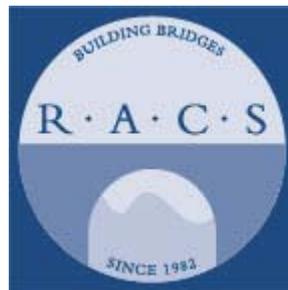


ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

LEXINGTON, VIRGINIA



FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**ROCKBRIDGE AREA
COMMUNITY SERVICES BOARD**

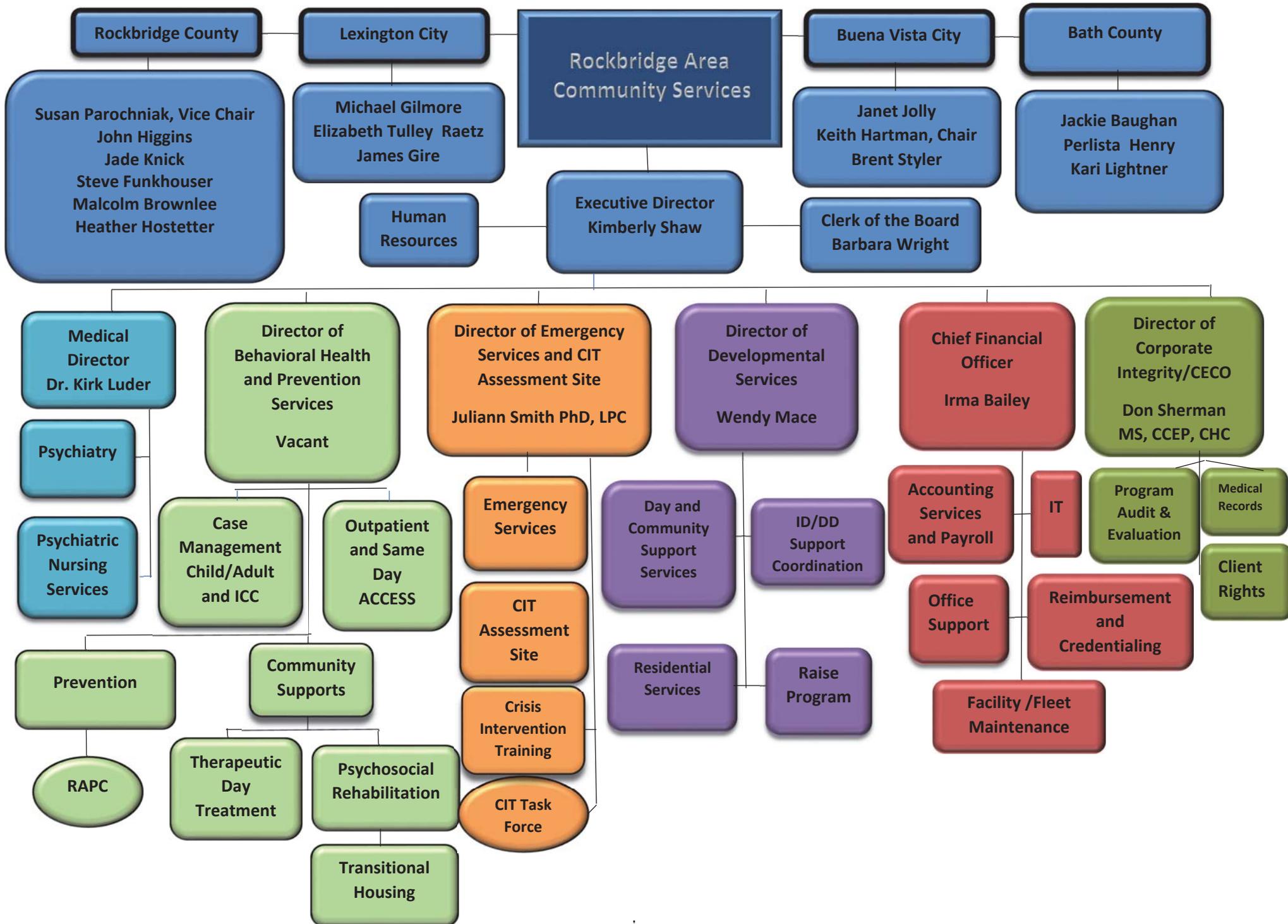
LEXINGTON, VIRGINIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Organizational Chart.....	i
Independent Auditors' Report.....	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements:	
Exhibit 1 Statement of Net Position	10-11
Exhibit 2 Statement of Revenues, Expenses and Changes in Net Position	12
Exhibit 3 Statement of Cash Flows	13
Notes to Financial Statements	14-43
Required Supplementary Information:	
Exhibit 4 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios.....	44-45
Exhibit 5 Schedule of Employer Contributions - Pension Plan.....	46
Exhibit 6 Notes to Required Supplementary Information - Pension Plan	47
Exhibit 7 Schedule of Rockbridge Area Community Services Board's Share of Net OPEB Liability - Group Life Insurance	48
Exhibit 8 Schedule of Employer Contributions - Group Life Insurance.....	49
Exhibit 9 Notes to Required Supplementary Information - Group Life Insurance	50-51
Other Supplementary Information:	
Supporting Schedules:	
Schedule 1 Standard Schedule of Current Property and Casualty Insurance	52
Schedule 2 Client Statistics	53
Schedule 3 Computer System Information.....	54
Compliance:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-56
Schedule of Findings and Responses	57





INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
ROCKBRIDGE AREA COMMUNITY SERVICES BOARD
LEXINGTON, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Rockbridge Area Community Services Board, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collective comprise Rockbridge Area 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 Rockbridge Area Community Services Board, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2019, the Board adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and schedules related to pension and OPEB funding on pages 4-9 and pages 44-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Rockbridge Area Community Services Board's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 supporting schedules 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 Rockbridge Area Community Services Board's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the Rockbridge Area 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 Rockbridge Area 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 Rockbridge Area Community Services Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia

December 13, 2019

Management's Discussion and Analysis

Management's discussion and analysis provides an overview of Rockbridge Area Community Services Board's (RACS) financial performance and activities for the fiscal year ended June 30, 2019. This information should be read in conjunction with the financial statements that follow.

