# GOOCHLAND-POWHATAN COMMUNITY SERVICES

## FINANCIAL AND COMPLIANCE REPORTS

## YEAR ENDED JUNE 30, 2021

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

**GOOCHLAND-POWHATAN COMMUNITY SERVICES**

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# INTRODUCTORY SECTION

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

### *Board of Directors*

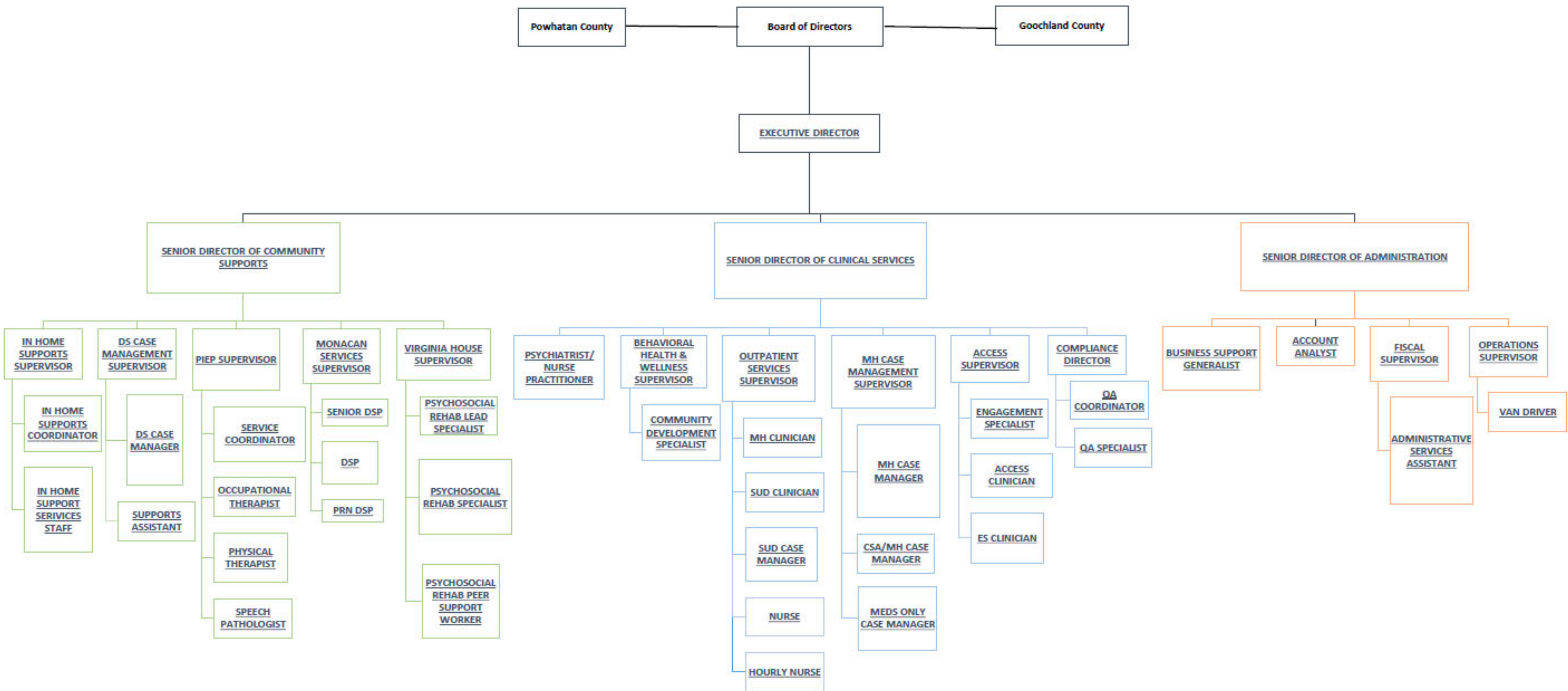
| Goochland County | Powhatan County |
|---|---|
| Parthenia Dinora | Jackie Cahill |
| Mariah Leonard | Angela Cimmino |
| Yvette McDermott Thomas | Julie Franklin |
| Crystal Neilson-Hall | Erin Harnage |
| Renee Sottong | GaElla Matthews |

### *Principal Management Team*

| | |
|---|---|
| Stacy Gill | Executive Director |
| Carinne Kight | Director of Administration |
| Les Saltzberg | Director of Clinical Services |
| Lateshia Brown | Director of Community Support Services |

GOOCHLAND-POWHATAN COMMUNITY SERVICES

# ORGANIZATIONAL CHART



# FINANCIAL SECTION

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Members of the Board of Directors
Goochland-Powhatan Community Services

**Report on the Financial Statements**

We have audited the accompanying financial statements of Goochland-Powhatan Community Services (the Board), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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.

