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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

To the Joint Audit Committee Charlottesville-Albemarle Technical Education Center Charlottesville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Charlottesville-Albemarle Technical Education Center, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Charlottesville-Albemarle Technical Education Center'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Charlottesville-Albemarle Technical Education Center as of June 30, 2019 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2019, the Center 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 management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-7, 45, and 46-58 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charlottesville-Albemarle Technical Education Center's basic financial statements. The other supplementary information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2020, on our consideration of Charlottesville-Albemarle Technical Education Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Charlottesville-Albemarle Technical Education Center'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 Charlottesville-Albemarle Technical Education Center's internal control over financial reporting and compliance.

Charlottesville, Virginia

March 12, 2020

Management's Discussion and Analysis For the Year Ended June 30, 2019

As management of Charlottesville-Albemarle Technical Education Center, we offer readers of the Center's financial statements this narrative overview and analysis of the financial activities of the Center for the fiscal year ended June 30, 2019.

Financial Highlights

- The liabilities and deferred inflows of resources of the Center exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$1,227,460) (net position). Of this amount, (\$1,399,478) (unrestricted net position) is used with the Center's ongoing obligations.
- As of the close of the current fiscal year, the Center's funds reported a General Fund balance of \$721,781 an increase of \$82,670 from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Center's basic financial statements. The Center's basic financial statements are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to financial statements.

This report also contains required supplementary information, other supplementary information, and statistical tables in addition to the basic financial statements themselves.

<u>Government-wide financial statements</u> - The government-wide financial statements are designed to provide readers with a broad overview of Center finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all Center assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Center is improving or deteriorating.

The *statement of activities* presents information showing how Center net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Center that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Center include general government administration, maintenance of buildings and grounds, technology, and education.

The government-wide financial statements include only Charlottesville-Albemarle Technical Education Center, itself (known as the Center).

Overview of the Financial Statements (Continued)

<u>Fund financial statements</u> - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Charlottesville-Albemarle Technical Education Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Center has a governmental fund.

<u>Governmental funds</u> - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available to satisfy near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Center's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Center maintains one individual governmental fund - the General Fund.

The Center adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

<u>Fiduciary funds</u> - The Center is the trustee, or fiduciary, for the Center's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Center's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The Center excludes these activities from the Center's government-wide financial statements because the Center cannot use these assets to finance its operations. Agency funds are Center custodial funds used to provide accountability of client monies for which the Center is custodian. The agency funds are reported separately and not included within.

<u>Notes to financial statements</u> - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

<u>Required supplementary information</u> - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information for budgetary comparison schedules and schedules related to pension funding.

<u>Other supplementary information</u> - Other supplementary information provides additional information that is essential to a full understanding of the data provided in the required supplementary information.

<u>Statistical tables</u> - Statistical tables provide government-wide revenues and expenses for the last ten years.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Center's financial position. The Center's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$1,227,460) at the close of the most recent fiscal year.

Condensed Statement of Net Position

		Governme	ntal	Activities
		2019		2018
Current assets Noncurrent assets	\$	1,142,837 152,144	\$	689,466 170,653
Total assets	\$_	1,294,981	\$_	860,119
Deferred outflows of resources	\$_	420,170	\$_	431,035
Total assets and deferred outflows of resources	\$_	1,715,151	\$_	1,291,154
Current liabilities Noncurrent liabilities	\$	425,538 1,905,254	\$	56,858 2,313,649
Total liabilities	\$	2,330,792	\$	2,370,507
Deferred inflows of resources	\$_	611,819	\$_	481,507
Net position: Investment in capital assets Restricted Unrestricted	\$	152,144 19,874 (1,399,478)		170,653 19,874 (1,751,387)
Total net position	\$_	(1,227,460)	\$_	(1,560,860)
Total liabilities, deferred inflows of resources, and net position	\$_	1,715,151	\$	1,291,154

The financial position of the Center continues to remain strong. This is evidenced by our strong liquidity, with a Quick Ratio (Current Assets/Current Liabilities) of 2.69.

Unrestricted net position totaled (\$1,399,478) and the balance increased \$351,909 during fiscal year.

<u>Governmental Activities</u> - Governmental activities increase the Center's net position by \$333,400. Key elements of these changes are as follows:

Condensed Statement of Activities

		Governmental Activities			
	_	2019	2018		
Revenues Expenses	\$	2,977,444 \$ 2,644,044	2,879,689 2,560,872		
Change in net position Net position, beginning of year	\$	333,400 \$ (1,560,860)	318,817 (1,879,677)		
Net position, end of year	\$_	(1,227,460) \$	(1,560,860)		

Government-wide Financial Analysis (Continued)

Revenues are defined as charges for services to participant localities, outside localities, students, and the Commonwealth. Revenues also include other outside revenue sources.

Expenses are comprised of the direct expenses of operating the Center. These include salaries and benefits, contractual services, and other student related instructional operating costs (please see the full Schedule of Revenues and Expenditures for a complete breakdown).

Revenues for the year were \$2,977,444 while expenses were \$2,644,044. Net position increased by \$333,400.

Financial Analysis of the Center's Funds

As noted earlier, the Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

<u>Governmental Funds</u> - The focus of the Center's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Center's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Center's net resources available for spending at the end of the fiscal year. At June 30, 2019, the Center's unassigned fund balance totaled \$701,907 and the balance increased \$92,334 during the fiscal year.