Basic Financial Statements

The financial statements are prepared on an accrual basis. The Statement of Net Position provides detail on the nature and amount of the Board's assets and liabilities. The net position figure (the difference between assets and liabilities) is a measure of the Board's financial health. It describes available balances and identifies any restrictions that apply to those balances.

The Statement of Revenues, Expenses and Changes in Net Position measures the success of the Board's operations over the past year, as evidenced by either an increase or decrease in the net position at year end. This statement includes detail on all revenue and expenses for the year, demonstrating whether the Board has been successful in obtaining both operating and non-operating revenues to cover the cost of providing services.

The Statement of Cash Flows provides information about the Board's cash receipts and disbursements during the reporting period. The statement reports changes in cash from operating, financing, and investing activities, and the resulting change in cash at the end of the fiscal year.

Financial Analysis

The following table summarizes the Statement of Net Position:

Summary of Statement of Net Position

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Current and other assets	\$ 768,385	\$ 747,672	2.8%
Capital assets, net of depreciation	4,924,860	5,131,633	-4.0%
Net pension asset	1,997,845	2,132,347	-6.3%
Total Assets	<u>\$ 7,691,090</u>	<u>\$ 8,011,652</u>	-4.0%
Deferred Outflows of Resources	\$ 298,613	\$ 135,330	120.7%
Liabilities	\$ 4,952,934	\$ 5,326,194	-7.0%
Deferred Inflows of Resources	\$ 317,049	\$ 779,103	-59.3%
Net Position:			
Net investment in capital assets	\$ 1,338,315	\$ 1,472,783	-9.1%
Restricted for debt service	18,868	18,868	0.0%
Restricted for federal programs	83,989	-	100.0%
Restricted for state programs	148,079	-	100.0%
Unrestricted	1,130,469	550,034	105.5%
Total Net Position	<u>\$ 2,719,720</u>	<u>\$ 2,041,685</u>	33.2%

Assets

Current and other assets decreased by 4.0%. This decline was primarily driven by a decline in capital assets and the net pension asset. Net changes to capital assets involved the addition of \$ 33,458 in equipment and disposals of \$ 17,244. Accumulated depreciation rose by \$ 222,986 in the current year, given capital assets a net change of \$ -206,773.

The Statement of Cash Flows provides additional detail on the cash sources and uses.

Our agency has a net pension asset rather than a liability. Net pension assets decreased by 6.3%. For the year ending June 30, 2019, we recognized net pension income of \$ 415,200 and a decrease of pension asset of \$ 134,502.

Liabilities

Deferred Outflows and Inflows of Resources are a requirement of GASB 68 and GASB 75 reporting requirements. Deferred Inflows in the amount of \$ 281,049 resulted from the difference between the related activity in the pension plan assets. Deferred Inflows in the amount of \$ 36,000 resulted from the measurement of OPEB liabilities. Deferred Outflows increased to \$ 232,688 for the pension portion and \$65,925 for the OPEB portion. Please see Notes 1, 5, and 6 for additional information.

Total liabilities decreased by 7.0% or \$ 373,260 over the previous year. This decrease was driven by our line of credit with a principal balance of \$ 321,743 and the decreased accounts payable, accrued payroll, and accrued leave.

Total long-term liabilities also decreased \$ 51,183. RACS continued to pay down long-term debt related to the \$3,586,545 principal balance of the mortgage on the Greenhouse Road Building.

Change in Capital Assets

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Land and Land Improvements	\$ 643,438	\$ 643,438	0.0%
Building	\$ 5,990,793	\$ 5,990,793	0.0%
Equipment			
Beginning balance	\$ 1,125,103	\$ 1,057,583	6.4%
Additions	33,458	71,097	-52.9%
Disposals	(5,546)	(3,577)	-100.0%
Balance at June 30	\$ 1,153,015	\$ 1,125,103	2.5%
Vehicles			
Beginning balance	\$ 399,509	\$ 867,259	-53.9%
Disposals	(11,698)	(467,750)	0.0%
Balance at June 30	\$ 387,811	\$ 399,509	-2.9%
Total capital assets	\$ 8,175,057	\$ 8,158,843	0.2%
Accumulated Depreciation	(3,250,197)	(3,027,210)	7.4%
Net capital assets	\$ 4,924,860	\$ 5,131,633	-4.0%

Net Position

Net investment in capital assets decreased by \$ 134,468 or 9.1%.

Operating and nonoperating revenue increased this year, by a combined total of \$ 374,634 and expenses decreased by \$ 841,176.

There were Federal Carryover Balances of \$ 82,773 in Federal Substance Abuse. CIT Training and Assessment Site Carryover balances were \$ 60,892, Step-VA was \$ 87,187 and \$ 1,216 in FBG Prevention funding at the end of the fiscal year. Lastly, \$18,868 was restricted for debt service.

The overall net position rose \$ 678,035, 226.1% primarily due to the large increase in revenue and the significant decrease in expenses.

Operating Revenues			
<u>Disability</u>	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Mental Health	\$ 1,579,926	\$ 1,569,881	0.6%
Developmental Disability	2,740,330	2,644,880	3.6%
Substance Abuse	52,529	30,130	74.3%
Total	<u>\$ 4,372,785</u>	<u>\$ 4,244,891</u>	3.0%

Operating Revenues

Operating revenue is the result of fees for behavioral healthcare services provided in the areas of Mental Health, Developmental Disability, and Substance Abuse. During FY19, fees for services were responsible for 52.4% of total revenue.

Total operating revenues increased by \$ 127,894 or 3.0%, from the prior year. The table above provides comparative detail on operating revenues derived from each disability.

Mental Health operating revenue for services were essentially unchanged with an increase of .6%.

Operating revenues for Developmental Disability Services increased by 3.6%.

Substance Abuse operating revenue was up by 74.3%, which was primary due to SA Outpatient. Fee revenue for substance abuse remains low as many types of insurance do not provide reimbursement for these services.

