Shenandoah Valley
Juvenile Center Commission

SHENANDOAH VALLEY
JUVENILE CENTER

Financial Report

Year Ended June 30, 2019

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

COMMISSION MEMBERS

Locality	Member
City of Lexington	Noah Simon
City of Harrisonburg	Eric Campbell
County of Augusta	Timothy Fitzgerald
County of Rockbridge	Spencer H. Suter
County of Rockingham	Stephen King
City of Staunton	Stephen F. Owen, Chairman
City of Waynesboro	Michael G. Hamp

OTHER OFFICIALS

Timothy J. Showalter	Executive Director/Treasurer
Dianne Hill	Secretary

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ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

CPAs | CONSULTANTS

INDEPENDENT AUDITORS' REPORT

TO THE COMMISSION MEMBERS
SHENANDOAH VALLEY JUVENILE CENTER COMMISSION
STAUNTON, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Shenandoah Valley Juvenile Center Commission, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Shenandoah Valley Juvenile Center Commission, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2019, the Commission adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. 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 schedules related to pension and OPEB funding on pages 47-61 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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

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

Report on Summarized Comparative Information

We have previously audited the Shenandoah Valley Juvenile Center Commission's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of the Shenandoah Valley Juvenile Center Commission's internal control over financial reporting and on our tests of its compliance with 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, and not to provide an opinion on the effectiveness of Shenandoah Valley Juvenile Center Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shenandoah Valley Juvenile Center Commission's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
September 27, 2019

BASIC FINANCIAL STATEMENTS

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 1**

Statement of Net Position
June 30, 2019
With Comparative Totals for 2018

		2019		2018
ASSETS				
Current Assets:				
Cash and cash equivalents	$	783,539	$	1,015,311
Accounts receivable		24,339		15,350
Due from federal government		361,455		189,704
Prepaid items		4,883		1,297
Other receivables		-		938
Total current assets	$	1,174,216	$	1,222,600
Noncurrent Assets:				
Cash and cash equivalents (for capital projects)	$	2,057,782	$	2,051,729
Capital assets, net of accumulated depreciation:				
Land	$	545,276	$	545,276
Building and improvements		9,305,642		9,552,261
Equipment		74,527		108,451
Vehicles		45,793		61,431
Net capital assets	$	9,971,238	$	10,267,419
Total noncurrent assets	$	12,029,020	$	12,319,148
Total assets	$	13,203,236	$	13,541,748
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$	156,155	$	143,300
OPEB related items		78,695		36,052
Total deferred outflows of resources	$	234,850	$	179,352
LIABILITIES				
Current liabilities:				
Accounts payable - operations	$	78,810	$	137,348
Accrued payroll		170,562		169,915
Accrued interest payable		813		1,625
Unearned revenue - community placement initiative		206,080		353,280
Revenue bonds - current portion		600,000		600,000
Total current liabilities	$	1,056,265	$	1,262,168
Noncurrent liabilities:				
Revenue bonds - net of current portion	$	-	$	600,000
Net OPEB liabilities		1,726,459		1,412,373
Net pension liability		450,731		453,393
Compensated absences		182,197		213,166
Total noncurrent liabilities	$	2,359,387	$	2,678,932
Total liabilities	$	3,415,652	$	3,941,100
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$	114,338	$	276,619
OPEB related items		28,000		29,696
Total deferred inflows of resources	$	142,338	$	306,315
NET POSITION				
Net investment in capital assets	$	9,371,238	$	9,067,419
Unrestricted		508,858		406,266
Total net position	$	9,880,096	$	9,473,685

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

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 2**

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019
With Comparative Totals for 2018

		2019		2018
Operating Revenues:				
Participant assessments	$	923,840	$	938,732
Non-participant assessments		129,517		84,374
State wards assessments		2,900		700
DJJ Reentry - child care		-		5,775
DJJ direct intake		48,125		59,325
Community Placement Initiative		745,853		662,682
Contractual assessments		18,600		18,600
Other revenues		5,139		5,126
Total operating revenues	$	1,873,974	$	1,775,314
Operating Expenses:				
Personnel services	$	3,720,056	$	3,739,866
Fringe benefits		1,227,020		619,989
Contractual services		819,012		283,433
Other charges		1,118,181		1,110,340
Depreciation expense		332,640		354,815
Total operating expenses	$	7,216,909	$	6,108,443
Net operating income (loss)	$	(5,342,935)	$	(4,333,129)
Nonoperating Revenues (Expenses):				
State Block Grant	$	1,086,509	$	1,086,473
Federal USDA funds		103,349		101,333
State Special JABG Grant		-		4,993
Federal Unaccompanied Alien Children Grant		4,562,914		4,571,949
Interest income		6,451		5,239
Gain/Loss on disposal of assets		6,400		25,646
Interest expense		(16,277)		(26,217)
Total nonoperating income (expenses)	$	5,749,346	$	5,769,416
Change in net position	$	406,411	$	1,436,287
Net position, beginning of year		9,473,685		8,037,398
Net position, end of year	$	9,880,096	$	9,473,685