**Auditor's 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 and specifications require 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 auditor's 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 Board'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 Board'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 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 Board as of June 30, 2021, 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.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 3-4 and 38-43, respectively, 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 the Board's basic financial statements. The accompanying schedules listed in the table of contents as supporting schedules and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and supporting schedules, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 on our consideration of the 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 the 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 the Board's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 1, 2021

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

### Management's Discussion and Analysis
### June 30, 2021

The following management's discussion and analysis (MD&A) of the Goochland-Powhatan Community Services (the Board) financial performance provides the reader with an overview to the financial statements of the Board for the fiscal year ended June 30, 2021.

The Board presents the following as part of its basic financial statements: (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Net Position; (3) Statement of Cash Flows; and (4) Notes to Financial Statements.

The Board's financial position is measured in terms of resources (assets) owned and obligations (liabilities) owed as of June 30, 2021. This information is reflected on the Statement of Net Position. The excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources is the net position.

Information reflecting the results of operations and other changes in net position during the fiscal year 2021 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement reflects total revenues and total expenses for the fiscal year ended June 30, 2021 and the change in net position for the year.

The flow of cash resources into and out of the Board during the fiscal year is reflected on the Statement of Cash Flows. This statement also reflects the net increase in cash and cash equivalents for the year and the ending cash and cash equivalents as of June 30, 2021.

A summary of the Board's net position for fiscal years 2021 and 2020 is presented below.

### SUMMARY OF NET POSITION

| | **2021** | 2020 |
|---|---|---|
| Assets: | | |
| Current assets | **$ 3,463,842** | $ 2,514,606 |
| Capital assets (net of accumulated depreciation and amortization) | **1,112,167** | 1,132,696 |
| Other assets | **596,964** | 1,231,411 |
| **Total assets** | **5,172,973** | 4,878,713 |
| Deferred outflows of resources: | | |
| Pension plan and OPEB | **515,760** | 306,208 |
| **Total deferred outflows of resources** | **515,760** | 306,208 |
| Liabilities: | | |
| Current liabilities | **82,572** | 48,144 |
| Noncurrent liabilities | **419,278** | 420,376 |
| **Total liabilities** | **501,850** | 468,520 |
| Deferred inflows of resources: | | |
| Pension plan and OPEB | **10,072** | 132,360 |
| **Total deferred inflows of resources** | **10,072** | 132,360 |
| Net position: | | |
| Net investment in capital assets | **1,112,167** | 1,132,696 |
| Unrestricted | **4,064,644** | 3,451,345 |
| **Total net position** | **$ 5,176,811** | $ 4,584,041 |

A summary of the Board's revenues, expenses and changes in net position for fiscal years 2021 and 2020 is presented below.

**SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

| | | **2021** | | 2020 |
|---|---|---|---|---|
| Operating revenues | **$** | **1,703,505** | $ | 1,691,363 |
| Operating expenses | | **5,329,636** | | 5,152,180 |
| **Operating loss** | | **(3,626,131)** | | (3,460,817) |
| Nonoperating revenues | | **4,218,901** | | 4,442,237 |
| **Change in net position** | | **592,770** | | 981,420 |
| Net position, beginning of year | | **4,584,041** | | 3,602,621 |
| Net position, end of year | **$** | **5,176,811** | $ | 4,584,041 |

Operating revenues are generated from providing patient services with the substantial majority of this revenue generated from Medicaid. In fiscal year 2021, Medicaid income represented over 23% of the Board's total operating revenues.

## Capital Assets and Debt Administration

### *Capital Assets*

On June 30, 2021, the Board had $1,112,167 in net capital assets comprised primarily of land, buildings and improvements, software, and equipment and vehicles.

## Requests for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 3058 River Road West, Goochland, Virginia 23063.

# BASIC FINANCIAL STATEMENTS

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## STATEMENT OF NET POSITION
**June 30, 2021**

