Va. Code § 63.2-306, and its statutory predecessors. Va. Code § 63.2-306 authorizes localities participating in a multi-locality district to provide by agreement for the allocation of administrative costs between the participating localities. The County, the City, and the DSS are parties to the Cost Sharing Agreement for Social Services Programs Between and Among Greensville County, the City of Emporia, and the Greensville-Emporia Department of Social Services, dated as of December 15, 2014 (the "Cost Sharing Agreement").

The Cost Sharing Agreement provides for:

1. The resolution of amounts reported as due to the County and due from the City for DSS social services programs costs as had accumulated over several years, including the payment of certain funds to the County over a period of years.

2. The preparation of an Annual Financial Report for the DSS.

3. The participation of the DSS in the annual budget processes of the County and the City.

4. The maintenance of base working capital for the DSS, including appropriations by the County and the City when needed.

5. The County Treasurer to serve as the DSS Fiscal Officer pursuant to Va. Code § 63.2-311.

6. Limitations on DSS expenditures.

7. The allocation of Administrative Costs, Miscellaneous Expenses, Reimbursement Revenues, and Miscellaneous Revenues between the County and the City.

NOTE 6 - ALLOCATION OF COSTS: (Continued)

8. The allocation of Net Local Costs between the County and the City.

9. The annual reconciliation of any amounts due to or from the County or the City.

10. Planning for a new DSS facility.

11. The governance of the DSS by a five member district board.

12. The governance of the DSS by a five member district board.

13. The duration of the Agreement until June 30, 2022.

Schedule 2 (Schedule of Cost Sharing Allocation for the Year Ended June 30, 2018) applies the allocation provisions of the Cost Sharing Agreement.

NOTE 7 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Department 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 7 - PENSION PLAN: (Continued)

Plan Description

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. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1
Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</td><td>About Plan 2
Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</td><td>About the Hybrid Retirement Plan
The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.
• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
</table>

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Creditable Service (Cont.)</td><td>Creditable Service (Cont.)</td><td>Creditable Service (Cont.)

<u>Defined Contribution Component:</u>
Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</td></tr>
<tr><td>Vesting
Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.</td><td>Vesting
Same as Plan 1.</td><td>Vesting
<u>Defined Benefit Component:</u>
Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service.
Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

<u>Defined Contribution Component:</u>
Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.</td></tr>
</table>

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contribution Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable.

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates: (Cont.)** • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

NOTE 7 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage (Cont.)	**Disability Coverage (Cont.)**	**Disability Coverage (Cont.)** Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 7 - PENSION PLAN: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	26
Inactive members:	
Vested inactive members	4
Non-vested inactive members	3
Inactive members active elsewhere in VRS	21
Total inactive members	28
Active members	28
Total covered employees	82

Contributions

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

The Department's contractually required employer contribution rate for the year ended June 30, 2018 was 12.74% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 Department were $133,135 and $134,045 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The Department's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

NOTE 7 - PENSION PLAN: (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Department's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan 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 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.

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 7 - PENSION PLAN: (Continued)

Actuarial Assumptions – General Employees

The actuarial assumptions used in the June 30, 2016 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%

NOTE 7 - PENSION PLAN: (Continued)

Long-Term Expected Rate of Return

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

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%

* 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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Department Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 - PENSION PLAN: (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 6,844,535	$ 5,320,829	$ 1,523,706
Changes for the year:			
Service cost	$ 112,964	$ -	$ 112,964
Interest	462,778	-	462,778
Differences between expected and actual experience	(54,985)	-	(54,985)
Assumption changes	41,540	-	41,540
Contributions - employer	-	134,044	(134,044)
Contributions - employee	-	65,784	(65,784)
Net investment income	-	631,925	(631,925)
Benefit payments, including refunds of employee contributions	(466,853)	(466,853)	-
Administrative expenses	-	(3,833)	3,833
Other changes	-	(555)	555
Net changes	$ 95,444	$ 360,512	$ (265,068)
Balances at June 30, 2017	$ 6,939,979	$ 5,681,341	$ 1,258,638

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Greensville-Emporia Social Services Net Pension Liability	$ 2,085,585	$ 1,258,638	$ 568,675

NOTE 7 - PENSION PLAN: (Continued)

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

For the year ended June 30, 2018, the Department recognized pension expense of $51,527. At June 30, 2018, the Department 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	$ 13,598	$ 37,729
Change in assumptions	25,685	-
Net difference between projected and actual earnings on pension plan investments	-	75,635
Employer contributions subsequent to the measurement date	133,135	-
Total	$ 172,418	$ 113,364

$133,135 reported as deferred outflows of resources related to pensions resulting from the Department contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. 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	
2019	$ (50,291)
2020	26,591
2021	3,413
2022	(53,794)
2023	-
Thereafter	-

NOTE 8 - LEASE AGREEMENTS:

The Department leases its office space on a year to year basis. The total rental expenditures for the office space amounted to $91,200.