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

Statement of Cash Flows
Year Ended June 30, 2019
With Comparative Totals for 2018

	2019	2018
Cash flows from operating activities:		
Receipts from customers and users	$ 1,718,723	$ 2,138,206
Payments to suppliers	(1,999,317)	(1,311,028)
Payments to employees	(4,885,449)	(4,851,959)
Net cash provided by (used for) operating activities	$ (5,166,043)	$ (4,024,781)
Cash flows from noncapital financing activities:		
Nonoperating grants received	$ 5,581,021	$ 5,617,062
Cash flows from capital and related financing activities:		
Purchases of property, plant and equipment	$ (36,459)	$ (86,788)
Sale of property, plant and equipment	6,400	29,000
Repayment of debt	(600,000)	(600,000)
Interest expense	(17,089)	(27,030)
Net cash provided by (used for) capital and related financing activities	$ (647,148)	$ (684,818)
Cash flows from investing activities:		
Interest income	$ 6,451	$ 5,239
Increase (decrease) in cash and cash equivalents	$ (225,719)	$ 912,702
Cash and cash equivalents, (including restricted cash and cash equivalents) at beginning of year	3,067,040	2,154,338
Cash and cash equivalents, (including restricted cash and cash equivalents) at end of year	$ 2,841,321	$ 3,067,040
Reconciliation of net operating income (loss) to net cash provided by (used for) by operating activities:		
Operating income (loss)	$ (5,342,935)	$ (4,333,129)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:		
Depreciation	332,640	354,815
Changes in operating assets, deferred outflows/inflows of resources, and liabilities:		
(Increase) decrease in receivables	(8,051)	14,612
(Increase) decrease in prepaid items	(3,586)	3,111
(Increase) decrease in deferred outflows of resources	(55,498)	99,373
Increase (decrease) in accounts payable	(58,538)	79,634
Increase (decrease) in accrued payroll	647	(2,803)
Increase (decrease) in unearned revenue	(147,200)	348,280
Increase (decrease) in deferred inflows of resources	(163,977)	195,926
Increase (decrease) in compensated absences	(30,969)	9,403
Increase (decrease) in net pension liability	(2,662)	(505,131)
Increase (decrease) in net OPEB liabilities	314,086	(288,872)
Net cash provided by (used for) operating activities	$ (5,166,043)	$ (4,024,781)

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

NOTE 1—FORMATION OF THE SHENANDOAH VALLEY JUVENILE CENTER COMMISSION:

The Shenandoah Valley Juvenile Center Commission (the "Commission") was established on March 17, 1966 as a regional juvenile detention commission pursuant to 16.1-315 of the Code of Virginia of 1950, as amended. Since establishment, membership of the Commission has been amended over the years. Currently, one member from each of the political subdivisions of Cities of Staunton, Waynesboro, Harrisonburg, and Lexington, Virginia and Counties of Augusta, Rockingham, and Rockbridge, Virginia represent the Commission. Membership of the Commission consists of only one (1) member from each sponsoring local government. The purpose for which the Commission was formed is to provide a regional juvenile home for children with court orders to be admitted.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

The Commission provides the services mentioned above to the citizens of its participating governments. However, the participating governments do not have a financial interest or responsibility to the Commission. The Commission's governing body is composed of one member appointed by each participating locality. Therefore, none of the participants appoints a voting majority of board members. The Commission is perpetual and no participating government has access to its resources or surpluses, nor is any participant liable for the Commissions debts or deficits. The Commission also has the ability to finance its capital projects through participant assessments or the sale of revenue bonds.

Based on the above representations, the Shenandoah Valley Juvenile Center Commission has been determined to be a jointly governed organization of the Cities of Staunton, Waynesboro, Harrisonburg, and Lexington, Virginia, and the Counties of Augusta, Rockbridge, and Rockingham, Virginia. The Commission is not a component unit of any of the participating governments. The Commission does not have any component units.

B. Basic Financial Statements and Required Supplementary Information

Since the Commission is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Commission, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis (management has elected not to present this information)
- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions - Pension
- Notes to Required Supplementary Information - Pension
- Schedule of Commission's Share of Net OPEB Liability – Group Life Insurance

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Basic Financial Statements and Required Supplementary Information (Continued)

- Schedule of Employer Contributions – Group Life Insurance
- Notes to Required Supplementary Information – Group Life Insurance
- Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios – Medical, Dental, Prescription Insurance
- Notes to Required Supplementary Information – Medical, Dental, Prescription Insurance
- Schedule of Changes in the Commission’s Net OPEB Liability – Health Insurance Credit (HIC)
- Schedule of Employer Contributions – Health Insurance Credit (HIC)
- Notes to Required Supplementary Information – Health Insurance Credit (HIC)
- Schedule of Commission’s Share of Net OPEB Liability - Virginia Local Disability Program (VLDP)
- Schedule of Employer Contributions – Virginia Local Disability Program (VLDP)
- Notes to Required Supplementary Information – Virginia Local Disability Program (VLDP)

