WESTERN TIDEWATER

COMMUNITY SERVICES BOARD

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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WESTERN TIDEWATER COMMUNITY SERVICES BOARD

BOARD OF DIRECTORS

Steven Blunt	Lula Holland	Phllis Austin
Donald T. Robertson	Denise Tynes	Amy Lehman
Toni Brown	Dorothy Jones	Gwendolyn Wilson
Cindy Edwards		Vicki Wiggins Pittman

SENIOR MANAGEMENT TEAM

Demetrios Peratsakis	Executive Director
Andrew Jurewicz	Finance Director
Peggy W. Holland	Human Resources Director
Cheryl Collier	Quality Assurance Director
Darlene Rawls	Community Support Director
Donna Boykin	Care Coordination Director
Brandon Rodgers	Director of Operations

WTCSB Board of Directors
Demetrios Peratsakis, Executive Director

- **Leadership Team Support** — Carol Ellis
- **Board Support** — Peggy Holland

Finance
Andrew Jurewicz, Finance
- Budget
- Reimbursement
- Financial Audits

Quality Assurance
Cheryl Collier, Director
- Corporate Compliance
- Health & Safety
- Human Rights
- Utilization Review
- Credentialing
- Complaint Mediation

Risk Management
Peggy Holland, Director
- Legal Compliance
- Organization Development

Brandon Rogers
Director of Operations
- Employment
- Recruitment & Retention
- Compensation
- Benefits
- Training
- Employee Relations
- Workforce Planning
- Information & Resource Development
  Information Technology/IT Systems
- Payroll
- EHR
- Program Development
  - Grants
  - Annual Report

Primary Treatment and Care Management Services
Donna Boykin, Director
- **Advocacy**
  - **Advisory Council**
- **Clinical Care Services**
  - Screening/Intake/Assessment
  - Treatment Planning
  - Discharge Planning
  - Service Monitoring
  - Emergency Services
  - Crisis Stabilization
  - Jail Services
  - NGRI & Forensic CM
  - Medical & MH Nursing Services
  - Outpatient Counseling
- **Case Management**
  - Suffolk Services Center
  - Franklin Services Center
  - Smithfield Services Center
  - Information &Referral
- **Child & Family**
  - School-based Services
  - Education
  - Prevention Services
  - HIV
  - Community Development
- **Emergency**
  - Emergency Services
  - Reach/CTH
  - CCSU
- **Outpatient**

Community Integration and Rehabilitation Services
Darlene Rawls, Director
- **Residential Tx Houses**
  - **ICF-MRs**
  - **Group Homes**
- **ID/DD Rehab Services**
  - Pathways
  - Main Street Opportunities
  - Respite
- **MH Rehab Services**
  - Tidewater House
  - Mental Health Support
  - Assisted Living Facility
- **IDD/DD Nursing**
- **ID In-home Services**
- **Homeless Service**
- **Vocational Job Training & Job Support**
- **Transportation**
- **Procurement**

Independent Auditors' Report

To the Board of Directors
Western Tidewater Community Services Board
Suffolk, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Western Tidewater Community Services Board, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Western Tidewater Community Services Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Western Tidewater Community Services Board, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 15 to the financial statements, in 2018, the Board adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and *85 Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 15 to the financial statements, in 2018, the Board restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-7 and 48-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Western Tidewater Community Services Board's 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of Western Tidewater Community Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Western Tidewater Community Services Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Tidewater Community Services Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 19, 2018

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This Management's Discussion and Analysis (MD&A) of Western Tidewater Community Services Board's (WTCSB) financial performance provides an overview to the financial statements of the WTCSB for the fiscal year ended June 30, 2018.

Western Tidewater Community Services Board (WTCSB) presents three basic financial statements for the purpose of analyzing the financial position of the WTCSB as of June 30, 2018. These are: (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Net Position; and (3) Statement of Cash Flows.

WTCSB's financial position is measured in terms of resources (assets and deferred outflows) owned and obligations (liabilities and deferred inflows) owed as of June 30, 2018 and 2017. This information is reflected on the Statement of Net Position. The excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources is the net position.

Information showing the results of operations during fiscal year 2018 and 2017 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement details total revenue and total expenses and reflects an excess or deficiency of revenue over expenses for the fiscal years ending June 30, 2018 and 2017.

The flow of cash resources into and out of WTCSB during the fiscal year is reflected on the Statement of Cash Flows. This statement also reflects the net increase or decrease in cash and cash equivalents for the year and the ending cash and cash equivalents as of June 30, 2018 and 2017.

A summary of WTCSB's statements of net position at June 30, 2018 and 2017 is presented below:

Summary Statement of Net Position

	2018	2017
Current assets	$ 6,860,397	$ 13,308,041
Restricted assets	642,563	554,029
Capital assets	13,213,695	12,373,616
Other assets	1,399,155	-
Total assets	$ 22,115,810	$ 26,235,686
Deferred outflows of resources	$ 746,226	$ 1,468,078
Current liabilities	$ 5,268,829	$ 4,642,308
Liabilities payable from restricted assets	269,538	186,410
Long-term liabilities	2,000,975	3,031,258
Total liabilities	$ 7,539,342	$ 7,859,976
Deferred inflows of resources	$ 1,428,882	$ 807,509
Net Position:		
Net investment in capital assets	$ 10,977,132	$ 10,263,509
Restricted	400,768	517,777
Unrestricted	2,515,912	8,254,993
Total net position	$ 13,893,812	$ 19,036,279

The financial position of Western Tidewater Community Services Board decreased by $5,102,164 during the year ended June 30, 2018 and increased by $4,796,832 in 2017.

A summary of WTCSB's Statement of Revenues, Expenses and Changes in Net Position for fiscal years 2018 and 2017 is presented below.

Summary Statement of Revenues, Expenses and Changes in Net Position

	2018	2017
Operating revenues:		
Net patient service revenue	$ 17,170,853	$ 17,023,517
Operating expenses	34,465,725	28,712,915
Operating income (loss)	$ (17,294,872)	$ (11,689,398)
Net non-operating income	12,192,708	16,486,230
Change in net position	$ (5,102,164)	$ 4,796,832

Operating Income is generated from providing patient services. The majority of Operating Income is generated from Medicaid services. In fiscal years 2018 and 2017, net Patient Service Revenue increased .87% and decreased by 1.69%, respectively.

Operating expenses increased 20.04% in 2018 and increased 26.36% in 2017.

Nonoperating income decreased by $4,293,522 from the prior year largely due to the $3,991,125 decrease in revenues from the Commonwealth of Virginia.

Cash Flow: A summary of WTCSB's Statement of Cash Flows for fiscal years 2018 and 2017 is presented below.

Summary Statement of Cash Flows

	2018	2017
Cash flows from operating activities	$ (16,834,467)	$ (10,494,961)
Cash flows from non-capital financing activities	12,257,910	16,593,503
Cash flows from capital and related financing activities	(1,909,031)	(3,814,888)
Cash flows from investing activities	28,974	13,965
Net increase (decrease) in cash and cash equivalents	$ (6,456,614)	$ 2,297,619
Cash and cash equivalents beginning of year	11,849,263	9,551,644
Cash and cash equivalents end of year	$ 5,392,649	$ 11,849,263

Cash Flows provided or used by Operating Activities reconcile the operating loss recorded on the Statement of Revenues, Expenses and Changes in Net Position to cash provided by operating activities. In this process, the Operating Loss is decreased by the amount of any non-cash transaction (depreciation) and adjusted for changes in assets and liabilities. (Please see the full Statement of Cash Flows for a full listing of these transactions).