NOTE 9 - CONTINGENT LIABILITIES:

Federal programs in which the Department participates were audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Pursuant to the provisions of the circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

NOTE 10 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2018 are as follows:

	Restated Balance July 1, 2017	Additions	Subtractions	Balance June 30, 2018	Due within one year
Compensated absences	$ 149,810	$ 3,880	$ -	$ 153,690	$ 15,369
Net OPEB liabilities	168,931	3,012	21,077	150,866	-
Net pension liability	1,523,706	621,670	886,738	1,258,638	-
Total	$ 1,842,447	$ 628,562	$ 907,815	$ 1,563,194	$ 15,369

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS:

Group Life Insurance Health Program:

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance 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 Group Life Insurance Program OPEB.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Plan Description: (Continued)

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Plan Description: (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance 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 Group Life Insurance 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Group Life Insurance Program from the entity were $5,587 and $5,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entity reported a liability of $88,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 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 Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .00584% as compared to .00599% at June 30, 2016.

For the year ended June 30, 2018, 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.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Plan Description: (Continued)

At June 30, 2018, 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	$ -	$ 2,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	3,000
Change in assumptions	-	5,000
Employer contributions subsequent to the measurement date	5,587	-
Total	$ 5,587	$ 10,000

$5,587 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, 2019. 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	
2019	$ (2,000)
2020	(2,000)
2021	(2,000)
2022	(2,000)
2023	(1,000)
Thereafter	(1,000)

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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.

Mortality Rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

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 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Mortality Rates – General State Employees: (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2016 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

The actuarial assumptions used in the June 30, 2016 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 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	Adjusted rates to better match experience
Salary Scale	No change

Mortality Rates – SPORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates – VaLORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

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 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – JRS Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 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	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2016 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 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2016 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%

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 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	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NETNET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (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%.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Group Life Insurance Health Program: (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, 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. From July 1, 2019 on, employers are assumed 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.

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	**Current Discount**	**1% Increase**
	(6.00%)	**(7.00%)**	**(8.00%)**
Department's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 114,000	$ 88,000	$ 67,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Health Insurance Credit (HIC) Program:

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit 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 health insurance credit 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 Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating employers are enrolled automatically upon employment. They include: • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – 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. • **Disability Retirement**- 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.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Health Insurance Credit (HIC) Program: (Continued)

Plan Description: (Continued)

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS (CONTINUED)
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit 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 health insurance credit as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Vested inactive members	1
Active members	28
Total covered employees	42

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Health Insurance Credit (Hic) Program: (Continued)

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 Department's contractually required employer contribution rate for the year ended June 30, 2018 was 0.45% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Department to the Health Insurance Credit Program were $4,798 and $4,811 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net HIC OPEB Liability

The Department's net Health Insurance Credit OPEB liability was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Health Insurance Credit (Hic) Program: (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 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, 2016 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%

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Health Insurance Credit (Hic) Program: (Continued)

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

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

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 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, 2016 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 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Health Insurance Credit (Hic) Program: (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 ending June 30, 2019, 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. From July 1, 2019 on, employers are assumed 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 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Health Insurance Credit (Hic) Program: (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, 2016	$ 84,407	$ 20,476	$ 63,931
Changes for the year:			
Service cost	$ 1,109	$ -	$ 1,109
Interest	5,686	-	5,686
Assumption changes	(699)	-	(699)
Contributions - employer	-	4,811	(4,811)
Net investment income	-	2,263	(2,263)
Benefit payments	(6,338)	(6,338)	-
Administrative expenses	-	(34)	34
Other changes	-	121	(121)
Net changes	$ (242)	$ 823	$ (1,065)
Balances at June 30, 2017	$ 84,165	$ 21,299	$ 62,866

Sensitivity of the Department's Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