C. Basis of Accounting

Shenandoah Valley Juvenile Center Commission operates as an enterprise fund, and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Commission accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Commission distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission’s principal ongoing operations. The principal operating revenues of the Commission are charges to participants for child care. Operating expenses include the cost of child care services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. 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.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Net Position Flow Assumption

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

F. Cash and Cash Equivalents

The Commission's cash and cash equivalents consist of cash on hand, demand deposits, and certificates of deposit, generally with an original maturity of three months or less from the date of acquisition, all of which are readily convertible to known amounts of cash.

G. Allowance for Doubtful Accounts

The Commission bills its customers monthly for substantially all of its services. Since no significant bad debts have been incurred, no provision for doubtful accounts is considered necessary at this time.

H. Inventory

The Commission expenses all materials and supplies when purchased. Any items on hand at year-end are not material in amount and therefore are not shown in the financial statements.

I. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than $3,000 (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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the years ended June 30, 2019 and June 30, 2018.

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

Assets	Years
Buildings and improvements	50
Equipment	5-10
Vehicles	5
Software	3

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

J. Noncurrent Assets

Noncurrent assets include cash and cash equivalents committed by the Commission for future capital outlay, in the amount of $2,057,782 and $2,051,729 for the years ended June 30, 2019 and 2018, respectively.

K. Use of Estimates

The preparation of financial statements in conformity with 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.

L. Comparative Totals

Comparative amounts for the prior year are presented for informational purposes only. Certain reclassifications have been made to the prior year amounts to provide a more comparable presentation with the current year financial reporting.

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) until then. The Commission has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on this item, 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 Commission 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 this item, 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 Commission's Retirement Plan and the additions to/deductions from the Commission'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 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

O. Other Postemployment Benefits (OPEB)

VRS Related OPEB

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, and VLDP OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Medical, Dental, and Prescription Insurance – Pay as You Go Program

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined based on an actuarial valuation. Benefit payments are recognized when due and payable in accordance with the benefit terms.

P. Adoption of Accounting Principles

The Commission implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the Commission to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The Commission held no such investments at year end.

NOTE 4—COMPENSATED ABSENCES:

Full-time regular Commission employees earn vacation leave each month at a scheduled rate in accordance with their years of service and sick leave at the rate of one workday per month. Accumulated unpaid vacation and other compensatory leave amounts are accrued when incurred. An employee with at least five years of continuous service, upon separation, will be paid for twenty-five (25) percent of unused sick leave, not to exceed $5,000. At June 30, 2019 and 2018, the liability for accrued vacation leave and accrued sick leave was $182,197 and $213,166, respectively.

NOTE 5—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Commission 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.

Benefit Structures

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

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

b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security age with at least 5 years of creditable service or when the sum of their age3 and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service.

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

NOTE 5—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provision to the General Assembly of Virginia.

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	28
Inactive members:	
Vested inactive members	12
Non-vested inactive members	52
Inactive members active elsewhere in VRS	49
Total inactive members	113
Active members	81
Total covered employees	222

NOTE 5—PENSION PLAN: (CONTINUED)

Contributions

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

The Commission's contractually required employer contribution rate for the year ended June 30, 2019 was 4.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $112,163 and $143,300 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
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.

NOTE 5—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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 at 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 at 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 5—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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NOTE 5—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

NOTE 5—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances at June 30, 2017	$ 5,734,649	$ 5,281,256	$ 453,393
Changes for the year:			
Service cost	$ 214,861	$ -	$ 214,861
Interest	387,756	-	387,756
Differences between expected and actual experience	66,323	-	66,323
Contributions - employer	-	143,300	(143,300)
Contributions - employee	-	143,335	(143,335)
Net investment income	-	388,690	(388,690)
Benefit payments, including refunds of employee contributions	(390,556)	(390,556)	-
Administrative expenses	-	(3,378)	3,378
Other changes	-	(345)	345
Net changes	$ 278,384	$ 281,046	$ (2,662)
Balances at June 30, 2018	$ 6,013,033	$ 5,562,302	$ 450,731

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

The following presents the net pension liability of the Commission using the discount rate of 7.00%, as well as what the Commission’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%)
Commission's Net Pension Liability (Asset)	$ 1,204,755	$ 450,731	$ (168,301)

NOTE 5—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2019, the Commission recognized pension expense of $(65,365). At June 30, 2019, the Commission 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	$ 43,992	$ 46,000
Change in assumptions	-	22,084
Net difference between projected and actual earnings on pension plan investments	-	46,254
Employer contributions subsequent to the measurement date	112,163	-
Total	$ 156,155	$ 114,338

$112,163 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30,	
2020	$ (28,855)
2021	16,908
2022	(53,845)
2023	(4,554)
2024	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 6—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under the specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,229 effective July 1, 2018.