| | | |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | $ | 3,022,014 |
| Accounts receivable, less allowance for uncollectibles | | 312,776 |
| Deposits | | 10,871 |
| Prepaid items | | 118,181 |
| **Total current assets** | | 3,463,842 |
| Noncurrent Assets | | |
| Capital assets: | | |
| Land, property and equipment, net | | 1,112,167 |
| Net pension asset | | 596,964 |
| **Total noncurrent assets** | | 1,709,131 |
| **Total assets** | | 5,172,973 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension Plan | | 466,047 |
| Other Postemployment Benefits | | 49,713 |
| **Total deferred outflows of resources** | | 515,760 |
| **LIABILITIES** | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | | 56,266 |
| Compensated absences | | 26,306 |
| **Total current liabilities** | | 82,572 |
| Noncurrent Liabilities | | |
| Compensated absences | | 212,843 |
| Other postemployment benefits | | 206,435 |
| **Total noncurrent liabilities** | | 419,278 |
| **Total liabilities** | | 501,850 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Other Postemployment Benefits | | 10,072 |
| **Total deferred inflows of resources** | | 10,072 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | | 1,112,167 |
| Unrestricted | | 4,064,644 |
| **Total net position** | $ | 5,176,811 |

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
**Year Ended June 30, 2021**

| | |
|---|---|
| Operating Revenues | |
| Net patient service revenue | $ 1,703,505 |
| | |
| Operating Expenses | |
| Salaries and benefits | 4,352,509 |
| Staff development | 29,622 |
| Facility | 170,869 |
| Supplies | 62,521 |
| Travel | 26,624 |
| Contractual and consulting | 574,615 |
| Depreciation and amortization | 72,297 |
| Other | 40,579 |
| **Total operating expenses** | 5,329,636 |
| **Operating loss** | (3,626,131) |
| | |
| Nonoperating Revenues | |
| Grants and appropriations: | |
| Commonwealth of Virginia | 2,696,348 |
| Federal government | 763,065 |
| Local governments | 597,260 |
| Other | 162,228 |
| **Nonoperating revenues** | 4,218,901 |
| | |
| **Change in net position** | 592,770 |
| Net Position, beginning of year | 4,584,041 |
| Net Position, end of year | $ 5,176,811 |

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## STATEMENT OF CASH FLOWS
## Year Ended June 30, 2021

| | |
|---|---|
| Cash Flows From Operating Activities | |
| Receipts from customers | $ 1,621,603 |
| Payments to suppliers | (841,811) |
| Payments to and for employees | (4,081,274) |
| **Net cash used in operating activities** | (3,301,482) |
| Cash Flows From Noncapital and Related Financing Activities | |
| Government grants and appropriations | 4,056,673 |
| Other | 162,228 |
| **Net cash provided by noncapital and related financing activities** | 4,218,901 |
| Cash Flows From Capital and Related Financing Activities | |
| Acquisition of capital assets | (51,768) |
| **Net cash used in capital and related financing activities** | (51,768) |
| **Net increase in cash and cash equivalents** | 865,651 |
| Cash and Cash Equivalents, beginning of year | 2,156,363 |
| Cash and Cash Equivalents, end of year | $ 3,022,014 |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | |
| Operating loss | $ (3,626,131) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation and amortization | 72,297 |
| Pension expense | 338,581 |
| Other postemployment benefit expense | (4,332) |
| Adjustment to bad debt allowance | 7,435 |
| Changes in assets and liabilities: | |
| Accounts receivable | (89,337) |
| Prepaid items | (1,683) |
| Accounts payable and accrued expenses | 35,080 |
| Compensated absences | (5,915) |
| Deferred outflows of resources - contributions made subsequent to measurement date | (27,477) |
| **Net cash used in operating activities** | $ (3,301,482) |

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

***Description and purpose of the Board:*** Goochland-Powhatan Community Services (the Board) operates as an agent for the counties of Goochland and Powhatan in the establishment and operation of community mental health, intellectual disabilities, and substance abuse programs as provided for in Chapter 10 of Title 37.2 of the *Code of Virginia* (1950), relating to the Department of Behavioral Health and Departmental Services. In addition, the Board provides a system of community mental health and intellectual disability and substance abuse services, which relate to and are integrated with existing and planned programs. The Board was established in 1982.

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and guidance issued by the Department of Behavioral Health and Departmental Services. The Board's more significant accounting policies are described herein.

***Reporting entity:*** For financial reporting purposes, in conformance with GAAP, the Board includes all organizations for which it is considered financially accountable. The members of the Board also appoint the Board of Directors of Cedarwood Residential, Inc., which is exempt from taxation under Internal Revenue Code Section 501(c)(2). Accordingly, Cedarwoods Residential, Inc. has been included as a blended component unit of the Board in accordance with GASB.

***Financial statement presentation:*** For entities like the Board that are engaged solely in business-type activities, the basic financial statements include:

1. *Statement of Net Position* – The Statement of Net Position is designed to display the financial position of the Board. The net position of the Board is broken down into three categories – (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

2. *Statement of Revenues, Expenses and Change in Net Position* – The Statement of Revenues, Expenses and Change in Net Position is designed to display the financial activities of the Board for the period.