General Fund Budgetary Highlights

The General Fund budget reflected revenues in the amount of \$3,001,280 and expenditures in the amount of \$3,211,280. Actual General Fund revenues totaled \$2,977,444 which were under budget by \$23,836. Actual General Fund expenditures totaled \$2,894,774 and were under budget amounts by \$316,506.

Capital Asset Administration

<u>Capital assets</u> - The Center's investment in capital assets as of June 30, 2019 totaled \$152,144 (net of accumulated depreciation). This investment in capital assets includes machinery, equipment, and vehicles. The Center's investment in capital assets for the current fiscal year decreased by \$18,509.

Additional information on the Center's capital assets can be found in Note 4 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of Charlottesville-Albemarle Technical Education Center's finances for all those with an interest in the Center's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Strategic Planning Officer/Director, 1000 East Rio Road, Charlottesville, VA 22901.

- Basic Financial Statements -

Government-wide Financial Statements

Statement of Net Position June 30, 2019

	(Governmental Activities
ASSETS Cash and cash equivalents	\$	950,402
Receivables: Accounts receivable Capital assets (net of accumulated depreciation):		192,435
Machinery, equipment, and vehicles	_	152,144
Total assets	\$	1,294,981
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$	356,898
OPEB related items	_	63,272
Total deferred outflows of resources	\$	420,170
LIABILITIES Current liabilities:		
Accounts payable	\$	63,989
Accrued liabilities		352,245
Unearned revenue		4,822
Current portion of compensated absences		4,482
Total current liabilities	\$	425,538
Noncurrent liabilities:		
Net pension liability	\$	1,454,000
Net OPEB liability Noncurrent portion of compensated absences		410,916 40,338
·		·
Total noncurrent liabilities	\$	1,905,254
Total liabilities	\$	2,330,792
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$	560,000
OPEB related items Total deferred inflows of resources	_	51,819 611,819
	² _	011,019
NET POSITION	<u></u>	452 444
Investment in capital assets Restricted	\$	152,144 19,874
Unrestricted		(1,399,478)
Total net position	<u> </u>	(1,227,460)
rotat net position	~ =	(1,227,700)

Statement of Activities For the Year Ended June 30, 2019

Functions/Programs	<u>E</u> :	xpenses	Charges for Services	Program Reve Operating Grants and Contributions	(s Capital Grants and ontributions	Reve Cha Net	Expense) enue and anges in Position ernmental tivities
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$	492,999 \$	- 9	-	\$	- \$		(492,999)
Maintenance of buildings and grounds		296,261	-	-		-		(296,261)
Education	_1	,854,784	368,316	2,525,813	_	-	1	,039,345
Total governmental activities	\$ <u>2</u>	,644,044 \$	368,316	2,525,813	\$	\$		250,085
General rev	venu	es:						
			m use of m	oney and prope	erty	\$		23,375
Miscellane				, , ,	Í			59,940
Total general revenues \$_							83,315	
Change in net position \$							333,400	
Net position - beginning						(1	,560,860)	
Net position beginning Net position - ending \$,227,460)

- Basic Financial Statements -

Fund Financial Statements

Balance Sheet Governmental Fund June 30, 2019

	_	General
ASSETS		
Cash and cash equivalents	\$	950,402
Receivables:		
Accounts receivable		192,435
Total assets	\$_	1,142,837
LIABILITIES		
Accounts payable	\$	63,989
Accrued liabilities		352,245
Accrued interest payable		
Unearned revenue		4,822
Deposits held in escrow		
Total liabilities	\$_	421,056
FUND BALANCE		
Restricted	\$	19,874
Unassigned		701,907
Total fund balance	\$_	721,781
Total liabilities and fund balance	\$	1,142,837

Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position June 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$	721,781
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. However, the statement of net position includes those capital assets among the assets of the Center as a whole.		152,144
Deferred outflows of resources are not available to pay for current expenditures, and therefore, are not reported in the funds. OPEB related items Pension related items	\$ 63,272 356,898	420,170
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities, both current and long term, are reported in the statement of net position.		
Net pension liability Net OPEB liability Compensated absences	\$ (1,454,000) (410,916) (44,820)	(1,909,736)
Deferred inflows of resources are not available to pay for current expenditures, and therefore, are not reported in the funds. OPEB related items Pension related items	\$ (51,819) (560,000)	(611,819)
Net position of governmental activities	\$	(1,227,460)

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Fund For the Year Ended June 30, 2019

	_	General
REVENUES		
Revenue from the use of money and property	\$	23,375
Charges for services		368,316
Miscellaneous		59,940
Intergovernmental:		
Local government		2,349,071
Commonwealth	_	176,742
Total revenues	\$_	2,977,444
EXPENDITURES		
Current:		
General government administration	\$	571,030
Maintenance of buildings and grounds		313,866
Education		2,003,024
Miscellaneous	_	6,854
Total expenditures	\$_	2,894,774
Excess (deficiency) of revenues over		
(under) expenditures	\$_	82,670
Net change in fund balance	\$	82,670
Fund balance - beginning	_	639,111
Fund balance - ending	\$_	721,781

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities For the Year Ended June 30, 2019

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

Net change in fund balance per Exhibit 5 - Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental fund

\$ 82,670

Ś

3,795

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. The following details support this adjustment:

Depreciation expense	(22,304)	(18,509)
Some expenses reported in the statement of activities do not require the use of		
current financial resources and therefore are not reported as expenditures in		
governmental funds. The following is a summary of items supporting this		

current financial resources and therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ 20,211
Pension expense	214,618
OPEB expense	34,410 269,239

Change in net position of governmental activities

Capital additions

333,400

Notes to Financial Statements June 30, 2019

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Center is a joint venture of the City of Charlottesville and the County of Albemarle, formed by an agreement of the respective school boards dated October 1, 1969, as authorized by their respective governing bodies.