Cash Flows from Noncapital Financing Activities consist of income received primarily from government grants.

Cash Flows from Capital and Related Financing Activities represent funds from loan proceeds less the costs of acquisitions of capital assets (see Notes to Financial Statements, Note 4 – Capital Assets). Also reflected are principal and interest payments on mortgages and loans payable.

Cash Flows from Investing Activities are comprised of interest income.

Cash and cash equivalents decreased $6,520,919 in 2018 and decreased $2,372,819 in 2017. The decrease in 2018 was largely due to the increase in salaries and benefits expense and facilities expense.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018 and 2017 the WTCSB had $13,213,695 and $12,373,616 in net capital assets. These were comprised primarily of land, buildings and improvements, and equipment and vehicles. (See Notes to Financial Statements, Note 4 – Capital Assets.)

Long-term Debt

Long-term obligations as of June 30, 2018 are $2,236,563 a net decrease of $315,286 from June 30, 2017 (see Notes to Financial Statements, Note 6 - Long-term Obligations). This debt is for five facilities. 1000 Commercial Lane, our Suffolk Services Center and the Pathways ID day support complex is financed by SunTrust Bank with a balance of $1,442,605. 5268 Godwin Boulevard our Administration/Day Program Complex is financed by Bank of America with a balance of $61,789. The two Intermediate Care Facilities located at 4373 and 4395 Pruden Blvd. are financed with a $574,800 loan from Farmer's Bank with a balance of $454,521. Neighbor's Place located at 22510 Thomas Woods Lane, Zuni, Virginia is financed with a loan from the Department of Housing and Urban Development with a balance of $277,648.

Other Significant Activities in Fiscal Year 2018

Western Tidewater Community Services Board provided 396,340 units of service across all disabilities (Mental Health, Substance Abuse, and Intellectual Disabilities) to over 5,172 distinct consumers in the cities of Suffolk, Franklin, and the counties of Southampton and Isle of Wight. This represents an increase of 4 percent in services and 4 percent in consumers over the prior fiscal year. These consumers were primarily underinsured families with children or adult members suffering from chronic and pervasive disabilities.

During Fiscal Year 2018 Western Tidewater CSB assumed control of two additional Crisis Programs for the Region. The Regional Adult Mobile Crisis Team and Crisis Therapy Home located in Hampton, Virginia. Western Tidewater CSB's excellence in developing and operating the Region's Child REACH Mobile Crisis Team was cited as the primary reason for inheriting the programs. The Adult Mobile Team and Crisis Home is a 24/7 emergency intervention and placement service for adults with Intellectual Disability or Developmental Disability challenges exhibiting difficulties that place them at risk of personal harm or hospitalization. The Adult Mobile Crisis Team and Crisis Home added 39 full-time positions to WTCSB and served 325 individuals.

In FY 2017 the Department of Behavioral Health and Developmental Services (DBHDS) agreed to work with Western Tidewater CSB to create a comprehensive discharge transition and geriatric care program for patients hospitalized at Eastern State. During FY 2018 Tidewater Cove became fully staffed and operational maintaining an average census of 60 residents. The clinical and residential teams continue to provide supports to residents as they transition from Eastern State to the Behavioral Health Home and ideally to the community for integration and independence.

In August WTCSB was selected to become the AMIKids provider of Functional Family Therapy (FFT) for the Southeastern Region of Virginia under contract with the Department of Juvenile Justice (DJJ). AMIKids has created a network of trained experts in family systems therapy for mobile, in-home treatment and care navigation. FFT is a short-term, high quality intervention program with an average of 12 to 14 sessions over three to five months. Work focuses primarily with 11- to 18-year-old youth who have been referred for behavioral or emotional problems by the juvenile justice, mental health, school or child welfare systems. Services are conducted in both clinic and home settings, and can also be provided in schools, child welfare facilities, probation and parole offices, aftercare systems, and mental health facilities. This partnership funds a four person clinical team composed of three Masters prepared clinicians that provided services to 63 individuals.

Western Tidewater CSB opened a Children's Crisis Stabilization Unit on behalf of Health Planning Region 5 (HPR5) to provide expanded Children's Mental Health Crisis Services. Bridges is a six bed Crisis Stabilization Unit (CSU) for children and adolescents up to age 18. The program is located in a 5,000 square foot home in Windsor, Virginia where critical services for seriously emotionally disturbed youth (SED) experiencing a cognitive-emotional crisis are delivered. Bridges is the sole residential stabilization unit for youth within the region, providing viable treatment for Chesapeake, Eastern Shore, Middle-Peninsula Northern Neck, Norfolk, Virginia Beach, Portsmouth, Hampton-Newport News, Colonial, and Western Tidewater CSB.

Western Tidewater CSB has begun preparing for success with STEP-VA, a state-wide strategic plan for reforming behavioral health services in Virginia. DBHDS designed System Transformation Excellence and Performance (STEP-VA), an innovative initiative for individuals with behavioral health disorders featuring a uniform set of required services, consistent quality measures, and improved oversight in all Virginia communities. STEP-VA is based on a national best practice model that requires the development of a set array of deliberately chosen services that make up a comprehensive, accessible system for those with serious behavioral health disorders. Core service elements of STEP –VA include: Same Day Access (SDA), Standardized Core Community Services, 24/7 Mobile Crisis, Veterans Services, Robust Child Services, and Connections to Primary Care.

Western Tidewater CSB completed implementation of Same Day Access (SDA) in February, 2018. This effectively eliminated the prior screening process in favor of a more direct, walk-in alternative for ready access to a clinical assessment and intake into Board services. The net effect is elimination of wait times for intake and fast-track service onset for case management, outpatient counseling, and psychosocial services.

DBHDS released the Medicaid Fee Replacement allocation for FY 2019 and FY 2020 to Community Services Boards. The allocation is based on projected annual revenue looking at the Governors Access Plan (GAP) Medicaid differential and the Uninsured Case Management (CM) population. This generates approximately $10.4 million in revenue for FY 2019 and $25.0 million in FY 2020 across all forty Boards. The estimates indicate an increase of Case Management Fee Revenue for previously uninsured of $25,841 and $63,898 for those currently having the GAP lower reimbursement rate. Western Tidewater can expect to lose in ongoing State General Funds in FY 2019 $202,775 and in FY 2020 $445,865 Case management and Finance will work to minimize this impact by actively assisting consumers with Medicaid eligibility and enrollment.