NOTE 6—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were $17,279 and $16,660 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of $256,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .01685% as compared to .01566% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of $8,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,000	$ 5,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	8,000
Change in assumptions	-	11,000
Changes in proportion	28,000	-
Employer contributions subsequent to the measurement date	17,279	-
Total	$ 58,279	$ 24,000

NOTE 6—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

$17,279 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30		
2020	$	2,000
2021		2,000
2022		2,000
2023		4,000
2024		4,000
Thereafter		3,000

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5%-5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

NOTE 6—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

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

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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NOTE 6—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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NOTE 6—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability

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

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	$	1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

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 6—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (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 ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (6.00%)	**Current Discount (7.00%)**	**1% Increase (8.00%)**
Shenandoah Valley Juvenile Center Commission's proportionate share of the Group Life Insurance Program Net OPEB Liability (Asset)	$ 334,000	$ 256,000	$ 192,000

GLI Program Fiduciary Net Position

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

NOTE 7—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):

Plan Description

In addition to the pension benefits described in Note 5 and other postemployment benefits described in Notes 6, 8, and 9, the Commission administers a single-employer defined benefit healthcare plan, the Shenandoah Valley Juvenile Center OPEB Plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the Commission's pension plan. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits that are provided to eligible retirees include Medical, Dental, and Life insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Commission who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Plan Membership

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

Total active employees with coverage	84
Total	84

Contributions

The Commission does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Commission. The Commission did not make contributions for the pay as you go OPEB plan during the year ended June 30, 2019.

Total OPEB Liability

The Commission's total OPEB liability was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Salary Increases	3.0% increases annually
Discount Rate	3.88%
Investment Rate of Return	Not applicable

Healthcare cost trend or Mortality rates were based upon the National Vital Statistics Reports, Vol. 66, No. 4, August 14, 2017, Table A: Expectation of Life, by Age, All Races and Origins.

NOTE 7—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate is based upon the 2018 average of the 20 year tax-exempt municipal bond yield for AA/Aa rated bonds. Specifically taken from WM Financial Strategies Rates over Time – Interest Rate Trends dated 7/30/19. The final equivalent single discount rate used for this year's valuation is 3.88% as of the end of the fiscal year with the expectation that the Commission will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

		Commission Total OPEB Liability
Balances at June 30, 2018	$	1,146,980
Changes for the year:		
Service cost		(7,969)
Interest		44,503
Changes in assumptions		248,945
Net changes		285,479
Balances at June 30, 2019	$	1,432,459

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

The following amounts present the total OPEB liability of the Commission, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.88%) or one percentage point higher (4.88%) than the current discount rate:

Rate		
1% Decrease (2.88%)	Current Discount (3.88%)	1% Increase (4.88%)
$ 1,780,824	$ 1,432,459	$ 1,170,777

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

The following presents the total OPEB liability of the Commission, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.30-4.70%) or one percentage point higher (6.30-6.70%) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.30 - 4.70%)	Healthcare Cost Trend (5.30 - 5.70%)	1% Increase (6.30 - 6.70%)
$ 1,111,492	$ 1,432,459	$ 1,869,917

NOTE 7—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

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

For the year ended June 30, 2019, the Commission recognized OPEB expense in the amount of $285,479. At June 30, 2019, the Commission did not report any deferred outflows of resources and deferred inflows of resources related to the OPEB plan.

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

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

HIC Program Notes

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

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	14
Inactive members:	
Vested inactive members	2
Total inactive members	16
Active members	67
Total covered employees	83

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 Commission contractually required employer contribution rate for the year ended June 30, 2019 was .14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Commission to the HIC Program were $4,603 and $5,392 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net HIC OPEB Liability

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

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates – Largest Ten Locality Employers – General Employees

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

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

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

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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NOTE 8—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net HIC OPEB Liability (Asset) (a) - (b)**
Balances at June 30, 2017	$ 88,000	$ 59,000	$ 29,000
Changes for the year:			
Service cost	$ 2,000	$ -	$ 2,000
Interest	6,000	-	6,000
Differences between expected			-
and actual experience	5,000	-	5,000
Contributions - employer	-	5,000	(5,000)
Net investment income	-	4,000	(4,000)
Benefit payments	(8,000)	(8,000)	-
Net changes	$ 5,000	$ 1,000	$ 4,000
Balances at June 30, 2018	$ 93,000	$ 60,000	$ 33,000

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

The following presents the Commission's HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Commission'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%)**
Commission's Net HIC OPEB Liability	$ 42,000	$ 33,000	$ 25,000