A. Financial Reporting Entity

<u>Government-wide Financial Statements:</u> The reporting model includes financial statements prepared using full accrual accounting for all of the Center's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as machinery and equipment and compensated absences). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

<u>Statement of Net Position:</u> The Statement of Net Position is designed to display the financial position of the Center. The Center reports all capital assets, in the government-wide Statement of Net Position and reports depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of the Center will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

<u>Budgetary Comparison Schedules:</u> Demonstrating compliance with the adopted budget is an important component of the Center's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations, so data from these units are combined with data of the primary government. The Center has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Center does not have any discretely presented component units.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Center as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental. In the government-wide Statement of Net Position, the governmental activities column reflects a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Center generally first uses restricted position for expenses incurred for which both restricted and unrestricted position are available. The Center may defer the use of restricted assets based on a review of the specific transaction.

Notes to Financial Statements June 30, 2019 (Continued)

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

B. Government-wide and Fund Financial Statements: (Continued)

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general administration, maintenance, technology, etc.) that are otherwise being supported by general government revenues, certain intergovernmental revenues, and other charges, etc. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general administration, maintenance, technology, etc.) or a business-type activity. Program revenues include: 1) charges to students who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as general revenues. The Center does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Center are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The following is a brief description of the specific funds used by the Center in FY 2019.

Governmental Funds - Governmental Funds account for and report the expendable financial resources of the governmental activities of the Center. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. Governmental Funds consist of the General Fund:

General Fund - The General Fund accounts for and reports all revenues and expenditures of the Center. Revenues are primarily derived from charges for services, and revenues from other governmental units.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Notes to Financial Statements June 30, 2019 (Continued)

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

C. Basis of Accounting: (Continued)

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

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred.

D. Inventory

Inventories are immaterial to the financial statements, and are therefore not reported.

E. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Center, and as assets in the government-wide financial statements to the extent the Center's capitalization threshold of \$500 is met, 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. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Machinery and equipment 5-10 years Vehicles 5 years

F. 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.

G. 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.

Notes to Financial Statements June 30, 2019 (Continued)

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

H. Net Position Flow Assumption

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

I. Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand and in banks, certificates of deposit, and highly liquid investments with maturities of three months or less when purchased.

J. Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management used the direct write-off method for uncollectible accounts. Once management has determined that an account is uncollectible, receivables are charged to expenses. No bad debt expense was recorded for the year ended June 30, 2019. At June 30, 2019, there were no receivables greater than ninety days past due.

K. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

<u>Restricted fund balance</u> - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

<u>Committed fund balance</u> - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

<u>Assigned fund balance</u> - Amounts that are constrained by the Center's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

<u>Unassigned fund balance</u> - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Notes to Financial Statements June 30, 2019 (Continued)

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

L. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are considered to be long-term liabilities. The Center accrues salary-related payments associated with the payment of compensated absences.

M. Budgets and Budgetary Accounting

A budget is prepared for informational and fiscal planning purposes. The budget is adopted as a planning document and legal control on expenses. The budget is prepared on the same basis of accounting as the actual amounts in the financial statements.

N. 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 Center has one type of 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 liability and contributions 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 these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent 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 Center has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

O. 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 Center's Retirement Plan and the additions to/deductions from the Center'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.

P. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC 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.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 2 - DEPOSITS:

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.

At year end, all of the Center's deposits with banks were covered by depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Deposits covered by the Act are considered insured since the State Treasury Board is authorized to make assessments against other member institutions that hold public deposits. At year end, the Center investments were only of the type of securities authorized by the laws of the Commonwealth of Virginia.

NOTE 3-ACCRUED TEACHERS' SALARIES:

Annual budget appropriations for teachers' salaries include salaries earned as of June 30 of each fiscal year but which are not paid until July and August of the following fiscal year so that teachers electing this method may receive their salaries over a twelve-month period. These unpaid salaries are accrued each June 30 and reflected as expenditures in the period in which they are earned. Accruals also include salaries and fringe benefits paid by the County of Albemarle, Virginia which the Center has not yet reimbursed. As of June 30, 2019, the Center had paid all salaries and fringe benefits for the fiscal year 2019. There were \$352,245 teachers' salaries and fringe benefits accrued at June 30, 2019.