- Basic Financial Statements -

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Statement of Net Position
As of June 30, 2018
(With Comparative Totals for 2017)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		2018		2017
Current Assets:				
Cash and cash equivalents	$	4,800,407	$	11,321,326
Accounts receivable, less allowance for uncollectibles		2,059,990		1,986,715
Total current assets	$	6,860,397	$	13,308,041
Restricted Assets:				
Cash and cash equivalents	$	592,242	$	527,937
Accounts receivable		50,321		26,092
Total restricted assets	$	642,563	$	554,029
Capital Assets:				
Land	$	2,288,708	$	2,263,349
Construction in progress		-		2,989,396
Other capital assets, less accumulated depreciation		10,924,987		7,120,871
Total capital assets, net	$	13,213,695	$	12,373,616
Other Assets:				
Net pension asset	$	1,399,155	$	-
Total assets	$	22,115,810	$	26,235,686
Deferred Outflows of Resources:				
Pension related items	$	720,822	$	657,444
OPEB related items		25,404		810,634
Total deferred outflows of resources	$	746,226	$	1,468,078
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities:				
Accounts payable and accrued expenses	$	2,131,218	$	2,096,040
Compensated absences		1,403,567		1,159,441
Amounts held for others - regional funds		1,480,409		1,081,530
Long-term debt, current portion		253,635		305,297
Total current liabilities	$	5,268,829	$	4,642,308
Liabilities Payable from Restricted Assets:				
Client and consumer funds	$	175,543	$	125,845
Accounts payable and accrued expenses		78,109		45,334
Long-term debt, current portion		10,370		9,539
Security deposits		5,516		5,692
Total liabilities payable from restricted assets	$	269,538	$	186,410
Long-term Liabilities:				
Net pension liability	$	-	$	794,245
Net OPEB liability		28,417		-
Long-term debt, less current portion		1,972,558		2,237,013
Total long-term liabilities	$	2,000,975	$	3,031,258
Total liabilities	$	7,539,342	$	7,859,976
Deferred Inflows of Resources:				
Pension related items	$	1,405,522	$	807,509
OPEB related items		23,360		-
Total deferred inflows of resources	$	1,428,882	$	807,509
Net Position:				
Net investment in capital assets	$	10,977,132	$	10,263,509
Restricted		400,768		517,777
Unrestricted		2,515,912		8,254,993
Total net position	$	13,893,812	$	19,036,279

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
Operating revenue:		
Net patient service revenue	$ 17,170,853	$ 17,023,517
Operating expenses:		
Salaries and benefits	$ 26,436,179	$ 20,810,544
Staff development	305,499	280,407
Facility	4,260,637	1,849,248
Supplies	-	1,499,156
Travel	599,699	585,685
Contractual and consulting	1,978,186	2,898,809
Depreciation	635,250	504,501
Other	250,275	284,565
Total operating expenses	$ 34,465,725	$ 28,712,915
Operating income (loss)	$ (17,294,872)	$ (11,689,398)
Nonoperating income (expenses):		
Appropriations:		
Commonwealth of Virginia	$ 10,047,121	$ 14,038,246
Federal government	1,115,843	1,125,505
Local governments	576,418	551,297
Rentals	244,792	227,742
Interest income	28,974	13,965
Other	297,908	669,546
Loss on disposition of capital assets	(730)	(2,240)
Interest expense	(117,618)	(137,831)
Net nonoperating income	$ 12,192,708	$ 16,486,230
Change in net position	$ (5,102,164)	$ 4,796,832
Net position, beginning of year, as restated	18,995,976	14,239,447
Net position, end of year	$ 13,893,812	$ 19,036,279

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities:		
Receipts from customers	$ 17,097,578	$ 17,000,834
Payments to suppliers	(6,885,431)	(6,358,219)
Payments to and for employees	(27,046,614)	(21,137,576)
Net cash provided by (used for) operating activities	$ (16,834,467)	$ (10,494,961)
Cash flows from noncapital financing activities:		
Government grants	$ 11,739,382	$ 15,715,048
Other	518,528	878,455
Net cash provided by (used for) noncapital financing activities	$ 12,257,910	$ 16,593,503
Cash flows from capital and related financing activities:		
Acquisition of capital assets	$ (1,482,439)	$ (3,380,396)
Proceeds from sale of assets	6,378	-
Interest on long-term debt	(117,684)	(137,831)
Principal payments on mortgages payable	(315,286)	(296,661)
Net cash provided by (used for) capital and related financing activities	$ (1,909,031)	$ (3,814,888)
Cash from investing activities:		
Interest income	$ 28,974	$ 13,965
Net increase (decrease) in cash and cash equivalents	$ (6,456,614)	$ 2,297,619
Cash and cash equivalents, beginning of year	11,849,263	9,551,644
Cash and cash equivalents, end of year	$ 5,392,649	$ 11,849,263
Reconciliation to statement of net position:		
Cash and cash equivalents	$ 4,800,407	$ 11,321,326
Cash and cash equivalents - restricted	592,242	527,937
Total cash and cash equivalents, end of year	$ 5,392,649	$ 11,849,263
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (17,294,872)	$ (11,689,398)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	635,250	504,501
Changes in assets, liabilities, and deferred outflows/inflows of resources:		
Accounts receivable	(73,275)	(22,683)
Deferred outflows of resources - pension related items	747,256	(612,350)
Deferred outflows of resources - OPEB related items	2,233	-
Accounts payable and accrued expenses	60,288	547,918
Compensated absences	244,126	95,774
Amounts held for others - regional funds	398,879	514,899
Client and consumer funds	49,698	(23,166)
Net pension asset	(2,193,400)	678,531
Net OPEB liability	(32,023)	-
Deferred inflows of resources - pension related items	598,013	(488,987)
Deferred inflows of resources - OPEB related items	23,360	-
Net cash provided by (used for) operating activities	$ (16,834,467)	$ (10,494,961)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Organization:

The Board operates as an agent for the Cities of Suffolk and Franklin and Counties of Isle of Wight and Southampton in the establishment and operation of community mental health, intellectual disability and substance abuse programs as provided for in Chapter 5 of Title 37.2 of the Code of Virginia (1950), as amended, relating to the Virginia Department of Behavioral Health and Developmental Services. The Board provides a system of community mental health and intellectual disability and substance abuse services which are developed in and meet the needs of the participating localities.

B. Reporting Entity:

For financial reporting purposes, in conformance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Board includes all organizations for which it is considered financially accountable. All component units included in these financial statements have years which end on June 30.

C. Individual Component Unit Disclosures:

Blended Component Units: Blended component units, although legally separate entities are, in substance, part of the Board's operations, and so data from these units are combined with data of the Board. The Board has the following blended component units.

Isle of Wight Opportunities for the Disabled: Isle of Wight Opportunities for the Disabled owns a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Jay's Place: Jay's Place is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Wilkins of Suffolk: The Wilkins of Suffolk is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reggie's Place: Reggie's Place is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Barrett House: Barrett House is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Gabriel's Place: Gabriel's Place is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

D. 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 Board only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset and net OPEB liability and contributions to the pension and OPEB plan made during the current year and subsequent to the net pension asset and net OPEB liability measurement dates. For more detailed information on these items, reference the related notes.

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

E. Basis of Accounting:

The Board is funded by federal, state and local funds. Its accounting policies are governed by applicable provisions of these grants and applicable pronouncements and publications of the grantors. The Board utilizes the accrual basis of accounting where revenues are recorded when earned and expenses recorded when due.

F. Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB) and the Virginia Department of Behavioral Health and Developmental Services. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

G. Enterprise Fund Accounting:

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

H. Use of Estimates:

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

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

I. Cash and Cash Equivalents:

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

J. Net Client Service Revenue:

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

K. Financial Assistance:

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

The vast majority of fees collected result from Medicaid billings.

L. Capital Assets:

Capital assets, which include property, furniture, equipment and vehicles acquired are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 31 years and is computed using the straight-line method. Donated capital assets are recorded at their acquisition value at the time of the gift. All capital asset additions with a cost greater than $5,000 are capitalized.

M. Restricted Assets:

The Board segregates monies held on behalf of third parties and restricted donations and other items which have not yet been totally expended for their intended purposes.

N. Compensated Absences:

The Board's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service.

Employees terminating their employment are paid by the Board their accumulated annual leave up to the maximum limit which is 320 hours. Unused sick leave is paid at the date of separation based on length of service. The amount that shall be paid is limited to 25% of accrued sick leave up to a maximum of $5,000 for employees with at least five years of service.

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

N. Compensated Absences: (Continued)

The liabilities for annual and sick leave have been recorded in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Accordingly, the amount of annual and sick leave recognized as expense is the amount earned during the year. The balance at June 30, 2018 was $1,403,567. Because the timing of the use of accrued leave is not estimable, the total amount has been classified as a current liability.

O. Investments:

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

P. Budgetary Accounting:

The Board follows these procedures in establishing its budgets:

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

2. The Board's Performance reports are filed with the Department during the fiscal year, 45 working days after the end of the second and third quarters. The final quarterly report is due by September 30, unless extended, following the end of the fiscal year.

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

Q. Operating and Nonoperating Revenues and Expenses:

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

R. Comparative Totals:

Comparative totals for the prior year are presented for informational purposes only.

S. Net Position:

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

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

T. Net Position Flow Assumption:

The Board may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board’s policy to consider restricted net position to have been depleted or used before unrestricted net position is applied.

U. Rental Income:

The component unit organizations receive rental income from tenants, including those eligible for certain U.S. Department of Housing and Urban Development programs. Tenant lease agreements are generally for one year terms and rental income is recorded when earned. This revenue is reported in other nonoperating income for financial reporting.

V. Pensions:

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

W. Health Insurance Credit Program:

The Board Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision HIC Program, and the additions to/deductions from the VRS Political Subdivision HIC Program’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

X. Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. This represents a liability incurred by the Board for monies accepted from a grantor using the advance method for payments. The liability is reduced and revenue recorded when expenses are made in accordance with the grantor's requirements. If expenses are not made, the funds may revert to the grantor.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Restricted Cash:

Restricted cash represents funds held for clients, debt service reserves and cash held by the component unit organizations for various purposes.

Investments:

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

Custodial Credit Risk (Investments):

The Board's investment policy requires it to take all possible precautions to minimize the credit risk of its investments through the monitoring of the credit worthiness of the banks and other organizations in which it deposits its money.

Credit Risk of Debt Securities:

The Board's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings				
	AAAm	AA	A	A1	Unrated
Virginia Local Government Investment Pool	$ 1,861,120	$ -	$ -	$ -	$ -
Federated Government Obligations					
Trust (Money Market Mutual Fund)	266,846	-	-	-	-
Total	$ 2,127,966	$ -	$ -	$ -	$ -

Concentration of Credit Risk:

The Board's investment policy regarding the concentration of credit risk requires the minimization of credit risk by limiting investments to the safest securities, prequalifying financial institutions, brokers, dealers and other organizations, and diversifying the investment portfolio to limit potential losses on individual securities.

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk:

The Board's investment policy requires the investing of operating funds primarily in short-term securities, money market funds or similar investment pools to minimize interest rate risk. The following details the Board's investments at June 30, 2018.

Investment Type	Value	Less Than One Year	1-5 Years	6-10 Years	10 Years +
Virginia Local Government Investment Pool	$ 1,861,120	$ 1,861,120	$ -	$ -	$ -
Federated Government Obligations Trust (Money Market Mutual Fund)	266,846	266,846	-	-	-
Total	$ 2,127,966	$ 2,127,966	$ -	$ -	$ -

External Investment Pool:

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Summary of Cash, Deposits and Investments:

	2018	2017
Cash on hand	$ 4,060	$ 3,875
Cash in banks	3,085,080	9,746,281
Investments	2,127,966	2,099,107
Total	$ 5,217,106	$ 11,849,263
Cash and cash equivalents:		
Unrestricted	$ 4,800,407	$ 11,321,326
Restricted	416,699	527,937
Total	$ 5,217,106	$ 11,849,263
Restricted cash and cash equivalents consist of:		
Debt service reserves	$ 317,607	$ 441,742
Other entities	99,092	86,195
Total	$ 416,699	$ 527,937

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Board maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Board has the following recurring fair value measurements as of June 30, 2018:

		Fair Value Measurement Using		
Investment	**6/30/2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Levels 2)**	**Significant Unobservable Inputs (Level 3)**
Federated Government Obligations Trust (Money Market Mutual Fund)	$ 266,846	$ 266,846	$ -	$ -
Total	$ 266,846	$ 266,846	$ -	$ -

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2018 and 2017, the Board had accounts receivable due from the following primary sources.

	2018	2017
Virginia Department of Medical Assistance Services (Medicaid)	$ 1,578,341	$ 1,951,894
Direct client and third party	990,766	386,202
Other	254,638	93,956
Total	$ 2,823,745	$ 2,432,052
Less: Allowance for uncollectibles	(763,755)	(445,337)
Net accounts receivable	$ 2,059,990	$ 1,986,715

NOTE 3 - ACCOUNTS RECEIVABLE: (CONTINUED)

Other than the amounts due for Medicaid charges, there are no other individually significant sources of receivables.

Net accounts receivable are allocated as follows:

	2018	2017
Unrestricted	$ 2,059,990	$ 1,986,715
Restricted	50,321	26,092
Total	$ 2,110,311	$ 2,012,807

The allowance for uncollectible accounts has been computed using historical data and specific account analysis.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year is as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 2,263,349	$ 25,359	$ -	$ 2,288,708
Construction in progress	2,989,396	-	2,989,396	$ -
Total capital assets not being depreciated	$ 5,252,745	$ 25,359	$ 2,989,396	$ 2,288,708
Other capital assets:				
Buildings and improvements	$ 8,922,650	$ 3,934,508	$ 17,178	$ 12,839,980
Furniture and equipment	1,321,426	148,661	12,770	1,457,317
Vehicles	3,026,161	363,307	-	3,389,468
Total other capital assets	$ 13,270,237	$ 4,446,476	$ 29,948	$ 17,686,765
Less: Accumulated depreciation				
Buildings and improvements	$ 2,797,296	$ 319,746	$ 12,108	$ 3,104,934
Furniture and equipment	774,437	154,120	10,730	917,827
Vehicles	2,577,633	161,384	-	2,739,017
Total accumulated depreciation	$ 6,149,366	$ 635,250	$ 22,838	$ 6,761,778
Other capital assets, net	$ 7,120,871	$ 3,811,226	$ 7,110	$ 10,924,987
Net capital assets	$ 12,373,616	$ 3,836,585	$ 2,996,506	$ 13,213,695

Depreciation expense totaled $635,250 for FY 2018 and $504,501 for FY 2017.