The following table is a summary of the Statements of Revenues, Expenses and Changes in Net Position:

Statement of Revenues, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Revenues			
Operating revenues	\$ 4,372,785	\$ 4,244,891	3.0%
Expenses			
Operating expenses	\$ 7,493,485	\$ 8,346,399	-10.2%
Operating loss	\$ (3,120,700)	\$ (4,101,508)	-23.9%
Nonoperating income (expenses)			
Local government	\$ 286,566	\$ 286,566	0.0%
State of Virginia	2,814,553	2,561,138	9.9%
Federal government	663,625	550,424	20.6%
Other	211,392	333,683	-36.6%
Interest expense	(179,816)	(167,294)	7.5%
Gain/(loss) on sale of assets	2,415	(784)	-100.0%
Total	\$ 3,798,735	\$ 3,563,733	6.6%
Change in net position	\$ 678,035	\$ (537,775)	-226.1%

Local governmental revenue is obtained from the four jurisdictions served by RACS through budget requests. The revenue requested from each jurisdiction is based on its population and a per capita rate. The local government revenue did not change from FY2018.

Revenues from the Commonwealth of Virginia increased 9.9% or \$ 253,415. This increase was mainly in Step VA funding which includes mental health and substance abuse.

Funds from the Federal Government increased 20.6% or \$ 113,201. This increase is primarily related to Opioid treatment funding that began in FY2019 including treatment and prevention funds. However, the DFC grant concluded in FY2018.

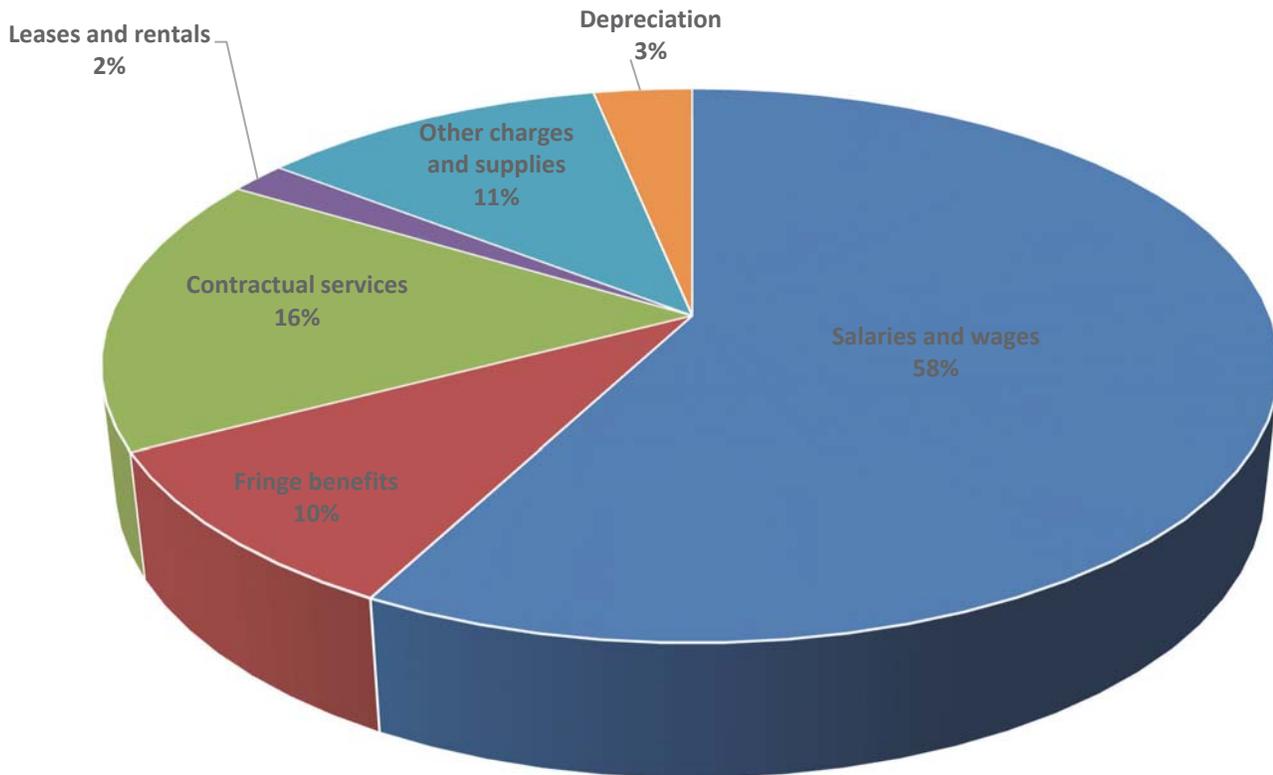
Other non-operating revenue sources decreased 36.6% or \$ 122,291, due to Contributions and In-Kind. Interest expense continued to increase slightly due to interest on borrowings from the line of credit.

Operating Expenses:

The following table provides a summary of the operating expenses.

Operating Expenses			
	2019	2018	% Change
Salaries and wages	\$ 4,323,888	\$ 4,883,776	-11.5%
Fringe benefits	716,942	633,959	13.1%
Contractual services	1,228,859	1,665,507	-26.2%
Leases and rentals	138,522	170,356	-18.7%
Other charges and supplies	845,043	728,193	16.0%
Depreciation	240,231	264,608	-9.2%
Total Expenses	\$ 7,493,485	\$ 8,346,399	-10.2%

FY 2019 Operating Expenses



Summary

Rockbridge Area Community Services finished FY19 with an increase in Net Position of \$ 678,035. This resulted from an 4.7% increase in revenue and an 10.2% decrease in operating expenses. The agency will need to continue to strategically cut expenses and focus on maximizing revenue to continue improving the financial performance in FY20.

Economic Factors

While the overall economy for Virginia and the nation is doing well, funding for behavioral health services continues to be a challenge. Medicaid reimbursement rates continue to be low. However, the Virginia general assembly approved an expansion of Medicaid. The affects of the expansion are still undetermined as some funding sources were cut, while others increased or were created to help offset the cuts. As a result, it remains difficult to project what the net impact of the expansion will be for FY20 and beyond.