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

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

For the year ended June 30, 2019, the Commission recognized HIC Program OPEB expense of $4,000. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Commission's HIC 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	$ 4,000	$ 1,000
Change in assumptions	-	2,000
Employer contributions subsequent to the measurement date	4,603	-
Total	$ 8,603	$ 3,000

$4,603 reported as deferred outflows of resources related to the HIC OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2020	$ -
2021	-
2022	-
2023	-
2024	(1,000)
Thereafter	-

HIC Program Plan Data

Information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OBEP PLAN):

Plan Description

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

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

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

Benefit Amounts

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related for work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

VLDP Notes

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

NOTE 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2019 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Commission to the VRS Political Subdivision VDLP were $11,813 and $9,328 for the years ended June 30, 2019 and June 30, 2018, respectively.

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2019, the Commission reported a liability of $5,000 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2018 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Commission's proportion of the Net VLDP OPEB Liability was based on the Commission's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Commission's proportion of the VLDP was 0.64028% as compared to 0.71503% at June 30, 2017.

For the year ended June 30, 2019, the Commission recognized VLDP OPEB expense of $11,000. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ -	$ 1,000
Employer contributions subsequent to the measurement date	11,813	-
Total	$ 11,813	$ 1,000

NOTE 9— VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB: (Continued)

$11,813 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Year Ended June 30	
2020	$ (1,000)
2021	-
2022	-
2023	-
2024	-
Thereafter	-

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	3.5%-5.35%
Investment rate of return	7.0%, net of 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 OPEB liabilities.

NOTE 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General and Non-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 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year 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 and Non-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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP 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, 2018, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

	Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$ 1,588
Plan Fiduciary Net Position	816
Political Subdivision net VLDP OPEB Liability (Asset)	$ 772
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	51.39%

The total Political Subdivision VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision VLDP 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 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total VLDP OPEB 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 actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by the Commission for the VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

NOTE 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Sensitivity of the Commission's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net VLDP OPEB liability using the discount rate of 7.00%, as well as what the Commission's proportionate share of the net VLDP 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%)
Shenandoah Valley Juvenile Center Commission's proportionate share of the Net VLDP OPEB Liability	$ 6,000	$ 5,000	$ 4,000

VLDP OPEB Fiduciary Net Position

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

NOTE 10—SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS:

The following is a summary of the Commission's OPEB plans as of June 30, 2019:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program (Note 6)	$ 58,279	$ 24,000	$ 256,000	$ 8,000
Health Insurance Credit Program (Note 8)	8,603	3,000	33,000	4,000
Virginia Local Disability Program (Note 9)	11,813	1,000	5,000	11,000
Stand-Alone Plan (Note 7)	-	-	1,432,459	285,479
Totals	$ 78,695	$ 28,000	$ 1,726,459	$ 308,479

NOTE 11—ASSESSMENTS TO PARTICIPANTS:

Assessments to participants were based on budget estimates and allocated by the percentage of participant usage of the Home during the previous completed calendar year as follows:

	2019		2018	
	Percent	Assessment	Percent	Assessment
County of Augusta, Virginia	20.75%	$ 191,696	18.13%	$ 170,192
City of Harrisonburg, Virginia	28.18%	260,337	33.07%	310,440
City of Lexington, Virginia	0.08%	740	0.12%	1,128
County of Rockbridge, Virginia	5.08%	46,932	4.33%	40,648
County of Rockingham, Virginia	17.78%	164,259	16.47%	154,608
City of Staunton, Virginia	12.36%	114,187	14.68%	137,804
City of Waynesboro, Virginia	15.77%	145,689	13.20%	123,912
Total	100.00%	$ 923,840	100.00%	$ 938,732

NOTE 12—RISK MANAGEMENT:

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Commission pays an annual premium to the Association for its workers compensation insurance. The Commission also joined together with other local governments in Virginia to form the Virginia Municipal Liability pool, a public entity risk pool currently operating as a common property and general liability program for participating local governments. The Commission pays annual premiums to the pool for its automobile, liability, property, boiler and machinery, and fidelity crime coverage.

In the event of a loss deficit and depletion of all available excess insurance, these pools may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Commission continues to carry commercial insurance for employee health and accident insurance. Settled claims resulting from this risk have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13—CAPITAL ASSETS:

A summary of changes in capital assets for the year follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital assets not being depreciated:				
Land	$ 545,276	$ -	$ -	$ 545,276
Total capital assets not being depreciated	$ 545,276	$ -	$ -	$ 545,276
Capital assets being depreciated:				
Building and improvements	$ 13,037,817	$ 31,959	$ -	$ 13,069,776
Equipment	526,516	4,500	(86,826)	444,190
Vehicles	157,491	-	(32,013)	125,478
Software	38,632	-	-	38,632
Total capital assets being depreciated	$ 13,760,456	$ 36,459	$ (118,839)	$ 13,678,076
Accumulated depreciation				
Building and improvements	$ (3,485,556)	$ (278,578)	$ -	$ (3,764,134)
Equipment	(418,065)	(38,424)	86,826	(369,663)
Vehicles	(96,060)	(15,638)	32,013	(79,685)
Software	(38,632)	-	-	(38,632)
Total accumulated depreciation	$ (4,038,313)	$ (332,640)	$ 118,839	$ (4,252,114)
Capital assets being depreciated, net	$ 9,722,143	$ (296,181)	$ -	$ 9,425,962
Total capital assets, net	$ 10,267,419	$ (296,181)	$ -	$ 9,971,238

Depreciation expense for the year ended June 30, 2019 was $332,640.