NOTE 5 - LEASE COMMITMENTS:

The Board leases office space, vehicles and other facilities from various lessors. The lease terms generally range from monthly to one year.

Rent expenses totaled $263,801 for fiscal year 2018 and $196,184 for fiscal year 2017.

NOTE 6 - LONG-TERM OBLIGATIONS:

	Balance	Current Portion
$3,000,000, SunTrust Bank, interest at 4.60%, due in monthly installments of $19,171 through November 2025, secured by real estate.	$ 1,442,605	$ 167,190
$375,000, U.S. Department of Housing and Urban Development, interest at 8.375%, due in monthly installments of $2,769 through October 2032, secured by real estate.	277,648	10,370
$1,372,500, Bank of America, interest at 4.50%, due in monthly installments of $10,501 through December 2018, secured by real estate.	61,789	61,789
$574,800, Farmer's Bank, interest at 4.255%, payable in monthly installments of $3,817 through May 2022 with a final payment due June 2022.	454,521	24,656
Total mortgages payable	$ 2,236,563	$ 264,005
Net OPEB liability	$ 28,417	$ -
Total long-term obligations	$ 2,264,980	$ 264,005

Annual requirements to amortize mortgages payable at current interest rates are as follows:

Year Ending June 30,	Principal	Interest
2019	$ 264,005	$ 105,373
2020	212,041	94,738
2021	222,361	84,418
2022	582,457	73,578
2023	215,373	47,911
2024-2028	617,973	103,144
2029-2033	122,353	24,428
Total	$ 2,236,563	$ 533,590

Details of Long-term Obligations:

	Mortgages Payable	Net OPEB Liability As Restated	Total
Balance at July 1, 2017	$ 2,551,849	$ 60,440	$ 2,612,289
Additions	-	18,158	18,158
Retirements	(315,286)	(50,181)	(365,467)
Balance at June 30, 2018	$ 2,236,563	$ 28,417	$ 2,264,980

The Board is in compliance with federal arbitrage regulations.

Total interest cost for fiscal year 2018 was $117,618, all of which was expensed.

NOTE 7 - PENSION PLAN:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 7 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Cont.)	**About Plan 2 (Cont.)**	**About the Hybrid Retirement Plan (Cont.)** • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 7 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 7 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 7 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contributions Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1.

NOTE 7 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

NOTE 7 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

NOTE 7 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 7 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **<u>Defined Contribution Component:</u>** Not applicable.

NOTE 7 - PENSION PLAN: (CONTINUED)

Pension Plan Data

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

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	91
Inactive members:	
Vested inactive members	48
Non-vested inactive members	67
Inactive members active elsewhere in VRS	94
Total inactive members	209
Active members	301
Total covered employees	601

Contributions

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

The Board's contractually required employer contribution rate for the year ended June 30, 2018 was 4.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were $720,822 and $657,444 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 7 - PENSION PLAN: (CONTINUED)

Net Pension Asset

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Board's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Long-term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Board 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, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 - PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 31,962,608	$ 31,168,363	$ 794,245
Changes for the year:			
Service cost	$ 1,148,096	$ -	$ 1,148,096
Interest	2,203,999	-	2,203,999
Changes of assumptions	(347,840)	-	(347,840)
Differences between expected and actual experience	(146,127)	-	(146,127)
Contributions - employer	-	597,248	(597,248)
Contributions - employee	-	642,663	(642,663)
Net investment income	-	3,836,489	(3,836,489)
Benefit payments, including refunds of employee contributions	(953,829)	(953,829)	-
Administrative expenses	-	(21,426)	21,426
Other changes	-	(3,446)	3,446
Net changes	$ 1,904,299	$ 4,097,699	$ (2,193,400)
Balances at June 30, 2017	$ 33,866,907	$ 35,266,062	$ (1,399,155)

NOTE 7 - PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

		Rate	
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Board			
Net Pension Liability (Asset)	$ 3,523,127	$ (1,399,155)	$ (5,444,142)

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

For the year ended June 30, 2018, the Board recognized pension expense of ($187,505). At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 622,389
Change of assumptions	-	257,959
Net difference between projected and actual earnings on pension plan investments	-	525,174
Employer contributions subsequent to the measurement date	720,822	-
Total	$ 720,822	$ 1,405,522

$720,822 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2019	$ (730,880)
2020	(178,568)
2021	(166,960)
2022	(329,114)
Thereafter	-

NOTE 8 - FISCAL AGENT:

The City of Franklin, Virginia acts as fiscal agent for the Board pursuant to the requirements of Section 37.1-195 of the Code of Virginia (1950), as amended.

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

The Board operates programs which are funded by grants received from federal, state or local sources. Expenditures financed by grants are subject to audit by the grantor. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor. The Board believes that the likelihood of disallowance of expenditures and subsequent reimbursement is remote and would not have a material effect on the overall financial position of the Board. Federal programs in which the Board participates were audited in accordance with the provisions of the U.S. Office of Management and Uniform Guidance.

The reimbursement office of the Board is periodically reviewed by representatives of federal and state authorities regarding its billing of Medicaid and Medicare. These reviews may result in the Board refunding certain collections or prior claims to Medicare and Medicaid. The impact of these reviews cannot be presently determined. However, the Board's management believes that any liability for reimbursement which may arise as the result of these audits is not believed to be material to the financial position of the Board.

The Board may be involved in potential lawsuits arising in the ordinary course of business. It is management's belief that any liability resulting from such lawsuits would not be material in relation to the Board's financial position.

NOTE 10 - RISK MANAGEMENT:

The Board has contracted with the Commonwealth of Virginia Division of Risk Management and private insurance carriers for property damage and liability, workers' compensation, directors and officers liability and professional liability coverages. Coverages are $12,090,000 for real and personal property and related items, $1,000,000 for directors and officers and $2,100,000 for professional liability policies. Workers' compensation coverages are for statutory amounts. There are no surety bond coverages required or purchased for members of the Board of Directors. Management believes its insurance coverages are sufficient to preclude any significant uninsured losses to the Board. There have been no settlements in excess of insurance coverage for the past three years. The Board and its related entities assume risks related to damages in excess of insurance coverages and related deductibles.

NOTE 11 - CONTRIBUTIONS BY PARTICIPANT LOCAL GOVERNMENTS:

Funds contributed by participant local governments were as follows:

	2018	2017
City of Suffolk	$ 295,210	$ 281,152
City of Franklin	36,958	35,198
County of Isle of Wight	173,250	165,000
County of Southampton	71,000	69,947
Total	$ 576,418	$ 551,297

NOTE 12 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenue sources were as follows:

	2018	2017
Medicaid	$ 13,962,838	$ 14,638,872
Direct client and third party	480,184	307,457
Other	2,727,831	2,077,188
Total	$ 17,170,853	$ 17,023,517

NOTE 13 - NET POSITION:

Isle of Wight Opportunities for the Disabled, a component unit of the Board, has a deficit net position balance of $182,823 at June 30, 2018.