Contacting the CSB's Financial Management

This financial report is designed to provide local citizens, our consumers and their families, and all taxpayers with a general overview of the CSB's finances. Questions regarding this report or requests for additional financial information should be made to Michele Mathis, Chief Financial Officer, 241 Greenhouse Road, Lexington, VA 24450; telephone (540) 462-6675.

FINANCIAL STATEMENTS

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

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

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 266,710	\$ 210,358
Accounts receivable, net of allowance for doubtful accounts (Note 3)	468,824	477,877
Loans receivable (Note 13)	2,080	1,311
Prepaid items	11,465	39,018
Restricted Current Assets:		
Cash restricted for USDA loan	18,868	18,868
Cash restricted for others (Note 1)	438	240
Total current assets	<u>\$ 768,385</u>	<u>\$ 747,672</u>
Noncurrent Assets:		
Capital Assets: (Note 4)		
Land and land improvements	\$ 643,438	\$ 643,438
Buildings	5,990,793	5,990,793
Equipment	1,153,015	1,125,103
Vehicles	387,811	399,509
Total capital assets	<u>\$ 8,175,057</u>	<u>\$ 8,158,843</u>
Accumulated depreciation	<u>(3,250,197)</u>	<u>(3,027,210)</u>
Net capital assets	<u>\$ 4,924,860</u>	<u>\$ 5,131,633</u>
Net pension asset	<u>\$ 1,997,845</u>	<u>\$ 2,132,347</u>
Total noncurrent assets	<u>\$ 6,922,705</u>	<u>\$ 7,263,980</u>
Total assets	<u><u>\$ 7,691,090</u></u>	<u><u>\$ 8,011,652</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 232,688	\$ 112,804
OPEB related items	65,925	22,526
Total deferred outflows of resources	<u>\$ 298,613</u>	<u>\$ 135,330</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 115,570	\$ 165,855
Accrued expenses	87,060	118,196
Amounts held for others	9,037	9,712
Line of Credit	321,743	509,559
Other current liabilities	122,578	174,743
Total current liabilities	<u>\$ 655,988</u>	<u>\$ 978,065</u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Statement of Net Position (Continued)

June 30, 2019

With Comparative Totals for 2018

LIABILITIES (CONTINUED)	2019	2018
Long-term Liabilities:		
Due within one year	\$ 75,422	\$ 72,290
Due in more than one year	4,221,524	4,275,839
Total long-term liabilities	<u>\$ 4,296,946</u>	<u>\$ 4,348,129</u>
Total liabilities	<u>\$ 4,952,934</u>	<u>\$ 5,326,194</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 281,049	\$ 739,103
OPEB related items	36,000	40,000
Total deferred inflows of resources	<u>\$ 317,049</u>	<u>\$ 779,103</u>
NET POSITION		
Net investment in capital assets	\$ 1,338,315	\$ 1,472,783
Restricted for debt service	18,868	18,868
Restricted federal balances	83,989	-
Restricted state balances	148,079	-
Unrestricted	1,130,469	550,034
Total net position	<u><u>\$ 2,719,720</u></u>	<u><u>\$ 2,041,685</u></u>

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

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

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services, net patient service revenue	\$ 4,372,785	\$ 4,244,891
Total operating revenues	<u>\$ 4,372,785</u>	<u>\$ 4,244,891</u>
Operating expenses:		
Salaries and wages	\$ 4,323,888	\$ 4,883,776
Fringe benefits	716,942	633,959
Contractual services	1,228,859	1,665,507
Leases and rentals	138,522	170,356
Other charges and supplies	845,043	728,193
Depreciation	240,231	264,608
Total operating expenses	<u>\$ 7,493,485</u>	<u>\$ 8,346,399</u>
Net operating loss	<u>\$ (3,120,700)</u>	<u>\$ (4,101,508)</u>
Nonoperating income (expenses):		
Intergovernmental revenues:		
Local sources:		
County of Rockbridge, Virginia	\$ 155,163	\$ 155,163
City of Lexington, Virginia	50,937	50,937
City of Buena Vista, Virginia	47,451	47,451
County of Bath, Virginia	33,015	33,015
State of Virginia	2,814,553	2,561,138
Federal government	663,625	550,424
Interest income	2,585	3,938
Contributions	7,920	6,655
In-kind donations	56,767	178,278
Gain/(loss) on sale of assets	2,415	(784)
Miscellaneous income	144,120	144,812
Interest expense	<u>(179,816)</u>	<u>(167,294)</u>
Total nonoperating income (expense)	<u>\$ 3,798,735</u>	<u>\$ 3,563,733</u>
Change in net position	<u>\$ 678,035</u>	<u>\$ (537,775)</u>
Net position, beginning of year	<u>\$ 2,041,685</u>	<u>\$ 2,929,460</u>
Impact of adoption of new accounting principle	<u>\$ -</u>	<u>\$ (350,000)</u>
Net position, end of year	<u><u>\$ 2,719,720</u></u>	<u><u>\$ 2,041,685</u></u>