The following presents the Department's Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Department'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%)
Department's Net HIC OPEB Liability	$ 70,985	$ 62,866	$ 55,915

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Health Insurance Credit (Hic) Program: (Continued)

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2018, the Department recognized Health Insurance Credit Program OPEB expense of $5,012. At June 30, 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to the Department's Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	$ -	$ 704
Change in assumptions	-	562
Employer contributions subsequent to the measurement date	4,798	-
Total	$ 4,798	$ 1,266

$4,798 reported as deferred outflows of resources related to the HIC OPEB resulting from the Department'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, 2019. 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	
2019	$ (313)
2020	(313)
2021	(313)
2022	(313)
2023	(14)
Thereafter	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 12 - ADOPTION OF ACCOUNTING PRINCIPLES:

The Department implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Department implemented Governmental Accounting Standards Board Statement No. 85, Omnibus 2017 during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Amount
Net Position as of July 1, 2017, previously reported	$ (1,143,492)
OPEB liability restated as of July 1, 2017 - health insurance credit - VRS	(59,120)
OPEB liability restated as of July 1, 2017 - group life insurance	(100,000)
Net Position as of July 1, 2017, as restated	$ (1,302,612)

- Required Supplementary Information -

Schedule of Changes in Net Pension Liability and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 112,964	$ 115,531	$ 113,324	$ 101,980
Interest	462,778	452,168	452,747	442,385
Differences between expected and actual experience	(54,985)	39,748	(163,634)	-
Changes in assumptions	41,540	-	-	-
Benefit payments, including refunds of employee contributions	(466,853)	(444,919)	(376,475)	(416,205)
Net change in total pension liability	$ 95,444	$ 162,528	$ 25,962	$ 128,160
Total pension liability - beginning	6,844,535	6,682,007	6,656,045	6,527,885
Total pension liability - ending (a)	$ 6,939,979	$ 6,844,535	$ 6,682,007	$ 6,656,045
Plan fiduciary net position				
Contributions - employer	$ 134,044	$ 156,189	$ 149,160	$ 149,355
Contributions - employee	65,784	52,675	50,593	50,255
Net investment income	631,925	88,614	243,138	752,426
Benefit payments, including refunds of employee contributions	(466,853)	(444,919)	(376,475)	(416,205)
Administrative expense	(3,833)	(3,496)	(3,455)	(4,200)
Other	(555)	(39)	(49)	40
Net change in plan fiduciary net position	$ 360,512	$ (150,976)	$ 62,912	$ 531,671
Plan fiduciary net position - beginning	5,320,829	5,471,805	5,408,893	4,877,222
Plan fiduciary net position - ending (b)	$ 5,681,341	$ 5,320,829	$ 5,471,805	$ 5,408,893
Department's net pension liability - ending (a) - (b)	$ 1,258,638	$ 1,523,706	$ 1,210,202	$ 1,247,152
Plan fiduciary net position as a percentage of the total pension liability	81.86%	77.74%	81.89%	81.26%
Covered-employee payroll	$ 1,069,098	$ 1,068,685	$ 1,016,142	$ 1,005,097
Department's net pension liability as a percentage of covered-employee payroll	117.73%	142.58%	119.10%	124.08%

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

Schedule of Employer Contributions
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2018	$ 133,135	$ 133,135	$ -	$ 1,066,183	12.49%
2017	134,045	134,045	-	1,069,098	12.54%
2016	157,097	157,097	-	1,068,685	14.70%
2015	149,373	149,373	-	1,016,142	14.70%
2014	149,357	149,357	-	1,005,097	14.86%
2013	144,745	144,745	-	974,055	14.86%
2012	84,452	84,452	-	900,338	9.38%
2011	92,647	92,647	-	987,709	9.38%
2010	61,996	61,996	-	1,067,063	5.81%
2009	59,679	59,679	-	1,027,170	5.81%

Contributions are from Department records.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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%

Schedule of Department's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of 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)
2017	0.00584%	$ 88,000	$ 1,077,476	8.17%	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.