Restricted net position of the Board consists of the following:

Cash and other assets held by component unit organizations which are restricted for HUD purposes	$ 83,161
Other Board restrictions	317,607
Total	$ 400,768

The net position restricted for HUD purposes is considered restricted due to the regulatory oversight over the component units funded by HUD and the restrictions on the use of the properties pursuant to the acceptance of capital advance funds and loans by the organizations.

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PROGRAM:

Plan Description

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

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Plan Description (Continued)

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating employers are enrolled automatically upon employment. They include: • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. • **Disability Retirement**- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	26
Inactive members:	
Vested inactive members	6
Total inactive members	32
Active members	301
Total covered employees	333

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Board's contractually required employer contribution rate for the year ended June 30, 2018 was .15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Board to the Health Insurance Credit Program were $25,404 and $20,126 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net HIC OPEB Liability

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

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

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

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

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

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

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

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

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

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

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 338,621	$ 278,181	$ 60,440
Changes for the year:			
Service cost	$ 13,810	$ -	$ 13,810
Interest	23,557	-	23,557
Assumption changes	(15,007)	-	(15,007)
Contributions - employer	-	20,137	(20,137)
Net investment income	-	33,193	(33,193)
Benefit payments	(4,202)	(4,202)	-
Administrative expenses	-	(560)	560
Other changes	-	1,613	(1,613)
Net changes	$ 18,158	$ 50,181	$ (32,023)
Balances at June 30, 2017	$ 356,779	$ 328,362	$ 28,417

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Board's Net HIC OPEB Liability/(Asset)	$ 70,303	$ 28,417	$ (6,930)

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

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

For the year ended June 30, 2018, the Western Tidewater Community Services Board recognized Health Insurance Credit Program OPEB expense of $11,474. At June 30, 2018, the Western Tidewater Community Services Board reported deferred outflows of resources and deferred inflows of resources related to the Board's Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	$ -	$ 10,500
Change in assumptions	-	12,860
Employer contributions subsequent to the measurement date	25,404	-
Total	$ 25,404	$ 23,360

$25,404 reported as deferred outflows of resources related to the HIC OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (4,772)
2020	(4,772)
2021	(4,772)
2022	(4,772)
2023	(2,147)
Thereafter	(2,125)

Health Insurance Credit Program Plan Data

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

NOTE 15 - ADOPTION OF ACCOUNTING PRINCIPLES:

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

Net Position as reported at June 30, 2017	$	19,036,279
Implementation of GASB Statement No. 75		(40,303)
Net Position as restated at June 30, 2017	$	18,995,976

NOTE 16 - UPCOMING PRONOUNCEMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 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.

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

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- Required Supplementary Information -

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

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 1,148,096	$ 1,079,319	$ 1,022,214	$ 1,025,485
Interest	2,203,999	2,091,577	2,002,356	1,865,455
Differences between expected and actual experience	(146,127)	(559,745)	(705,766)	-
Changes in assumptions	(347,840)	-	-	-
Benefit payments, including refunds of employee contributions	(953,829)	(1,056,417)	(1,032,029)	(838,386)
Net change in total pension liability	$ 1,904,299	$ 1,554,734	$ 1,286,775	$ 2,052,554
Total pension liability - beginning	31,962,608	30,407,874	29,121,099	27,068,545
Total pension liability - ending (a)	$ 33,866,907	$ 31,962,608	$ 30,407,874	$ 29,121,099
Plan fiduciary net position				
Contributions - employer	$ 597,248	$ 826,080	$ 716,269	$ 766,310
Contributions - employee	642,663	578,410	511,262	484,390
Net investment income	3,836,489	546,746	1,331,894	3,905,265
Benefit payments, including refunds of employee contributions	(953,829)	(1,056,417)	(1,032,029)	(838,386)
Administrative expense	(21,426)	(18,388)	(17,753)	(20,500)
Other	(3,446)	(228)	(283)	206
Net change in plan fiduciary net position	$ 4,097,699	$ 876,203	$ 1,509,360	$ 4,297,285
Plan fiduciary net position - beginning	31,168,363	30,292,160	28,782,800	24,485,515
Plan fiduciary net position - ending (b)	$ 35,266,062	$ 31,168,363	$ 30,292,160	$ 28,782,800
Board's net pension liability (Asset) - ending (a) - (b)	$ (1,399,155)	$ 794,245	$ 115,714	$ 338,299
Plan fiduciary net position as a percentage of the total pension asset	104.13%	97.52%	99.62%	98.84%
Covered payroll	$ 13,417,215	$ 12,137,983	$ 10,281,973	$ 9,640,834
Board's net pension liability as a percentage of covered payroll	-10.43%	6.54%	1.13%	3.51%

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.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 720,822	$ 720,822	$ -	$ 16,961,551	4.25%
2017	657,444	657,444	-	13,417,215	4.90%
2016	855,728	855,728	-	12,137,983	7.05%
2015	724,879	724,879	-	10,281,973	7.05%
2014	767,410	767,410	-	9,640,834	7.96%
2013	774,788	774,788	-	9,733,523	7.96%
2012	565,477	565,477	-	9,633,342	5.87%
2011	609,916	609,916	-	10,390,392	5.87%
2010	591,848	591,848	-	10,683,177	5.54%
2009	537,134	537,134	-	9,695,557	5.54%

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2018

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

		2017
Total HIC OPEB Liability		
Service cost	$	13,810
Interest		23,557
Changes in assumptions		(15,007)
Benefit payments		(4,202)
Net change in total HIC OPEB liability	$	18,158
Total HIC OPEB Liability - beginning		338,621
Total HIC OPEB Liability - ending (a)	$	356,779
Plan fiduciary net position		
Contributions - employer	$	20,137
Net investment income		33,193
Benefit payments		(4,202)
Administrative expense		(560)
Other		1,613
Net change in plan fiduciary net position	$	50,181
Plan fiduciary net position - beginning		278,181
Plan fiduciary net position - ending (b)	$	328,362
Board's net HIC OPEB liability - ending (a) - (b)	$	28,417
Plan fiduciary net position as a percentage of the total HIC OPEB liability		92.04%
Covered payroll	$	13,417,215
Board's net HIC OPEB liability as a percentage of covered payroll		0.21%

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.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 25,404	$ 25,404	$ -	$ 16,691,551	0.15%
2017	20,126	20,126	-	13,417,215	0.15%

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

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

- Other Supplementary Information -

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Combining Statement of Net Position
As of June 30, 2018