NOTE 14—LONG-TERM OBLIGATIONS:

Changes in Long-Term Obligations:

	July 1, 2018	Increase/ Issuances	Decrease/ Retirements	June 30, 2019	Amount Due Within One Year
Notes from direct placements	$ 1,200,000	$ -	$ 600,000	$ 600,000	$ 600,000
Compensated Absences	213,166	-	30,969	182,197	-
Net Pension Liability	453,393	565,399	568,061	450,731	-
Net OPEB Liabilities	1,412,373	387,175	73,089	1,726,459	-
Total Long-Term Obligations	$ 3,278,932	$ 952,574	$ 1,272,119	$ 2,959,387	$ 600,000

The Commission's outstanding notes from direct placements of $600,000 contain a provision that in an event of default, outstanding amounts become immediately due if the Commission is unable to make payment. All revenue of the Commission has been pledged to secure payment and performance of the Commission's obligations of the note.

NOTE 14—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending	Notes from Direct Placements	
June 30,	Principal	Interest
2020	$ 600,000	$ 7,434
Total	$ 600,000	$ 7,434

Details of Indebtedness:

Revenue Bonds:

On June 26, 2015, the Commission issued $3,000,000 in Revenue Bonds to refund its existing debt for the facility, and to fund new construction on the existing facility. The bonds are due in semi-annual installments of $600,000 with final maturity on June 1, 2020, including interest at 1.625%.	$ 600,000
Total balance at June 30, 2019	$ 600,000

NOTE 15—LITIGATION:

On October 4, 2018, a class action lawsuit was filed in the U.S. District Court for the Western District of Virginia, claiming various constitutional violations relating to Shenandoah Valley Juvenile Center Commission's treatment of unaccompanied alien children (UAC) in the Office of Refugee Resettlement Program. This lawsuit seeks changes to the Commission's policies, procedures, and mental health treatment relating to UACs. There is no request for monetary damages, but there is a request for payment of the plaintiff's attorney's fees. As of July 23, 2019, the case was dismissed. However, one part of the lawsuit is eligible for appeal. The Commission denies all wrongdoing and is vigorously defending this position. Based upon council and management's opinion, the outcome of this is not expected to have a material adverse effect on the Commission.

NOTE 16—UPCOMING PRONOUNCEMENTS:

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

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

NOTE 16—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 4**

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

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 214,861	$ 207,140	$ 205,052	$ 208,323	$ 219,904
Interest	387,756	389,716	378,541	369,494	353,015
Changes in assumptions	-	(91,100)	-	-	-
Differences between expected and actual experience	66,323	(171,344)	(93,691)	(130,881)	-
Benefit payments, including refunds of employee contributions	(390,556)	(334,270)	(326,236)	(309,173)	(365,823)
Net change in total pension liability	$ 278,384	$ 142	$ 163,666	$ 137,763	$ 207,096
Total pension liability - beginning	5,734,649	5,734,507	5,570,841	5,433,078	5,225,982
Total pension liability - ending (a)	$ 6,013,033	$ 5,734,649	$ 5,734,507	$ 5,570,841	$ 5,433,078
Plan fiduciary net position					
Contributions - employer	$ 143,300	$ 134,276	$ 198,749	$ 185,473	$ 217,899
Contributions - employee	143,335	130,887	122,029	114,901	113,189
Net investment income	388,690	578,229	83,318	206,743	616,464
Benefit payments, including refunds of employee contributions	(390,556)	(334,270)	(326,236)	(309,173)	(365,823)
Administrative expense	(3,378)	(3,333)	(2,882)	(2,786)	(3,332)
Other	(345)	(516)	(35)	(45)	32
Net change in plan fiduciary net position	$ 281,046	$ 505,273	$ 74,943	$ 195,113	$ 578,429
Plan fiduciary net position - beginning	5,281,256	4,775,983	4,701,040	4,505,927	3,927,498
Plan fiduciary net position - ending (b)	$ 5,562,302	$ 5,281,256	$ 4,775,983	$ 4,701,040	$ 4,505,927
Commission's net pension liability - ending (a) - (b)	$ 450,731	$ 453,393	$ 958,524	$ 869,801	$ 927,151
Plan fiduciary net position as a percentage of the total pension liability	92.50%	92.09%	83.28%	84.39%	82.94%
Covered payroll	$ 3,171,497	$ 2,859,594	$ 2,635,432	$ 2,387,370	$ 2,267,483
Commission's net pension liability as a percentage of covered payroll	14.21%	15.86%	36.37%	36.43%	40.89%