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

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

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$ 4,380,394	\$ 4,327,679
Payments to suppliers	(2,230,554)	(2,293,659)
Payments to and for employees	(5,541,679)	(6,136,562)
Net cash used for operating activities	<u>\$ (3,391,839)</u>	<u>\$ (4,102,542)</u>
Cash flows from noncapital financing activities:		
Intergovernmental revenues	\$ 3,764,744	\$ 3,398,128
Contributions	7,920	6,655
Miscellaneous income	144,120	144,812
Net cash provided by noncapital financing activities	<u>\$ 3,916,784</u>	<u>\$ 3,549,595</u>
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	\$ (33,458)	\$ (71,097)
Proceeds from disposal of assets	2,415	-
Borrowings on line of credit	260,000	509,559
Principal payments on line of credit	(447,816)	-
Principal payments on long term debt	(72,305)	(69,302)
Interest expense	(179,816)	(167,294)
Net cash provided by (used for) capital and related financing activities	<u>\$ (470,980)</u>	<u>\$ 201,866</u>
Cash flows from investing activities:		
Interest income	\$ 2,585	\$ 3,938
Net increase (decrease) in cash and cash equivalents	\$ 56,550	\$ (347,143)
Cash and cash equivalents, (including restricted cash and cash equivalents) beginning of year	<u>229,466</u>	<u>576,609</u>
Cash and cash equivalents, (including restricted cash and cash equivalents) end of year	<u>\$ 286,016</u>	<u>\$ 229,466</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Net operating loss	\$ (3,120,700)	\$ (4,101,508)
Depreciation	240,231	264,608
In-kind donations	56,767	178,278
Changes in current assets and liabilities and deferred outflows and inflows of resources:		
(Increase) decrease in accounts receivable	9,053	101,366
(Increase) decrease in prepaid items	27,553	26,718
(Increase) decrease in loans receivable	(769)	1,266
(Increase) decrease in net pension asset	134,502	(1,292,707)
(Increase) decrease in deferred outflows of resources	(163,283)	323,769
Increase (decrease) in deferred inflows of resources	(462,054)	345,489
Increase (decrease) in net OPEB liability	33,000	(56,000)
Increase (decrease) in accounts payable	(50,285)	65,401
Increase (decrease) in accrued expenses	(31,136)	78,909
Increase (decrease) in other current liabilities	(52,165)	(19,717)
Increase (decrease) in compensated absences	(11,878)	(18,287)
Increase (decrease) in amounts held for others	(675)	(127)
Total cash provided by (used for) operating activities	<u>\$ (3,391,839)</u>	<u>\$ (4,102,542)</u>

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Agency

The Board operates as an agent for the Counties of Rockbridge and Bath and Cities of Lexington and Buena Vista in the establishment and operation of community mental health, intellectual disabilities and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950), relating to the Virginia Department of Behavioral Health and Disabilities Services. In addition, the Board provides a system of community mental health, developmental, and substance abuse services which relate to and are integrated with existing and planned programs.

The Board is not considered a component unit of either the Counties of Rockbridge or Bath or the Cities of Lexington or Buena Vista since none of the entities have oversight responsibility or are legally obligated to fund any deficit of the Board.

B. Financial Reporting Entity

For financial reporting purposes, these financial statements include all organizations for which the Board is considered accountable. Financial accountability includes the appointment of voting majority of the organization's governing body and the ability of the Board to impose its will on the organization or if there is a financial benefit/burden relationship. Also, an organization that is financially dependent on the Board should be included in its reporting entity.

Based on the above criteria, there are no other organizations to be included as part of the reporting entity.

C. Financial Statement Presentation

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

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 for revenues and expenses. In accrual accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. Budgets

Budgets are prepared by management and adopted by the Board for fiscal planning purposes only. Budgets are amended at various times during the year to reflect the availability of grants and other resources received during the year.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

E. Basis of Accounting

Rockbridge Area 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.

F. Allowance for Uncollectible Accounts

The Board has estimated its allowance for uncollectible accounts based on historical collection data. The total allowance for uncollectible accounts was \$95,857 at June 30, 2019.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of one year. The Board has established a lower threshold for information technology equipment of \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation has been provided over the estimated useful lives using the straight-line method.

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

H. Inventory

The Board expenses all materials and supplies when purchased. Inventory on hand is considered immaterial, and no provision is made for it in the financial statements.

I. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board carries commercial insurance for all of these risks of loss. Claims did not exceed coverage in any of the three most recent years.

A. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less from the date of acquisition.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2019 (Continued)

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

B. 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.

C. Restricted Cash

The Board is required to maintain \$18,868 in reserve by USDA Rural Development as specified by the loan agreement. In addition, the Board has restricted cash held for consumers in the amount of \$438.

M. Net Client Service Revenue

Client service revenue is recorded at scheduled rates when services are rendered. Allowances and provisions for uncollectible accounts and contractual adjustments are deducted to arrive at net client service revenue.

N. Comparative Totals

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

O. Fiscal Agent

The Rockbridge Area Community Services Board acts as its own fiscal agent.

P. 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.

Q. 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)

R. Net Position Flow Assumption

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

S. 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 has two items that qualify for reporting in this category. These items are comprised of certain items related to the measurement of the net pension asset and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

T. Pensions

For purposes of measuring the net pension asset, 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 benefit terms. Investments are reported at fair value.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

U. OPEB - Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

V. Adoption of Accounting Principles

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

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 insurance by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Board's investing activities are managed to ensure the maximum preservation of capital and minimize credit risk. Investing is performed in accordance with the investment policy adopted by the Board of Directors complying with State Statutes. Per policy, investments should be categorized as Category Level 1, investments that are insured or registered or for which the securities are held by the CSB or its safekeeping agent in the CSB's name. Board funds may be invested in:

1. U.S. Treasury Bills, Notes, Bonds, and other direct obligations of the United States Government.
2. Obligations of Agencies of the Federal Government including but not limited to the Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, and Student Loan Marketing Association.
3. Repurchase Agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government securities, and collateralized by Treasury or Agency obligations the market value of which is at least 102% of the purchase price of the repo.
4. Certificates of deposit or other deposits of national banks located within the Commonwealth and state-chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act.
5. Money Market Mutual Funds which trade on a constant net asset value and which invest solely in securities otherwise eligible for investment under these guidelines, including the Commonwealth of Virginia Treasury Department's Local Government Investment Pool (LGIP).