NOTE 4-CAPITAL ASSETS:

The following is a summary of changes in capital assets during the fiscal year:

		Balance July 1, 2018		Increases	Decreases		Balance June 30, 2019
Capital assets:	-	•	_			_	,
Machinery, Equipment and Vehicles	\$_	893,643	\$_	3,795	25,804	\$_	871,634
Total capital assets	\$_	893,643	\$_	3,795	25,804	\$	871,634
Accumulated depreciation:							
Machinery, Equipment and Vehicles	\$_	722,990	\$_	22,304	25,804	\$_	719,490
Total accumulated depreciation	\$_	722,990	\$_	22,304	25,804	\$	719,490
Net capital assets	\$_	170,653	\$_	(18,509)	<u>-</u>	\$	152,144
Depreciation is allocated to:							
General government administration Education			\$	3,567 18,737			
Total			\$_	22,304			

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 5-CONTINGENT LIABILITIES:

At June 30, 2019, there were no matters of litigation involving the Center which would materially affect the Center's financial position should any court decisions on pending matters not be favorable to the Center.

NOTE 6-COMPENSATED ABSENCES:

The Center accrues the liability arising from compensated absences. The Center has outstanding accrued leave totaling \$44,820 at June 30, 2019. The following is a summary of changes in compensated absences in 2019:

	Beginning		_	Ending
	<u>Balance</u>	Increase	 Decrease	<u>Balance</u>
\$_	65,031 \$	-	\$ 20,211 \$	44,820

NOTE 7-PENSION PLAN:

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system).

Benefit Structures

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 7-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. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Contributions

The contribution requirement for active employees is governed by \$51.1-145 of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% 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 earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$182,898 and \$158,280 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the Center reported a liability of \$1,454,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Center's proportion of the Net Pension Liability was based on the Center's actuarially determined employer contributions to the pension 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 Center's proportion was 0.01236% as compared to 0.01467% at June 30, 2017.

For the year ended June 30, 2019, the Center recognized pension expense of \$(31,000). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 7-PENSION PLAN: (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

At June 30, 2019, the Center 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	\$	-	\$ 124,000
Change in assumptions		17,000	-
Net difference between projected and actual earnings on pension plan investments		-	31,000
Changes in proportion and differences between employer contributions and proportionate share of contributions		157,000	405,000
Employer contributions subsequent to the measurement date	te	182,898	
Total	\$	356,898	\$ 560,000

\$182,898 reported as deferred outflows of resources related to pensions resulting from the Center'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	\$ (124,000)
2021	(79,000)
2022	(86,000)
2023	(61,000)
2024	(36,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher 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% - 5.95%
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.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 7-PENSION PLAN: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee
		Retirement Plan
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	11,759,992
Plan Fiduciary Net Position as a Percentag	ge .	
of the Total Pension Liability		74.81%

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 7-PENSION PLAN: (CONTINUED)

Net Pension Liability: (Continued)

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 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 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 Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
*Expe	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 one 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 member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions 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.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 7-PENSION PLAN: (CONTINUED)

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Center's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the 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		С	urrent Discount	1% Increase	
		(6.00%)		(7.00%)	(8.00%)	
Center's proportionate						
share of the VRS Teacher						
Employee Retirement Plan						
Net Pension Liability (Asset)	\$	2,220,000	\$	1,454,000	\$ 819,000	

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan'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 8-MEDICAL AND LIFE INSURANCE - PAY-AS-YOU-GO (OPEB PLAN):

Plan Description

The Center belongs to Albemarle County Voluntary Early Retirement Incentive Program (VERIP) which is a single-employer defined benefit plan. VERIP benefits are paid monthly for a period of five years or until age 65, whichever comes first. In addition to the monthly stipend, the County will pay an amount equivalent to the Board's annual contribution toward medical insurance. Participants may accept it as a cash payment, or apply it toward the cost of the continuation of their County medical/dental benefits. To be eligible, employees must meet the age and service criteria for reduced VRS retirement and be a current employee at least 50 years of age and have been employed by the County in a benefits-eligible position for 10 of the last 13 years prior to retirement. The plan is administered by the County and does not issue a publicly available separate financial report.

Benefits Provided

Postemployment benefits 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. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 8-MEDICAL AND LIFE INSURANCE - PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board.

Total OPEB Liability

The Center's total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of May 1, 2018.

Actuarial Assumptions

The total OPEB liability in the May 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation 2.20%

Salary Increases The salary increase rate starts at 3.15% salary increase for 1 year of service and

gradually declines to 1.3% salary increase for 20 or more years of service.

Discount Rate 3.62%

Mortality rates for Active employees and healthy retirees were based on a RP-2000 Fully Generational Combined Healthy table while mortality rates for disabled retirees were based on a RP-2000 Disabled Mortality Table.

The date of the most recent actuarial experience study for which significant assumptions were based May 1, 2018.

Discount Rate

The final equivalent single discount rate used for this year's valuation is 3.62% as of the end of June 30, 2018 and is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2017	\$ 169,121
Changes for the year:	
Service cost	18,678
Interest	5,673
Difference between expected and actual experience	27,392
Changes in assumptions	(1,240)
Benefit payments	(48,708)
Net changes	\$ 1,795
Balances at June 30, 2018	\$ 170,916

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 8-MEDICAL AND LIFE INSURANCE - PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

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

The following amounts present the total OPEB liability of the Center, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

		Rate	
-	1% Decrease	Current Discount	1% Increase
	(2.62%)	Rate (3.62%)	(4.62%)
s [–]	179.053	170.916 \$	163.039

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

The following presents the total OPEB liability of the Center was calculated using healthcare cost trend rates that are one percentage point lower (4.40% decreasing to an ultimate rate of 2.90%) or one percentage point higher (6.40% decreasing to an ultimate rate of 4.90%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (2.90%)	Healthcare Cost Trend (3.90%)	1% Increase (4.90%)
\$ 156,876	\$ 170,916	\$ 186,844