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

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 5**

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 112,163	$ 112,163	$ -	$ 3,282,892	3.42%
2018	143,300	143,300	-	3,171,497	4.52%
2017	134,659	134,659	-	2,859,594	4.71%
2016	198,749	198,749	-	2,635,432	7.54%
2015	185,473	185,473	-	2,387,370	7.77%
2014	217,899	217,899	-	2,267,483	9.61%
2013	199,758	199,758	-	2,125,084	9.40%
2012	150,807	150,807	-	2,063,022	7.31%
2011	124,648	124,648	-	1,705,170	7.31%
2010	117,448	117,448	-	1,600,108	7.34%

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

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

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2018	0.01685%	$ 256,000	$ 3,203,933	7.99%	51.22%
2017	0.01566%	236,000	2,899,146	8.14%	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
Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 17,279	$ 17,279	$ -	$ 3,317,120	0.52%
2018	16,660	16,660	-	3,203,933	0.52%
2017	15,024	15,024	-	2,899,146	0.52%
2016	12,678	12,678	-	2,641,352	0.48%
2015	11,533	11,533	-	2,402,738	0.48%
2014	10,884	10,884	-	2,267,483	0.48%
2013	10,343	10,343	-	2,154,788	0.48%
2012	5,863	5,863	-	2,094,002	0.28%
2011	4,823	4,823	-	1,722,606	0.28%
2010	3,240	3,240	-	1,600,108	0.20%

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

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

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

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 10**

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios -
Medical, Dental, Prescription Insurance
Years Ended June 30, 2018 and June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	$ (7,969)	$ 47,480
Interest	44,503	51,186
Changes in assumptions	248,945	(361,782)
Net change in total OPEB liability	$ 285,479	$ (263,116)
Total OPEB liability - beginning	1,146,980	1,410,096
Total OPEB liability - ending	$ 1,432,459	$ 1,146,980
Covered payroll	$ N/A	$ N/A
Commission's total OPEB liability (asset) as a percentage of covered payroll	N/A	N/A

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

Notes to Required Supplementary Information - Commission OPEB -
Medical, Dental, Prescription Insurance
Years Ended June 30, 2018 and June 30, 2019

Valuation Date: 6/30/2018
Measurement Date: 6/30/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.88% as of June 30, 2018
Inflation	2.50% per year as of June 30, 2018
Healthcare Trend Rate	Various, changing
Salary Increase Rates	3.00% annually
Retirement Age	The average age at retirement is 60
Mortality Rates	Mortality rates were based upon the National Vital Statistics Reports, Vo. 66, No. 4, August 14, 2017, Table AL Expectation of life by age, all races and origins.

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 12**

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

	2018	2017
Total HIC OPEB Liability		
Service cost	$ 2,000	$ 3,000
Interest	6,000	6,000
Differences between expected and actual experience	5,000	-
Changes in assumptions	-	(2,000)
Benefit payments	(8,000)	(6,000)
Net change in total HIC OPEB liability	$ 5,000	$ 1,000
Total HIC OPEB Liability - beginning	88,000	87,000
Total HIC OPEB Liability - ending (a)	$ 93,000	$ 88,000
Plan Fiduciary Net Position		
Contributions - employer	$ 5,000	$ 5,000
Net investment income	4,000	6,000
Benefit payments	(8,000)	(6,000)
Net change in plan fiduciary net position	$ 1,000	$ 5,000
Plan Fiduciary Net Position - beginning	59,000	54,000
Plan Fiduciary Net Position - ending (b)	$ 60,000	$ 59,000
Commission's net HIC OPEB liability - ending (a) - (b)	$ 33,000	$ 29,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	64.52%	67.05%
Covered payroll	$ 3,171,497	$ 2,859,594
Commission's net HIC OPEB liability as a percentage of covered payroll	1.04%	1.01%

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
Health Insurance Credit (HIC) Program
Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 4,603	$ 4,603	$ -	$ 3,282,892	0.14%
2018	5,392	5,392	-	3,171,497	0.17%
2017	4,861	4,861	-	2,859,594	0.17%
2016	4,480	4,480	-	2,635,432	0.17%
2015	4,059	4,059	-	2,387,370	0.17%
2014	4,308	4,308	-	2,267,483	0.19%
2013	4,032	4,032	-	2,122,251	0.19%
2012	3,713	3,713	-	2,063,022	0.18%
2011	3,070	3,070	-	1,705,400	0.18%
2010	5,452	5,452	-	1,603,520	0.34%