NOTE 3—ACCOUNTS RECEIVABLE:

A summary of accounts receivable at June 30, 2019 is as follows:

Local Sources:	
Fees receivable	\$ 537,121
Logisticare transportation	5,828
Other	5,409
Less allowance for doubtful accounts	(95,857)
Total receivable from local sources	<u>\$ 452,501</u>
Commonwealth of Virginia:	
Mental Health Acute Care Funds	\$ 3,200
Virginia Foundation for Healthy Youth	6,979
Healthy Community Actions Team Grant	6,144
Total Commonwealth of Virginia	<u>\$ 16,323</u>
Total accounts receivable	<u>\$ 468,824</u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 4—CAPITAL ASSETS:

A summary of capital assets at June 30, 2019 is as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 614,171	\$ -	\$ -	\$ 614,171
Total capital assets not being depreciated	<u>\$ 614,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 614,171</u>
Other capital assets:				
Buildings	\$ 5,990,793	\$ -	\$ -	\$ 5,990,793
Land improvements	29,267	-	-	29,267
Equipment	1,125,103	33,458	(5,546)	1,153,015
Vehicles	399,509	-	(11,698)	387,811
Total other capital assets	<u>\$ 7,544,672</u>	<u>\$ 33,458</u>	<u>\$ (17,244)</u>	<u>\$ 7,560,886</u>
Accumulated depreciation:				
Buildings	\$ (1,720,974)	\$ (156,146)	\$ -	\$ (1,877,120)
Land improvements	(29,267)	-	-	(29,267)
Equipment	(969,696)	(58,172)	5,546	(1,022,322)
Vehicles	(307,273)	(25,913)	11,698	(321,488)
Total accumulated depreciation	<u>\$ (3,027,210)</u>	<u>\$ (240,231)</u>	<u>\$ 17,244</u>	<u>\$ (3,250,197)</u>
Other capital assets, net	<u>\$ 4,517,462</u>	<u>\$ (206,773)</u>	<u>\$ -</u>	<u>\$ 4,310,689</u>
Net capital assets	<u>\$ 5,131,633</u>	<u>\$ (206,773)</u>	<u>\$ -</u>	<u>\$ 4,924,860</u>

Current year depreciation expense amounted to \$240,231.

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NOTE 5--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.

Benefit Structures

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

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

NOTE 5—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	45
Inactive members:	
Vested inactive members	44
Non-vested inactive members	73
Inactive members active elsewhere in VRS	<u>53</u>
Total inactive members	170
Active members	<u>104</u>
Total covered employees	<u><u>319</u></u>

NOTE 5--PENSION PLAN: (CONTINUED)

Contributions

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

The Board's contractually required employer contribution rate for the year ended June 30, 2019 was 1.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$29,065 and \$112,804 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Asset

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

Actuarial Assumptions - General Employees

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

Inflation	2.5%
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.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 5-PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 5-PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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%

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>4.80%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.30%</u>

* 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%.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 5—PENSION PLAN: (CONTINUED)

Discount Rate

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

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, 2017	\$ 11,730,260	\$ 13,862,607	\$ (2,132,347)
Changes for the year:			
Service cost	\$ 325,126	\$ -	\$ 325,126
Interest	805,985	-	805,985
Differences between expected and actual experience	332,499	-	332,499
Contributions - employer	-	111,975	(111,975)
Contributions - employee	-	201,697	(201,697)
Net investment income	-	1,025,121	(1,025,121)
Benefit payments, including refunds of employee contributions	(432,373)	(432,373)	-
Administrative expenses	-	(8,769)	8,769
Other changes	-	(916)	916
Net changes	<u>\$ 1,031,237</u>	<u>\$ 896,735</u>	<u>\$ 134,502</u>
Balances at June 30, 2018	<u>\$ 12,761,497</u>	<u>\$ 14,759,342</u>	<u>\$ (1,997,845)</u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 5—PENSION PLAN: (CONTINUED)

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

The following presents the net pension asset of the Board using the discount rate of 7.00%, as well as what the Board's net pension 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:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Rockbridge Area Community Services Board			
Net Pension Liability (Asset)	\$ (100,457)	\$ (1,997,845)	\$ (3,542,744)

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

For the year ended June 30, 2019, the Board recognized pension expense of (\$415,200). At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 203,623	\$ 141,225
Change in assumptions	-	17,998
Net difference between projected and actual earnings on pension plan investments	-	121,826
Employer contributions subsequent to the measurement date	<u>29,065</u>	<u>-</u>
Total	<u>\$ 232,688</u>	<u>\$ 281,049</u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 5--PENSION PLAN: (CONTINUED)

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

\$29,065 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting years as follows:

<u>Year ended June 30,</u>	
2020	\$ 15,264
2021	62,534
2022	(143,379)
2023	(11,845)
2024	-
Thereafter	-

Pension Plan Data

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

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

Plan Description

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

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

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

Benefit Amounts

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

Notes to Financial Statements
June 30, 2019 (Continued)**NOTE 6—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Contributions*

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$19,925 and \$22,526 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$346,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .02278% as compared to .02075% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$6,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,000	\$ 7,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	11,000
Change in assumptions	-	14,000
Changes in proportion	29,000	4,000
Employer contributions subsequent to the measurement date	19,925	-
Total	<u>\$ 65,925</u>	<u>\$ 36,000</u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

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

\$19,925 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (1,000)
2021	(1,000)
2022	(1,000)
2023	2,000
2024	6,000
Thereafter	5,000

Actuarial Assumptions

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

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

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees: (Continued)

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

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

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

NET GLI OPEB Liability

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

		GLI OPEB Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>4.80%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.30%</u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

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

Long-Term Expected Rate of Return (Continued)

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

Discount Rate

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Rockbridge Area Community Service Board's proportionate share of the GLI Program Net OPEB Liability	\$ 452,000	\$ 346,000	\$ 260,000

Group Life Insurance Program Fiduciary Net Position

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 7—COMPENSATED ABSENCES:

Board employees earn paid time-off each month at a scheduled rate in accordance with their years of service. Accumulated unpaid vacation and other compensating leave amounts are accrued when incurred. Outstanding accrued leave pay totaled \$364,401 at June 30, 2019.