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

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)
2018	$ 5,587	$ 5,587	$ -	$ 1,066,183	1%
2017	5,000	5,000	-	1,077,476	0%
2016	5,172	5,172	-	1,077,435	0%
2015	4,910	4,910	-	1,023,002	0%
2014	4,846	4,846	-	1,009,642	0%
2013	4,688	4,688	-	976,674	0%
2012	2,521	2,521	-	900,338	0%
2011	2,766	2,766	-	987,709	0%
2010	2,215	2,215	-	820,372	0%
2009	2,773	2,773	-	1,027,170	0%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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:

General State 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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%

Largest Ten Locality Employers - Hazardous Duty 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Changes in the Department's Net OPEB Liability and Related Ratios
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

		2017
Total HIC OPEB Liability		
Service cost	$	1,109
Interest		5,686
Changes in assumptions		(699)
Benefit payments		(6,338)
Net change in total HIC OPEB liability	$	(242)
Total HIC OPEB Liability - beginning		84,407
Total HIC OPEB Liability - ending (a)	$	84,165
Plan fiduciary net position		
Contributions - employer	$	4,811
Net investment income		2,263
Benefit payments		(6,338)
Administrative expense		(34)
Other		121
Net change in plan fiduciary net position	$	823
Plan fiduciary net position - beginning		20,476
Plan fiduciary net position - ending (b)	$	21,299
Department's net HIC OPEB liability - ending (a) - (b)	$	62,866
Plan fiduciary net position as a percentage of the total HIC OPEB liability		25.31%
Covered payroll	$	1,069,098
Department's net HIC OPEB liability as a percentage of covered payroll		5.88%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

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)
2018	$ 4,798	$ 4,798	$ -	$ 1,066,183	0%
2017	4,811	4,811	-	1,069,098	0%
2016	4,702	4,702	-	1,068,685	0%
2015	4,471	4,471	-	1,016,142	0%
2014	4,824	4,824	-	1,005,097	0%
2013	5,083	5,083	-	1,059,046	0%
2012	4,772	4,772	-	900,338	1%
2011	5,235	5,235	-	987,709	1%
2010	8,216	8,216	-	1,067,063	1%
2009	7,909	7,909	-	1,027,170	1%

Notes to Required Supplementary Information
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

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%

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Revenue from local sources:				
Revenue from use of money:				
Interest income	$ -	$ -	$ 163	$ 163
Miscellaneous	$ -	$ -	$ 5,854	$ 5,854
Total revenue from local sources	$ -	$ -	$ 6,017	$ 6,017
Intergovernmental:				
Contributions from participating jurisdictions:				
County of Greensville - regular operating	$ 243,328	$ 243,328	$ 183,859	$ (59,469)
City of Emporia - regular operating	194,578	194,578	180,143	(14,435)
Total intergovernmental	$ 437,906	$ 437,906	$ 364,002	$ (73,904)
Revenue from the Commonwealth:				
Public assistance grants	$ 640,348	$ 640,348	$ 673,427	$ 33,079
Total revenue from the Commonwealth	$ 640,348	$ 640,348	$ 673,427	$ 33,079
Revenue from the federal government:				
Public assistance grants	$ 1,355,686	$ 1,355,686	$ 1,425,719	$ 70,033
Cost allocation reimbursement	-	-	41,673	41,673
Total revenue from the federal government	$ 1,355,686	$ 1,355,686	$ 1,467,392	$ 111,706
Total revenues	$ 2,433,940	$ 2,433,940	$ 2,510,838	$ 76,898
Expenditures:				
Health and welfare:				
Administration	$ 2,018,676	$ 2,018,676	$ 2,025,911	$ (7,235)
Public assistance	415,264	415,264	484,927	(69,663)
Total expenditures	$ 2,433,940	$ 2,433,940	$ 2,510,838	$ (76,898)
Change in fund balance	$ -	$ -	$ -	$ -
Fund balance, beginning of year	-	-	287,509	287,509
Fund balance, end of year	$ -	$ -	$ 287,509	$ 287,509

Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special welfare fund:				
ASSETS				
Cash and cash equivalents	$ 26,933	$ 12,436	$ 11,784	$ 27,585
LIABILITIES				
Amounts held for social services clients	$ 26,933	$ 12,436	$ 11,784	$ 27,585

Other Supplementary Information

- Supporting Schedules –

GREENSVILLE-EMPORIA DEPARTMENT OF SOCIAL SERVICES **Schedule 1**
(A Component Unit of Greensville County, Virginia)