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

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

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

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Schedule of Commission's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP)
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2018	0.6403%	$ 5,000	$ 1,456,863	0.34%	51.39%
2017	0.7150%	4,000	1,304,561	0.31%	38.40%

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
Virginia Local Disability Program (VLDP)
For the Years Ended June 30, 2017 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 11,813	$ 11,813	$ -	$ 1,637,771	0.72%
2018	9,328	9,328	-	1,456,863	0.64%
2017	7,878	7,878	-	1,304,561	0.60%

Schedule is intended to show information for 10 years. Information prior to 2016 is not available. However, additional years will be included as they become available

Notes to Required Supplementary Information
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2019

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

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

Largest Ten Locality Employers - General and Non-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 and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year 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 and Non-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 and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Budget-Positive (Negative)
Operating Revenues:				
Participant assessments	$ 923,833	$ 923,833	$ 923,840	$ 7
Non-participant assessments	45,500	45,500	129,517	84,017
State wards assessments	1,000	1,000	2,900	1,900
DJJ Reentry - Child Care	10,000	10,000	-	(10,000)
DJJ direct intake	30,000	30,000	48,125	18,125
Community placement initiative	700,800	700,800	745,853	45,053
Contractual assessments	18,600	18,600	18,600	-
Other revenues	10,000	10,000	5,139	(4,861)
Total operating revenues	$ 1,739,733	$ 1,739,733	$ 1,873,974	$ 134,241
Operating Expenses:				
Personnel services	$ 3,831,333	$ 3,831,333	$ 3,720,056	$ 111,277
Fringe benefits	1,243,843	1,243,843	1,227,020	16,823
Contractual services	296,000	296,000	819,012	(523,012)
Other charges	1,200,000	1,200,000	1,118,181	81,819
Depreciation expense	350,000	350,000	332,640	17,360
Total operating expenses	$ 6,921,176	$ 6,921,176	$ 7,216,909	$ (295,733)
Net operating income (loss)	$ (5,181,443)	$ (5,181,443)	$ (5,342,935)	$ (161,492)
Nonoperating Revenues (Expenses):				
State Block Grant	$ 1,084,878	$ 1,084,878	$ 1,086,509	$ 1,631
Federal USDA funds	95,000	95,000	103,349	8,349
Federal Unaccompanied Alien Children Grant	4,650,000	4,650,000	4,562,914	(87,086)
Interest income	3,000	3,000	6,451	3,451
Gain (loss) on disposal of assets	-	-	6,400	6,400
Interest expense	(622,235)	(622,235)	(16,277)	605,958
Total nonoperating revenues (expenses)	$ 5,210,643	$ 5,210,643	$ 5,749,346	$ 538,703
Change in net position	$ 29,200	$ 29,200	$ 406,411	$ 377,211
Net position, beginning of year	-	-	9,473,685	9,473,685
Net position, end of year	$ 29,200	$ 29,200	$ 9,880,096	$ 9,850,896

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

CPAs | CONSULTANTS

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 COMMISSION MEMBERS
SHENANDOAH VALLEY JUVENILE CENTER COMMISSION
STAUNTON, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Shenandoah Valley Juvenile Center Commission as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Shenandoah Valley Juvenile Center Commission's basic financial statements and have issued our report thereon dated September 27, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
September 27, 2019

Robinson, Farmer, Cox Associates, PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

TO THE COMMISSION MEMBERS
SHENANDOAH VALLEY JUVENILE CENTER COMMISSION
STAUNTON, VIRGINIA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Shenandoah Valley Juvenile Center Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Shenandoah Valley Juvenile Center Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
September 27, 2019

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

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

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
Unaccompanied Alien Children Program	93.676	Not Applicable	$ 4,562,914
Total Department of Health and Human Services			$ 4,562,914
Department of Agriculture:			
Pass-Through Payments:			
Virginia Department of Juvenile Justice:			
Child and Adult Care Food Program	10.558	Not Available	$ 103,349
Total Department of Agriculture			$ 103,349
Total Expenditures of Federal Awards			$ 4,666,263

See accompanying notes to schedule of expenditures of federal awards.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Shenandoah Valley Juvenile Center Commission under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Commission.

B. Summary of Significant Account Policies:

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

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

(3) The Shenandoah Valley Juvenile Center Commission has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. Matching Costs:

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

NOTE B-RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the agency. As a result, the amounts reported in federal financial reports may not agree with the amounts reported in the accompanying schedule.

No federal funding was passed through to subrecipients during the fiscal year ended June 30, 2019.

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I-Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Numbers	*Name of Federal Program or Cluster*
93.676	Unaccompanied Alien Children Program

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

Section II-Financial Statement Findings

There are no financial statement findings to report.

Section III-Federal Award Findings and Questioned Costs

There are no federal award findings to report.

Section IV-Summary Schedule of Prior Year Findings

There are no prior year findings to report.