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

For the year ended June 30, 2019, the Center recognized OPEB expense in the amount of \$27,336. At June 30, 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 23,479	\$ -
Changes in assumptions	-	4,819
Total	\$ 23,479	\$ 4,819

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

Year Ended June 30	_	
2020	\$	2,985
2021		2,985
2022		2,985
2023		2,985
2024		2,984
Thereafter		3,736

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

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 9-TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee 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 (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing 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 for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. 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 school division to the VRS Teacher Employee HIC Program were \$14,507 and \$12,479 for the years ended June 30, 2019 and June 30, 2018, respectively.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 9—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB

At June 30, 2019, the Center reported a liability of \$159,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The Center's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the Center's actuarially determined employer contributions to the VRS Teacher Employee HIC Program 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 school division's proportion of the VRS Teacher Employee HIC Program was 0.01255% as compared to 0.01474% at June 30, 2017.

For the year ended June 30, 2019, the Center recognized VRS Teacher Employee HIC Program OPEB expense of \$10,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	_ (\$ 1,000
Change in assumptions		-	1,000
Change in proportion		9,000	24,000
Employer contributions subsequent to the measurement d	ate	14,507	
Total	\$	23,507	\$ 26,000

\$14,507 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the Center's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee 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 Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2020	\$ (3,000)
2021	(3,000)
2022	(3,000)
2023	(3,000)
2024	(5,000)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program 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.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 9—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Inflation 2.5%

Salary increases, including inflation:

Teacher employees 3.5%-5.95%

Investment rate of return 7.0%, net of investment expenses,

including inflation*

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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 rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year
Withurawat Nates	age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 9—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Net Teacher Employee HIC OPEB Liability

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

	_	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability Plan Fiduciary Net Position	\$	1,381,313 111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	1,269,674
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liabili	ty	8.08%

The total Teacher Employee HIC 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 Teacher Employee HIC 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 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%.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 9—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC 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 and 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 each school division for the VRS Teacher Employee HIC Program 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, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC 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 Teacher Employee HIC OPEB liability.

Sensitivity of the Center's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Center's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the 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	С	urrent Discount		1% Increase
		(6.00%)		(7.00%)		(8.00%)
Center's proportionate						
share of the VRS Teacher						
Employee HIC OPEB Plan						
Net HIC OPEB Liability	\$	178,000	\$	159,000	\$	144,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC 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 10-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 <u>Code of Virginia</u>, 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.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by \$51.1-506 and \$51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$6,286 and \$5,276 for the years ended June 30, 2019 and June 30, 2018, respectively.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10-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

At June 30, 2019, the entity reported a liability of \$81,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.00534% as compared to 0.00631% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$(1,000). 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:

	 red Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,000 \$	1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	3,000
Change in assumptions	-	3,000
Changes in proportion	6,000	14,000
Employer contributions subsequent to the measurement date	 6,286	
Total	\$ 16,286	21,000

\$6,286 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	Ċ	(2,000)
2020	Ş	(3,000)
2021		(3,000)
2022		(3,000)
2023		(2,000)
2024		-
Thereafter		-

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

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

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

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

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

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

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - General State 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-	Updated to a more current mortality table - RP-2014
retirement healthy, and disabled)	projected to 2020
Retirement Rates	Lowered rates at older ages and changed final
	retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year
	age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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 rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

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

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

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

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

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10-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-	Updated to a more current mortality table - RP-
retirement healthy, and disabled)	2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and
	extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit
	experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-
retirement healthy, and disabled)	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
Withdrawat Rates	experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

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-	Updated to a more current mortality table - RP-
retirement healthy, and disabled)	2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
With drawal Datas	Adjusted termination rates to better fit
Withdrawal Rates	experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

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	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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):

		GLI OPEB Program
Total GLI OPEB Liability Plan Fiduciary Net Position	\$	3,113,508 1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$_	1,518,735
Plan Fiduciary Net Position as a Percentag	e	51.22%

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability: (Continued)

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

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%
*Expec	c 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%.

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10-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	Current Discount	1% Increase
		(6.00%)	 (7.00%)	(8.00%)
Center's proportionate share of the Group Life	e _			
Insurance Program Net OPEB Liability	\$	106,000	\$ 81,000	\$ 61,000

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 11—SUMMARY OF NET OPEB LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES:

Aggregate OPEB Information

		Primary Government						
	_	Deferred Outflows		Deferred Inflows		Net OPEB Liability		OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 10)	\$	16,286	\$	21,000	\$	81,000	\$	(1,000)
Teacher Health Insurance Credit Program (Note 9)		23,507		26,000		159,000		10,000
Stand-Alone Plan (Note 8)		23,479		4,819		170,916		27,336
Totals	\$	63,272	\$	51,819	\$	410,916	\$	36,336

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 12-ADOPTION OF ACCOUNTING PRINCIPLES:

The Center 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 13-UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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