Schedule of Amounts Due to/from Participating Jurisdictions
At June 30, 2018

	County of Greensville	City of Emporia	Total
Balance, July 1, 2017	$ 498,531	$ (353,833)	$ 144,698
Amounts received from jurisdictions:			
Regular operating	$ 258,592	$ 202,718	$ 461,310
Total amounts received from jurisdictions	$ 258,592	$ 202,718	$ 461,310
Total receipts and balance	$ 757,123	$ (151,115)	$ 606,008
Deductions:			
Share of net costs - VPA (Schedule 2)	$ 225,532	$ 180,143	$ 405,675
Cost allocation net difference in received and paid	1,522	-	1,522
Return of equity to County of Greensville (1)	50,000	-	50,000
Total deductions	$ 277,054	$ 180,143	$ 457,197
Due to (from), June 30, 2018 (2)	$ 480,069	$ (331,258)	$ 148,811
Reconciliation of reported contribution (Exhibit 5) to actual contribution:			
Actual cash contribution	$ 258,592	$ 202,718	$ 461,310
Reconciling transactions:			
Return of cost allocation plan revenue per agreement	(43,195)	-	(43,195)
Cost allocation net difference in received and paid	1,522	-	1,522
Allocation of current year deficit (surplus)	(33,060)	(22,575)	(55,635)
Contribution per audit	$ 183,859	$ 180,143	$ 364,002

1 The $50,000 payment to the County was made pursuant to §3.2.1 of the December 15, 2014 Cost Sharing Agreement described in Note 6.

2 The balances reported are based on the provisions of the December 15, 2014 Cost Sharing Agreement described in Note 6. The method of calculating the amounts due to the County and from the City are described in Note 4.

Schedule of Cost Sharing Allocation
For the Year Ended June 30, 2018

	County of Greensville	City of Emporia	Total
Population	8,976	5,927	14,903
Population %	60.2295%	39.7705%	100.00%
Case load	2,125	2,045	4,170
Case load %	50.9592%	49.0408%	100.00%
Total allocation - equal population and case load weight	55.59%	44.41%	100.00%
Expenditures (Schedule 3):			
Administration	$ 1,126,292	$ 899,619	$ 2,025,911
Public assistance and services	269,592	215,335	484,927
Total expenditures	$ 1,395,884	$ 1,114,954	$ 2,510,838
Less: Revenues other than from participating jurisdictions:			
Revenue from use of money	$ 91	$ 72	$ 163
Miscellaneous	3,254	2,600	5,854
State and federal:			
Public assistance grants	1,167,007	932,139	2,099,146
Total revenues other than from participating jurisdictions	$ 1,170,352	$ 934,811	$ 2,105,163
Net costs allocated	$ 225,532	$ 180,143	$ 405,675

Analysis of Expenditures by Activity
Governmental Funds
For the Year Ended June 30, 2018

General Fund:	County of Greensville	City of Emporia	Totals
Health and welfare:			
Administration:			
Personnel services	$ 680,768	$ 543,759	$ 1,224,527
Fringe benefits	253,795	202,718	456,513
Contractual services	37,339	29,824	67,163
Other charges	75,125	60,006	135,131
Capital outlay	16,592	13,253	29,845
Rentals	62,673	50,059	112,732
Total administration	$ 1,126,292	$ 899,619	$ 2,025,911
Public assistance and services:			
Auxiliary grant - aged and disabled	$ 23,437	$ 18,720	$ 42,157
AFDC - foster care	78,738	62,891	141,629
Subsidized adoption	67,225	53,695	120,920
Family preservation	3,354	2,679	6,033
Adult protective services	2,816	2,249	5,065
Adult services - hb sup companion	19,104	15,260	34,364
Promoting safe and stable families	8,898	7,108	16,006
VIEW - jobs support - AFDC	19,599	15,655	35,254
VIEW - jobs purch- AFDC	46,421	37,078	83,499
Total public assistance and services	$ 269,592	$ 215,335	$ 484,927
Total expenditures - general fund	$ 1,395,884	$ 1,114,954	$ 2,510,838

- Compliance -

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
Greensville-Emporia Department of Social Services
Emporia, 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 Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greensville-Emporia Department of Social Services as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Greensville-Emporia Department of Social Services' basic financial statements and have issued our report thereon dated February 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Greensville-Emporia Department of Social Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greensville-Emporia Department of Social Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Greensville-Emporia Department of Social Services' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greensville-Emporia Department of Social Services' 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.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
February 21, 2019