NOTE 8—LONG-TERM OBLIGATIONS:

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

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019	Due Within One Year
Direct borrowings and direct placements:					
Loan payable	\$ 3,658,850	\$ -	\$ (72,305)	\$ 3,586,545	\$ 75,422
Other long-term obligations:					
Compensated absences	376,279	-	(11,878)	364,401	-
Net OPEB Liability	313,000	92,000	(59,000)	346,000	-
Total	<u>\$ 4,348,129</u>	<u>\$ 92,000</u>	<u>\$ (143,183)</u>	<u>\$ 4,296,946</u>	<u>\$ 75,422</u>

Annual Requirements to Amortize Long-Term Debt:

Year Ending June 30,	Direct Borrowings and Direct Placements: Loan Payable	
	Principal	Interest
2020	\$ 75,422	\$ 150,994
2021	78,691	147,725
2022	82,101	144,315
2023	85,659	140,757
2024	89,372	137,044
2025-2029	508,424	623,656
2030-2034	628,567	503,513
2035-2039	777,098	354,982
2040-2044	960,727	171,353
2045-2045	300,484	9,453
Total	<u>\$ 3,586,545</u>	<u>\$ 2,383,792</u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations:

Loan Payable:

The Board entered into a loan agreement with USDA on December 28, 2007 in the amount of \$4,259,000 at an interest rate of 4.25%, which was used to finance construction of a 28,000 square foot office building. Monthly payments of principal and interest total \$18,868. The maturity date of the loan is December 28, 2045, and the balance outstanding at June 30, 2019 was \$3,586,545.

The Board's outstanding USDA loan payable contains a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Board has pledged to secure the obligation with the administrative building and the parcel of land where the administrative building is located.

NOTE 9—LINE OF CREDIT:

The Board maintains a guidance line of credit with Union First Bank. Borrowing under the line of credit is evidenced by a master note and will accrue interest daily at the Prime Rate published in the Wall Street Journal, but will not be less than 3.5% per annum. The accrued interest will be billed monthly. The outstanding balance of the line at June 30, 2019 is \$321,743 with an interest rate of 5.0% per annum.

NOTE 10—CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 11—OPERATING LEASE AGREEMENTS:

The Board leases office space and other facilities from various lessors. The lease terms are generally for one year with provisions for additional one-year renewals. Leases may be adjusted each year based on changes in the prior year's Consumer Price index. Future minimum lease payments for the fiscal year ending June 30, 2019 are as follows:

2020	\$	<u>9,000</u>
Total	\$	<u><u>9,000</u></u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 11—OPERATING LEASE AGREEMENTS: (CONTINUED)

Additionally, the Board has lease agreements for multiple vehicles. The terms of the leases are generally for 60 months with the option to renew for an unlimited time at the end of the initial lease terms. Future minimum lease payments for the fiscal year ending June 30, 2019 are as follows:

2020	\$	113,861
2021		113,861
2022		158,580
2023		9,613
Total	\$	<u>395,915</u>

NOTE 12—LOCAL SUPPORT:

Cash contributions to the Rockbridge Area Community Services Board by the supporting localities are as follows:

Rockbridge County	\$	155,163
City of Lexington		50,937
City of Buena Vista		47,451
Bath County		33,015
Total	\$	<u>286,566</u>

NOTE 13—DEFERRED COMPENSATION PLAN:

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is with the Commonwealth of Virginia Deferred Compensation Plan, and is administered by ICMA-RC.

NOTE 14—LOANS RECEIVABLE:

Loans receivable consist of monies loaned to residential clients of the Rockbridge Area Community Services Board. These loans are to be repaid to the Board. The balance at June 30, 2019 was \$2,080.

NOTE 15—NET POSITION RESTRICTED FOR FEDERAL AND STATE PROGRAMS:

Net position restricted for federal and state programs consisted of the following at June 30, 2019:

Federal substance abuse	\$	82,773
Federal block grant - prevention		1,216
State CIT training and assessment site		60,892
State step Virginia		87,187
Total net position restricted for federal and state programs	\$	<u>232,068</u>

REQUIRED SUPPLEMENTARY INFORMATION

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ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability			
Service cost	\$ 325,126	\$ 322,783	\$ 413,878
Interest	805,985	807,820	789,883
Differences between expected and actual experience	332,499	(510,090)	(387,062)
Changes in assumptions	-	(92,990)	-
Benefit payments, including refunds of employee contributions	(432,373)	(675,104)	(445,802)
Net change in total pension liability	\$ 1,031,237	\$ (147,581)	\$ 370,897
Total pension liability - beginning	11,730,260	11,877,841	11,506,944
Total pension liability - ending (a)	\$ 12,761,497	\$ 11,730,260	\$ 11,877,841
Plan fiduciary net position			
Contributions - employer	\$ 111,975	\$ 103,818	\$ 190,154
Contributions - employee	201,697	192,582	194,798
Net investment income	1,025,121	1,534,260	221,307
Benefit payments, including refunds of employee contributions	(432,373)	(675,104)	(445,802)
Administrative expense	(8,769)	(9,075)	(7,741)
Other	(916)	(1,355)	(93)
Net change in plan fiduciary net position	\$ 896,735	\$ 1,145,126	\$ 152,623
Plan fiduciary net position - beginning	13,862,607	12,717,481	12,564,858
Plan fiduciary net position - ending (b)	\$ 14,759,342	\$ 13,862,607	\$ 12,717,481
Political subdivision's net pension liability (asset) - ending (a) - (b)	\$ (1,997,845)	\$ (2,132,347)	\$ (839,640)
Plan fiduciary net position as a percentage of the total pension liability	115.66%	118.18%	107.07%
Covered payroll	\$ 4,329,812	\$ 3,827,562	\$ 3,783,840
Political subdivision's net pension liability (asset) as a percentage of covered payroll	-46.14%	-55.71%	-22.19%

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.