3. *Statement of Cash Flows* – The Statement of Cash Flows is prepared using the direct method and is designed to display the yearly transactions that impacted cash and cash equivalents.

4. *Notes to Financial Statements.*

***Measurement focus and basis of accounting:*** The Board's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, wherein revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Nonexchange transactions, in which the Board receives value without directly giving equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Changes in financial position are distinguished between operating revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Board's principal ongoing operations. Nonoperating items include nonexchange revenues and interest revenues and expenses.

## Note 1. Summary of Significant Accounting Policies (Continued)

***Use of estimates:*** The preparation of financial statements in conformity with GAAP 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.

***Cash and cash equivalents:*** Cash and cash equivalents include cash on hand, checking and savings accounts, and short-term highly liquid investments. The Board maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the *Code of Virginia* (the Act). The Act requires financial institutions to meet specific collateralization requirements. For reporting purposes, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Accounts receivable – client services:*** Revenue and related receivables for healthcare services are recorded at the Board's full established rates. Amounts receivable from third-party payors for healthcare services are usually less than the Board's full established rates. The realizable amounts are generally determined by contractual agreements with the third-party payor (e.g. Medicaid). The provision for contractual adjustments (difference between established rates and third-party payor payments) and discounts (difference between established rates and amounts collectible) are deducted from gross accounts receivable to determine accounts receivable – net client services.

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

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

A significant majority of fees collected result from Medicaid billings. An allowance for doubtful client accounts has been estimated by management to equal all client balances older than 90 days, totaling $24,907 at June 30, 2021.

***Capital assets:*** Capital asset acquisitions that cost $5,000 or more are capitalized and recorded at cost. Depreciation or amortization is provided over the estimated useful life of each class of depreciable assets ranging from 3 to 30 years and is computed using the straight-line method. Donated capital assets are recorded at their estimated acquisition value at the time of the gift.

***Deferred outflows/inflows of resources:*** In addition to assets, the Statement of Net 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. For more detailed information on these items, reference the pension plan and other post employment benefit plan notes.

**Note 1. Summary of Significant Accounting Policies (Continued)**

***Deferred outflows/inflows of resources (continued):*** In addition to liabilities, the Statement of Net 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. For more detailed information on these items, reference the pension plan and other post employment benefits notes.

***Compensated absences:*** The Board's employees earn annual leave (vacation pay and sick leave) in varying amounts and can accumulate leave based on length of service. All full-time employees earn sick leave at a rate of 11 hours per month. Sick leave for full-time Hybrid Plan employees is capped at 200 hours. Legacy employees do not have a cap on the amount of sick leave that can be earned. Permanent part-time employees accrue sick leave on a pro-rated basis, rounded up to the nearest half hour. Temporary, hourly, and relief employees do not accrue sick leave. Maximum annual leave accumulation hours are the hours allowable at the time of separation or at the end of any calendar year.

Employees terminating their employment are paid their accumulated annual leave up to the maximum limit, based on years of employment. Unused sick leave is paid at the date of separation at 25% of the total up to a maximum amount of $3,000.

Compensated absences have been reported as a current liability for that amount expected to be paid out in the upcoming fiscal year, with the balance as a noncurrent liability.

***Net position and net position flow assumption:*** 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 and amortization, less any outstanding debt related to the acquisition, construction or improvement of those assets.

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

***Pensions:*** The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Board's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Board's retirement plan and the additions to/deductions from the Board's retirement plan's fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Note 1. Summary of Significant Accounting Policies (Continued)

***Group life insurance:*** The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to Section 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 GLI 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 Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI Program OPEB's fiduciary net 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.

***Fiscal agent:*** The County of Goochland, Virginia (County) is the fiscal agent for the Board.

***Subsequent events:*** The Board has evaluated subsequent events through November 1, 2021, the date on which the financial statements were available to be issued.

## Note 2. 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 participates in a self-insured liability plan sponsored by the state of Virginia for local political subdivisions. The plan provides $1,000,000 coverage against public official liability claims, a maximum coverage of $3,000,000 for property and related coverage, and $250,000 for employee dishonesty. The Board participates in the Virginia Association of Counties Group Self Insurance Risk Pool for comprehensive property and casualty coverage, a general liability coverage (claims made), automobile coverage, and employer's liability. Certain other risks are covered by commercial insurance policies. Management believes that the above-described coverage is sufficient to preclude any significant uninsured losses to the Board. The Board's risk exposure is anticipated to be limited to policy deductibles. There have been no settlements in excess of insurance coverage in the past three years.