	Western Tidewater Community Services Board	Isle of Wight Opportunities for the Disabled	Jay's Place
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets:			
Cash and cash equivalents	$ 4,800,407	$ -	$ -
Accounts receivable, less allowance for uncollectibles	2,059,990	-	-
Total current assets	$ 6,860,397	$ -	$ -
Restricted Assets:			
Cash and cash equivalents	$ 493,150	$ 13,758	$ 8,365
Accounts receivable	-	3,153	18,025
Total restricted assets	$ 493,150	$ 16,911	$ 26,390
Capital Assets:			
Land	$ 2,173,216	$ 35,192	$ 5,000
Other capital assets, less accumulated depreciation	9,792,951	77,006	143,068
Total capital assets, net	$ 11,966,167	$ 112,198	$ 148,068
Other Assets:			
Net pension asset	$ 1,399,155	$ -	$ -
Total assets	$ 20,718,869	$ 129,109	$ 174,458
Deferred Outflows of Resources:			
Pension related items	$ 720,822	$ -	$ -
OPEB related items	25,404	-	-
Total deferred outflows of resources	$ 746,226	$ -	$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities:			
Accounts payable and accrued expenses	$ 2,131,218	$ -	$ -
Compensated absences	1,403,567	-	-
Amounts held for others - regional funds	1,480,409	-	-
Long-term debt, current portion	253,635	-	-
Total current liabilities	$ 5,268,829	$ -	$ -
Liabilities Payable from Restricted Assets:			
Client and consumer funds	$ 175,543	$ -	$ -
Accounts payable and accrued expenses	-	32,030	4,873
Long-term debt, current portion	-	10,370	-
Security deposits	-	2,254	404
Total liabilities payable from restricted assets	$ 175,543	$ 44,654	$ 5,277
Long-term Liabilities:			
Net OPEB liability	$ 28,417	$ -	$ -
Long-term debt, less current portion	1,705,280	267,278	-
Total long-term liabilities	$ 1,733,697	$ 267,278	$ -
Total liabilities	$ 7,178,069	$ 311,932	$ 5,277
Deferred Inflows of Resources:			
Pension related items	$ 1,405,522	$ -	$ -
OPEB related items	23,360	-	-
Total deferred inflows of resources	$ 1,428,882	$ -	$ -
Net Position:			
Net investment in capital assets	$ 10,007,252	$ (165,450)	$ 148,068
Restricted	317,607	-	21,113
Unrestricted	2,533,285	(17,373)	-
Total net position	$ 12,858,144	$ (182,823)	$ 169,181

The Wilkins of Suffolk	Reggie's Place	Barrett House	Gabriel's Place	Inter-Company Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ 4,800,407
-	-	-	-	-	2,059,990
$ -	$ -	$ -	$ -	$ -	$ 6,860,397
$ 26,116	$ 18,413	$ 10,750	$ 21,690	$ -	$ 592,242
15,334	7,087	1,008	5,714	-	50,321
$ 41,450	$ 25,500	$ 11,758	$ 27,404	$ -	$ 642,563
$ 5,000	$ 5,000	$ 14,000	$ 51,300	$ -	$ 2,288,708
132,281	189,506	179,489	410,686	-	10,924,987
$ 137,281	$ 194,506	$ 193,489	$ 461,986	$ -	$ 13,213,695
$ -	$ -	$ -	$ -	$ -	$ 1,399,155
$ 178,731	$ 220,006	$ 205,247	$ 489,390	$ -	$ 22,115,810
$ -	$ -	$ -	$ -	$ -	$ 720,822
-	-	-	-	-	25,404
$ -	$ -	$ -	$ -	$ -	$ 746,226
$ -	$ -	$ -	$ -	$ -	$ 2,131,218
-	-	-	-	-	1,403,567
-	-	-	-	-	1,480,409
-	-	-	-	-	253,635
$ -	$ -	$ -	$ -	$ -	$ 5,268,829
$ -	$ -	$ -	$ -	$ -	$ 175,543
10,628	21,644	4,754	4,180	-	78,109
-	-	-	-	-	10,370
643	677	496	1,042	-	5,516
$ 11,271	$ 22,321	$ 5,250	$ 5,222	$ -	$ 269,538
$ -	$ -	$ -	$ -	$ -	$ 28,417
-	-	-	-	-	1,972,558
$ -	$ -	$ -	$ -	$ -	$ 2,000,975
$ 11,271	$ 22,321	$ 5,250	$ 5,222	$ -	$ 7,539,342
$ -	$ -	$ -	$ -	$ -	$ 1,405,522
-	-	-	-	-	23,360
$ -	$ -	$ -	$ -	$ -	$ 1,428,882
$ 137,281	$ 194,506	$ 193,489	$ 461,986	$ -	$ 10,977,132
30,179	3,179	6,508	22,182	-	400,768
-	-	-	-	-	2,515,912
$ 167,460	$ 197,685	$ 199,997	$ 484,168	$ -	$ 13,893,812

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

	Western Tidewater Community Services Board	Isle of Wight Opportunities for the Disabled	Jay's Place
Operating revenue:			
Net patient service revenue	$ 17,170,853	$ -	$ -
Operating expenses:			
Salaries and benefits	$ 26,436,179	$ -	$ -
Staff development	305,499	-	-
Facility	4,069,747	45,629	24,071
Travel	599,699	-	-
Contractual and consulting	1,978,186	-	-
Depreciation	568,119	17,170	8,437
Other	250,275	-	-
Total operating expenses	$ 34,207,704	$ 62,799	$ 32,508
Operating income (loss)	$ (17,036,851)	$ (62,799)	$ (32,508)
Nonoperating income (expenses):			
Appropriations:			
Commonwealth of Virginia	$ 10,047,121	$ -	$ -
Federal government	1,115,843	-	-
Local governments	576,418	-	-
Rentals	-	80,146	37,088
Interest income	28,960	2	2
Other	295,261	2,647	-
Loss on disposition of capital assets	(730)	-	-
Interest expense	(93,993)	(23,625)	-
Net nonoperating income	$ 11,968,880	$ 59,170	$ 37,090
Change in net position	$ (5,067,971)	$ (3,629)	$ 4,582
Net position, beginning of year, as restated	17,926,115	(179,194)	164,599
Net position, end of year	$ 12,858,144	$ (182,823)	$ 169,181

The Wilkins of Suffolk	Reggie's Place	Barrett House	Gabriel's Place	Inter-Company Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ 17,170,853
$ -	$ -	$ -	$ -	$ -	$ 26,436,179
-	-	-	-	-	305,499
39,042	28,968	27,875	25,305	-	4,260,637
-	-	-	-	-	599,699
-	-	-	-	-	1,978,186
6,756	11,405	8,849	14,514	-	635,250
-	-	-	-	-	250,275
$ 45,798	$ 40,373	$ 36,724	$ 39,819	$ -	$ 34,465,725
$ (45,798)	$ (40,373)	$ (36,724)	$ (39,819)	$ -	$ (17,294,872)
$ -	$ -	$ -	$ -	$ -	$ 10,047,121
-	-	-	-	-	1,115,843
-	-	-	-	-	576,418
37,484	22,713	34,880	32,481	-	244,792
4	2	1	3	-	28,974
-	-	-	-	-	297,908
-	-	-	-	-	(730)
-	-	-	-	-	(117,618)
$ 37,488	$ 22,715	$ 34,881	$ 32,484	$ -	$ 12,192,708
$ (8,310)	$ (17,658)	$ (1,843)	$ (7,335)	$ -	$ (5,102,164)
175,770	215,343	201,840	491,503	-	18,995,976
$ 167,460	$ 197,685	$ 199,997	$ 484,168	$ -	$ 13,893,812

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows
Year Ended June 30, 2018