General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2019

	-	Budgete Original	ed /	Amounts Final	-	Actual Amounts	 Variance with Final Budget - Positive (Negative)
REVENUES			_				
Revenue from the use of money and property	\$	14,100	\$	14,100	\$	23,375	\$ 9,275
Charges for services		375,609		375,609		368,316	(7,293)
Miscellaneous		102,500		102,500		59,940	(42,560)
Intergovernmental:							
Local government		2,349,071		2,349,071		2,349,071	-
Commonwealth	_	160,000		160,000		176,742	 16,742
Total revenues	\$_	3,001,280	\$	3,001,280	\$	2,977,444	\$ (23,836)
EXPENDITURES							
Current:							
General government administration	\$	584,718	\$	584,718	\$	571,030	\$ 13,688
Maintenance of buildings and grounds		316,457		316,457		313,866	2,591
Education		2,280,465		2,280,465		2,003,024	277,441
Technology		20,000		20,000		-	20,000
Miscellaneous	_	9,640		9,640		6,854	 2,786
Total expenditures	\$_	3,211,280	\$	3,211,280	\$	2,894,774	\$ 316,506
Excess (deficiency) of revenues over (under)							
expenditures	\$_	(210,000)	\$.	(210,000)	\$.	82,670	\$ (292,670)
Net change in fund balance	\$	(210,000)	\$	(210,000)	\$	82,670	\$ 292,670
Fund balance - beginning	_	210,000		210,000		639,111	 429,111
Fund balance - ending	\$_	-	\$	-	\$	721,781	\$ 721,781

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan For the Measurement Dates of June 30, 2014 through June 30, 2018

	_	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)		0.01236%	0.01467%	0.01384%	0.01244%	0.01615%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$	1,454,000	1,804,000 \$	1,940,000 \$	1,566,000 \$	1,952,000
Employer's Covered Payroll		969,853	1,130,288	1,026,681	924,049	1,181,285
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll		149.92%	159.61%	188.96%	169.47%	165.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.81%	72.92%	68.28%	70.68%	70.88%

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.

Schedule of Employer Contributions - Pension For the Years Ended June 30, 2015 through June 30, 2019

Date		Contributions in Relation to Contractually Required Contribution (1) Contributions in Relation to Contractually Required Contribution (2)			1	Contribution Deficiency (Excess) (3)	_	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Componen	t Uni	t School Board	(pro	ofessional)					
2019	\$	182,898	\$	182,898	\$	-	\$	1,208,893	15.13%
2018		158,280		158,280		-		969,853	16.32%
2017		165,700		165,700		-		1,130,288	14.66%
2016		144,351		144,351		-		1,026,681	14.06%
2015		133,987		133,987		-		924,049	14.50%

Notes to Required Supplementary Information - Pension 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:

Component Unit School Board - Professional Employees

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

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Pay-as-you-go $\,$

For the Years Ended June 30, 2019 and June 30, 2018

		2019	2018
Total OPEB liability	_		
Service cost	\$	18,678	\$ 19,467
Interest		5,673	4,652
Changes in assumptions		(1,240)	(5,258)
Differences between expected and actual experience		27,392	-
Benefit payments		(48,708)	 (26,000)
Net change in total OPEB liability	\$	1,795	\$ (7,139)
Total OPEB liability - beginning		169,121	 176,260
Total OPEB liability - ending	\$	170,916	\$ 169,121
Covered-employee		N/A	N/A
Center's total OPEB liability (asset) as a percentage of covered-employee payroll		N/A	N/A

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

Notes to Required Supplementary Information - Pay-as-you-go For the Year Ended June 30, 2019

Valuation Date: 5/1/2018 Measurement Date: 6/30/2018

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	3.62%
Inflation	2.20%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.4% in 2017 and gradually declines to 3.9% by the year 2075.
Salary Increase Rates	The salary increase rate starts at 3.15% salary increase for 1 year of service and gradually declines to 1.3% salary increase for 20 or more years of service.
Retirement Age	The average age at retirement is 62.
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2000 Fully Generational Combined Healthy Table. The mortality rates for disabled retirees was calculated using the RP 2000 Disabled Mortality Table.

Schedule of Center's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.0126% \$	159,000 S	1,014,591	15.67%	8.08%
2017	0.0147%		1,163,466	16.07%	7.04%

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
Teacher Employee Health Insurance Credit (HIC) Program
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	14,507 \$	14,507	\$ - \$	1,208,893	1.20%
2018	12,479	12,479	-	1,014,591	1.23%
2017	12,914	12,914	-	1,163,466	1.11%
2016	11,183	11,183	-	1,054,975	1.06%
2015	9,808	9,808	-	925,240	1.06%
2014	13,112	13,112	-	1,181,281	1.11%
2013	13,683	13,683	-	1,232,685	1.11%
2012	7,364	7,364	-	1,227,386	0.60%
2011	7,162	7,162	-	1,193,658	0.60%
2010	9,764	9,764	-	1,305,081	0.75%

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

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

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

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

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

				Employer's Proportionate Share	
	Employer's	Employer's Proportionate		of the Net GLI OPEB	Plan Fiduciary
	Proportion of the	Share of the	Employer's	Liability (Asset) as a Percentage of	Net Position as a
Data	Net GLI OPEB	Net GLI OPEB	Covered	Covered Payroll	Percentage of Total
Date (1)	Liability (Asset) (2)	Liability (Asset) (3)	Payroll (4)	(3)/(4) (5)	GLI OPEB Liability (6)
	· • • • • • • • • • • • • • • • • • • •				
2018	0.00534% \$	81,000 \$	1,014,591	7.98%	51.22%
2017	0.00631%	95,000	1,163,466	8.17%	48.86%