Exhibit 4

	<u>2015</u>		<u>2014</u>
\$	413,588	\$	420,624
	768,095		714,630
	(439,695)		-
	-		-
	<u>(415,648)</u>		<u>(327,310)</u>
\$	326,340	\$	807,944
	<u>11,180,604</u>		<u>10,372,660</u>
\$	<u><u>11,506,944</u></u>	\$	<u><u>11,180,604</u></u>
\$	207,564	\$	278,573
	220,728		220,470
	551,636		1,633,511
	(415,648)		(327,310)
	(7,421)		(8,572)
	(115)		86
\$	<u>556,744</u>	\$	<u>1,796,758</u>
	<u>12,008,114</u>		<u>10,211,356</u>
\$	<u><u>12,564,858</u></u>	\$	<u><u>12,008,114</u></u>
\$	<u><u>(1,057,914)</u></u>	\$	<u><u>(827,510)</u></u>
	109.19%		107.40%
\$	4,068,350	\$	4,167,928
	-26.00%		-19.85%

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 29,065	\$ 29,065	\$ -	\$ 3,829,969	0.76%
2018	112,804	112,804	-	4,329,812	2.61%
2017	107,171	107,171	-	3,827,562	2.80%
2016	190,154	190,154	-	3,783,840	5.03%
2015	207,564	207,564	-	4,068,350	5.10%
2014	278,573	278,573	-	4,167,928	6.68%
2013	289,968	289,968	-	4,321,436	6.71%
2012	156,822	156,822	-	4,094,563	3.83%
2011	146,489	146,489	-	3,824,769	3.83%
2010	161,552	161,552	-	3,705,322	4.36%

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

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Schedule of Rockbridge Area Community Services Board's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement dates of June 30, 2017 through June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2018	0.0228%	\$ 346,000	\$ 4,329,812	7.99%	51.22%
2017	0.0211%	313,000	3,827,562	8.18%	48.86%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 19,925	\$ 19,925	\$ -	\$ 3,831,786	0.52%
2018	22,526	22,526	-	4,329,812	0.52%
2017	19,000	19,000	-	3,827,562	0.50%
2016	18,177	18,177	-	3,786,920	0.48%
2015	19,528	19,528	-	4,068,350	0.48%
2014	20,006	20,006	-	4,167,928	0.48%
2013	20,743	20,743	-	4,321,436	0.48%
2012	11,549	11,549	-	4,124,612	0.28%
2011	10,975	10,975	-	3,919,692	0.28%
2010	7,656	7,656	-	2,835,604	0.27%

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

SUPPORTING SCHEDULES

Standard Schedule of Current Property and Casualty Insurance
Year Ended June 30, 2019

Insurance Coverage	Ins. Co. / Agent/Policy #	Policy Period	Limits of Liability		Ded.	Annual Premium
Workers Compensation	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-19	7/1/18-6/30/19	Accident Injury by disease Disease aggregate	\$1,000,000 \$1,000,000 \$1,000,000	N/A	\$39,226
Building & Contents	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-19	7/1/18-6/30/19	Buildings/Contents	Replacement Cost	\$5000/occurrence	\$15,106
General Liability	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-19	7/1/18-6/30/19	Bodily/Personal Injury Employee Benefits Fire Legal	\$2,000,000 \$2,000,000 \$500,000	N/A	\$9,571
Excess Liability	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-19	7/1/18-6/30/19	General Liability Auto Liability	\$4,000,000 \$4,000,000	N/A	\$9,829
Environmental	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-19	7/1/18-6/30/19	Pool Aggregate	\$1,000,000	\$25,000	Included
Cyber Risk	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-19	7/1/18-6/30/19	Cyber Risk	\$3,000,000	N/A	\$8,000
Commercial Auto	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-19	7/1/18-6/30/19	Combined Single Limit	\$3,500,000	\$1,000 per occurrence	\$23,307
Crime	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-19	7/1/18-6/30/19	Employee Dishonesty & Securities/Counterfeit	\$500,000	\$250	\$1,050
Public Officials	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-19	7/1/18-6/30/19	Wrongful Acts Annual Contract	\$5,000,000 \$5,000,000	\$2,500	\$5,952
						Total \$112,041

Rockbridge Area Community Services Board
Client Statistics
Year Ended June 30, 2019

	2019	2018	2017	2016	2015	2014	2013	2012
Clients Served by Disability								
Mental Health	1,445	1,502	1,428	1,348	1,534	1,468	1,400	1,368
Developmental Services	321	299	308	287	294	303	296	289
Substance Abuse	<u>136</u>	<u>335</u>	<u>331</u>	<u>332</u>	<u>338</u>	<u>257</u>	<u>216</u>	<u>172</u>
Total Clients Served	<u><u>1,902</u></u>	<u><u>2,136</u></u>	<u><u>2,067</u></u>	<u><u>1,967</u></u>	<u><u>2,166</u></u>	<u><u>2,028</u></u>	<u><u>1,912</u></u>	<u><u>1,829</u></u>

Description/ Application	Vendor/Name/ Model	Development Stage	Hardware	Operating System
General Ledger, Payroll, Accounts Payable, Budget	Microsoft Dynamics GP	Fully Operational	Dell VRTX Virtual Environment WFG is cloud based	Windows Server 2008 R2 Standard
Reimbursement & Client Demographics	Credible	Fully Operational	Cloud Based	N/A
Fixed Assets	Microsoft Dynamics GP	Fully Operational	Dell VRTX Virtual Environment	Windows Server 2008 R2 Standard
Purchasing	None	Manual Operation	Personal Computer	Windows 10 Pro

COMPLIANCE



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**TO THE BOARD OF DIRECTORS
ROCKBRIDGE AREA COMMUNITY SERVICES BOARD
LEXINGTON, VIRGINIA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Rockbridge Area Community Services Board as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Rockbridge Area Community Services Board's basic financial statements and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rockbridge Area 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 Rockbridge Area Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Rockbridge Area 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 Rockbridge Area Community Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 13, 2019

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Schedule of Findings and Responses
Year Ended June 30, 2019

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? yes x no

Noncompliance material to financial statements noted? yes x no

Section II-Financial Statement Findings

Finding/Noncompliance

None

Section III-Summary Schedule of Prior Year Findings

2018-001

Summary of Finding: The Board did not timely reconcile the bank accounts to the general ledger on a monthly basis.

Status: The finding has been corrected by management. During fiscal year 2019 bank reconciliations were prepared on a monthly basis.

2018-002

Summary of Finding: The Board did not timely reconcile the accounts receivable subsidiary ledger to the general ledger on a monthly basis.

Status: The finding has been corrected by management. A process to reconcile the accounts receivable subsidiary ledger to the general ledger was implemented and completed monthly during fiscal year 2019.