	Western Tidewater Community Services Board	Isle of Wight Opportunities for the Disabled	Jay's Place
Cash flows from operating activities:			
Receipts from customers	$ 17,097,578	$ -	$ -
Payments to suppliers	(6,719,651)	(40,967)	(19,449)
Payments to and for employees	(27,046,614)	-	-
Net cash flows provided by (used for) operating activities	$ (16,668,687)	$ (40,967)	$ (19,449)
Cash flows noncapital financing activities: financing activities:			
Government grants	$ 11,739,382	$ -	$ -
Other	295,261	83,047	21,266
Net cash flows provided by (used for) noncapital financing activities	$ 12,034,643	$ 83,047	$ 21,266
Cash flows from capital and related financing activities:			
Acquisition of capital assets	$ (1,464,687)	$ (8,641)	$ (3,699)
Proceeds from sale of assets	-	2,038	-
Interest on long-term debt	(93,993)	(23,691)	-
Principal payments on mortgages and capital leases payable	(305,747)	(9,539)	-
Net cash flows provided by (used for) capital and related financing activities	$ (1,864,427)	$ (39,833)	$ (3,699)
Cash flows from investing activities:			
Interest income	$ 28,960	$ 2	$ 2
Net increase (decrease) in cash and cash equivalents	$ (6,469,511)	$ 2,249	$ (1,880)
Cash and cash equivalents, beginning of year	11,763,068	11,509	10,245
Cash and cash equivalents, end of year	$ 5,293,557	$ 13,758	$ 8,365
Reconciliation to combining statement of net position:			
Cash and cash equivalents	$ 4,800,407	$ -	$ -
Cash and cash equivalents - restricted	493,150	13,758	8,365
Total cash and cash equivalents, end of year	$ 5,293,557	$ 13,758	$ 8,365
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (17,036,851)	$ (62,799)	$ (32,508)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:			
Depreciation	568,119	17,170	8,437
Changes in assets and liabilities:			
Accounts receivable	(73,275)	-	-
Deferred outflows of resources - pension related items	747,256	-	-
Deferred outflows of resources - OPEB related items	2,233	-	-
Accounts payable and accrued expenses	35,178	4,662	4,622
Compensated absences	244,126	-	-
Amounts held for others - regional funds	398,879	-	-
Client and consumer funds	49,698	-	-
Net pension asset	(2,193,400)	-	-
Net OPEB liability	(32,023)	-	-
Deferred inflows of resources - pension related items	598,013	-	-
Deferred inflows of resources - OPEB related items	23,360	-	-
Net cash flows provided by (used for) operating activities	$ (16,668,687)	$ (40,967)	$ (19,449)

The Wilkins of Suffolk	Reggie's Place	Barrett House	Gabriel's Place	Inter-Company Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ 17,097,578
(29,777)	(18,209)	(32,254)	(25,124)	-	(6,885,431)
-	-	-	-	-	(27,046,614)
$ (29,777)	$ (18,209)	$ (32,254)	$ (25,124)	$ -	$ (16,834,467)
$ -	$ -	$ -	$ -	$ -	$ 11,739,382
36,009	16,670	36,275	30,000	-	518,528
$ 36,009	$ 16,670	$ 36,275	$ 30,000	$ -	$ 12,257,910
$ (1,550)	$ (1,750)	$ (1,500)	$ (612)	$ -	$ (1,482,439)
-	4,340	-	-	-	6,378
-	-	-	-	-	(117,684)
-	-	-	-	-	(315,286)
$ (1,550)	$ 2,590	$ (1,500)	$ (612)	$ -	$ (1,909,031)
$ 4	$ 2	$ 1	$ 3	$ -	$ 28,974
$ 4,686	$ 1,053	$ 2,522	$ 4,267	$ -	$ (6,456,614)
21,430	17,360	8,228	17,423	-	11,849,263
$ 26,116	$ 18,413	$ 10,750	$ 21,690	$ -	$ 5,392,649
$ -	$ -	$ -	$ -	$ -	$ 4,800,407
26,116	18,413	10,750	21,690	-	592,242
$ 26,116	$ 18,413	$ 10,750	$ 21,690	$ -	$ 5,392,649
$ (45,798)	$ (40,373)	$ (36,724)	$ (39,819)	$ -	$ (17,294,872)
6,756	11,405	8,849	14,514	-	635,250
-	-	-	-	-	(73,275)
-	-	-	-	-	747,256
-	-	-	-	-	2,233
9,265	10,759	(4,379)	181	-	60,288
-	-	-	-	-	244,126
-	-	-	-	-	398,879
-	-	-	-	-	49,698
-	-	-	-	-	(2,193,400)
-	-	-	-	-	(32,023)
-	-	-	-	-	598,013
-	-	-	-	-	23,360
$ (29,777)	$ (18,209)	$ (32,254)	$ (25,124)	$ -	$ (16,834,467)

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- Compliance -

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

To the Board of Directors
Western Tidewater Community Services Board
Suffolk, Virginia

We have audited, 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, the financial statements of the business-type activities of Western Tidewater Community Services Board, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Western Tidewater Community Services Board's basic financial statements and have issued our report thereon dated December 19, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Western Tidewater Community Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 19, 2018

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

To the Board of Directors
Western Tidewater Community Services Board
Suffolk, Virginia

Report on Compliance for Each Major Federal Program

We have audited Western Tidewater Community Services Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Western Tidewater Community Services Board's major federal programs for the year ended June 30, 2018. Western Tidewater Community Services Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Western Tidewater Community Services Board's basic financial statements include the operations of the component unit organizations Isle of Wight Opportunities for the Disabled, Jay's Place, The Wilkins of Suffolk, Reggie's Place, Barrett House and Gabriel's Place, which received $1,773,003 in federal awards which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of the above component units because each of the component units issues separate financial statements, and audits in compliance with the Uniform Guidance are performed at the component unit level, where applicable.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Western Tidewater Community Services Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 19, 2018

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number		Federal Expenditures
Department of Agriculture				
Pass-Through Payments:				
Virginia Department of Agriculture				
Child and Adult Care Food Program	10.558	Not available	$	58,665
Department of Justice				
Pass-Through Payments:				
Virginia Department of Criminal Justice Services				
Title II - Using Positivity Lifting Individuals to Focus and Thrive	16.540	18-B3405JJ13	$	54,948
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18-C3196AD11		72,138
Total Department of Justice			$	127,086
Department of Health and Human Services				
Pass-Through Payments:				
Virginia Department of Behavioral Health and Disability Services:				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	Not available	$	140,000
Block Grants for Community Mental Health Services	93.958	Not available		221,280
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not available		568,812
Total Department of Health and Human Services			$	930,092
Total expenditures of federal awards			$	1,115,843

Notes to the Schedule of Expenditure of Federal Awards

Note A - Basis of Accounting:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Western Tidewater Community Services Board under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Western Tidewater Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of Western Tidewater Community Services Board.

Note B - Summary of Significant Accounting Polices:

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, Cost Principles for States, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - De Minimis Cost Rate

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

Note E - Loan Balances

The Board has no loan guarantees which are subject to reporting requirements for the current year.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

There were no items reported.