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

Schedule of Employer Contributions Group Life Insurance Program For the Years Ended June 30, 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	\$ 6,286	\$ 6,286	\$ -	\$ 1,208,893	0.52%
	2018	5,276	5,276	-	1,014,591	0.52%
	2017	6,050	6,050	-	1,163,466	0.52%
	2016	5,064	5,064	-	1,054,975	0.48%
	2015	4,441	4,441	-	925,240	0.48%
	2014	5,670	5,670	-	1,181,281	0.48%
	2013	5,919	5,919	-	1,233,207	0.48%
	2012	3,437	3,437	-	1,227,386	0.28%
	2011	3,342	3,342	-	1,193,658	0.28%
	2010	2,540	2,540	-	1,305,081	0.19%

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

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

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

General State Employees

Updated to a more current mortality table - RP-2014			
projected to 2020			
Lowered rates at older ages and changed final retire	Lowered rates at older ages and changed final retirement		
from 70 to 75			
Adjusted rates to better fit experience at each year	age and		
service through 9 years of service			
Adjusted rates to better match experience			
No change			
Increased rate from 14% to 25%			
	projected to 2020 Lowered rates at older ages and changed final retire from 70 to 75 Adjusted rates to better fit experience at each year service through 9 years of service Adjusted rates to better match experience No change		

Teachers

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

SPORS Employees

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

VaLORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

, , ,	, , ,
Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-2014
retirement healthy, and disabled)	projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each
	age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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



Schedule of Revenues - Budget and Actual General Fund

For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source		Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
General Fund:								
Revenue from local sources: Revenue from use of money and property: Revenue from use of property	\$	14,100	\$	14,100	\$	23,375	\$	9,275
Total revenue from use of money and property	\$	14,100	\$	14,100	\$	23,375	\$	9,275
Charges for services: Adult day tuition Adult education program Apprenticeship	\$	6,000 103,160 266,449	\$	6,000 103,160 266,449	\$	4,020 102,159 262,137	\$	(1,980) (1,001) (4,312)
Total charges for services	\$	375,609	\$	375,609	\$	368,316	\$	(7,293)
Miscellaneous: Miscellaneous Rebates and refunds	\$	2,500 100,000	\$	2,500 100,000	\$	41,291 18,649	\$	38,791 (81,351)
Total miscellaneous	\$	102,500	\$	102,500	\$	59,940	\$	(42,560)
Revenue from local governments: Operational grant: City of Charlottesville County of Albemarle	\$	559,986 1,789,085	\$	559,986 1,789,085	\$	559,986 1,789,085	\$	<u>-</u>
Total revenue from local governments	\$_	2,349,071	\$_	2,349,071	\$_	2,349,071	\$_	
Total revenue from local sources	\$	2,841,280	\$	2,841,280	\$	2,800,702	\$	(40,578)
Revenue from the Commonwealth: CTE entitlement Other state funds	\$	120,000 40,000	\$	120,000 40,000	\$	131,564 45,178	\$	11,564 5,178
Total revenue from the Commonwealth	\$	160,000	\$	160,000	\$	176,742	\$	16,742
Total General Fund	\$	3,001,280	\$	3,001,280	\$	2,977,444	\$	(23,836)

Schedule of Expenditures - Budget and Actual General Fund For the Year Ended June 30, 2019

Fund, Function, Activity and Elements		Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: General government administration: General and financial administration:					
Office of the Director Fiscal services	\$_	455,365 \$ 92,332	455,365 \$ 92,332	444,496 \$ 92,951	10,869 (619)
Total general and financial administration	\$	547,697 \$	547,697 \$	537,447 \$	10,250
Board of elections: Board and officials	\$_	37,021 \$	37,021 \$	33,583 \$	3,438
Total general government administration	\$_	584,718 \$	584,718 \$	571,030 \$	13,688
Maintenance of general buildings and grounds: Building services Grounds services Maintenance management Total maintenance of general buildings and	\$	252,402 \$ 5,000 59,055	252,402 \$ 5,000 59,055	245,663 \$ 2,273 65,930	6,739 2,727 (6,875)
grounds	\$_	316,457 \$	316,457 \$	313,866 \$	2,591
Education: Other instructional costs: Classroom instruction Improvement of instruction Adult education Apprentice	\$	1,832,102 \$ 76,253 141,368 230,742	1,832,102 \$ 76,253 141,368 230,742	1,521,566 \$ 79,501 176,651 225,306	310,536 (3,248) (35,283) 5,436
Total education	\$	2,280,465 \$	2,280,465 \$	2,003,024 \$	277,441
Technology: Technology	\$_	20,000 \$	20,000 \$	\$	20,000
Miscellaneous: Vehicle: Operation Maintenance Security services	\$	6,300 \$ 3,100 240	6,300 \$ 3,100 240	6,854 \$ - -	(554) 3,100 240
Total miscellaneous	\$	9,640 \$	9,640 \$	6,854 \$	2,786
Total General Fund	\$	3,211,280 \$	3,211,280 \$	2,894,774 \$	316,506

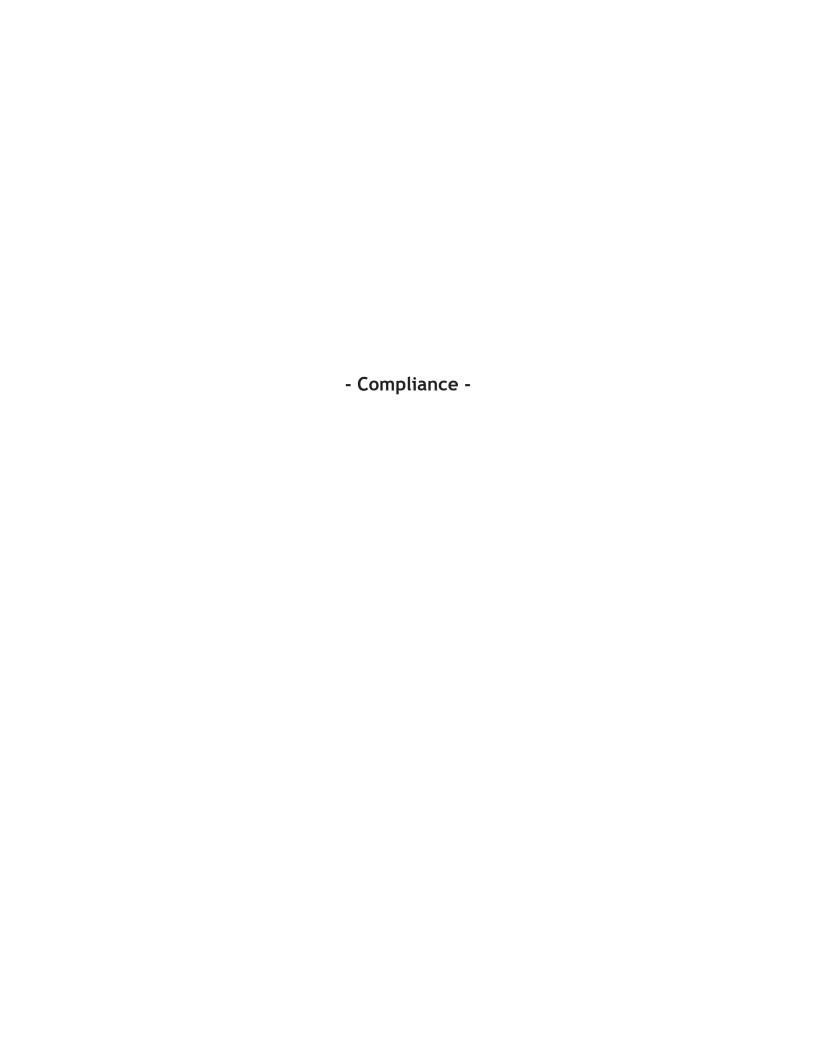


Government-wide Revenues Last Ten Fiscal Years

		PROGRAM REVENUES			_	GENERAL REVENUES			-		
Fiscal Year		Charges for Services		Operating Grants and Contributions		Unrestricted Revenues from Use of Money and Property	1		Miscellaneous		Total
2010	\$	386,454	Ś	2,202,336	Ś	17,676	_	5	62,700	Ś	2,669,166
2011	•	323,389	Т.	2,075,316	•	7,994		•	68,593	•	2,475,292
2012		277,745		2,030,865		17,052			56,199		2,381,861
2013		328,626		2,108,924		16,620			51,243		2,505,413
2014		331,400		2,225,362		7,022			27,016		2,590,800
2015		349,557		2,100,918		11,293			43,165		2,504,933
2016		339,268		2,010,618		11,387			132,938		2,494,211
2017		326,788		2,194,040		18,304			177,626		2,716,758
2018		345,595		2,435,634		18,390			80,070		2,879,689
2019		368,316		2,525,813		23,375			59,940		2,977,444

Government-wide Expenses by Function Last Ten Fiscal Years

Fiscal	General Government	Maintenance of Building &	To the object	Education	Tabel
Year	Administration	Grounds	Technology	Education	Total
2010	\$ 564,526 \$	291,401 \$	25,588 \$	1,775,584 \$	2,657,099
2011	556,964	267,440	4,509	1,646,127	2,475,040
2012	519,508	253,196	25,341	1,703,494	2,501,539
2013	513,335	257,770	2,982	1,636,997	2,411,084
2014	606,907	242,640	4,642	1,597,012	2,451,201
2015	522,614	240,255	61,735	1,360,732	2,185,336
2016	490,651	565,917	1,854	1,609,250	2,667,672
2017	570,876	305,272	16,234	1,976,697	2,869,079
2018	551,196	327,227	4,111	1,678,338	2,560,872
2019	492,999	296,261	-	1,854,784	2,644,044





ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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 Joint Audit Committee Charlottesville-Albemarle Technical Education Center Charlottesville, 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 governmental activities and each major fund of Charlottesville-Albemarle Technical Education Center as of and for the year ended June, 30, 2019, and the related notes to the financial statements, which collectively comprise Charlottesville-Albemarle Technical Education Center's basic financial statements, and have issued our report thereon dated March 12, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charlottesville-Albemarle Technical Education Center'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charlottesville-Albemarle Technical Education Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Charlottesville-Albemarle Technical Education Center'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 Charlottesville-Albemarle Technical Education Center'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.

Charlottesville, Virginia

Hobinson, Found, lox associats

March 12, 2020