## Note 3. Deposits and Investments

The Board's primary deposit account is maintained by the County of Goochland.

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

The Board had no investments at June 30, 2021 subject to fair value measurements.

## Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2021 is summarized below:

| | Beginning Balance | Increases | (Deletions/ (Transfers) | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated or amortized: | | | | |
| Land | $ 305,690 | $ - | $ - | $ 305,690 |
| Construction in progress | 16,857 | 34,451 | (16,853) | 34,455 |
| **Total capital assets not being depreciated or amortized** | 322,547 | 34,451 | (16,853) | 340,145 |
| Capital assets being depreciated or amortized: | | | | |
| Land improvements | 80,800 | - | - | 80,800 |
| Buildings and improvements | 1,163,797 | 17,317 | 16,853 | 1,197,967 |
| Furnishings and equipment | 122,934 | - | - | 122,934 |
| Vehicles | 634,844 | - | - | 634,844 |
| Software | 416,350 | - | - | 416,350 |
| **Total capital assets being depreciated or amortized** | 2,418,725 | 17,317 | 16,853 | 2,452,895 |
| Less accumulated depreciation and amortization | 1,608,576 | 72,297 | - | 1,680,873 |
| **Net capital assets being depreciated or amortized** | 810,149 | (54,980) | 16,853 | 772,022 |
| Net capital assets | $ 1,132,696 | $ (20,529) | $ - | $ 1,112,167 |

## Note 5. Lease Agreements

The Board leases office space from the County of Powhatan. Monthly rental payments approximate $5,500 to the County of Powhatan. The lease expires June 30, 2022. The future minimum lease payments are approximately $67,000. Total rent expense for the year ended June 30, 2021 approximated $66,000.

## Note 6. Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2021 is summarized as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 245,064 | $ 257,697 | $ 263,612 | $ 239,149 | $ 26,306 |
| **Long-term liabilities** | $ 245,064 | $ 257,697 | $ 263,612 | $ 239,149 | $ 26,306 |

**Note 7. Pension Plan**

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the Board are automatically covered by VRS Retirement Plan upon employment. This plan is 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 Virgini*a, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|---|---|
| | | **Vesting (Continued)**<br>*Defined Contribution Component (Continued)*<br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br>Distribution is not required except as governed by law. |
| **Calculating the Benefit**<br>The Basic Benefit is determined using the average final compensation, service credit, and plan multiplier.<br><br>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied. | **Calculating the Benefit**<br>See definition under Plan 1. | **Calculating the Benefit**<br>*Defined Benefit Component*<br>See definition under Plan 1.<br><br>*Defined Contribution Component*<br>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| **Average Final Compensation**<br>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered member. | **Average Final Compensation**<br>A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered member. | **Average Final Compensation**<br>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|---|---|
| **Service Retirement Multiplier**<br>***VRS:*** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. | **Service Retirement Multiplier**<br>***VRS:*** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. | **Service Retirement Multiplier**<br>*Defined Benefit Component*<br>***VRS:*** The retirement multiplier for the defined benefit component is 1.0%.<br><br>For members that 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.<br><br>*Defined Contribution Component*<br>Not applicable. |
| **Normal Retirement Age**<br>***VRS:*** Age 65. | **Normal Retirement Age**<br>***VRS:*** Normal Social Security retirement age. | **Normal Retirement Age**<br>*Defined Benefit Component*<br>***VRS:*** Same as Plan 2.<br><br>*Defined Contribution Component*<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Earliest Unreduced Retirement Eligibility**<br>***VRS:*** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. | **Earliest Unreduced Retirement Eligibility**<br>***VRS:*** Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service equals 90. | **Earliest Unreduced Retirement Eligibility**<br>*Defined Benefit Component*<br>***VRS:*** Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service equals 90.<br><br>*Defined Contribution Component*<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|---|---|
| **Earliest Reduced Retirement Eligibility**<br>***VRS:*** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. | **Earliest Reduced Retirement Eligibility**<br>***VRS:*** Age 60 with at least five years (60 months) of service credit. | **Earliest Reduced Retirement Eligibility**<br>*Defined Benefit Component*<br>***VRS:*** Age 60 with at least five years (60 months) of service credit.<br><br>*Defined Contribution Component*<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Cost-of-Living Adjustment (COLA) in Retirement**<br>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.<br><br>*Eligibility:*<br>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.<br><br>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.<br><br>*Eligibility:*<br>Same as Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>*Defined Benefit Component*<br>Same as Plan 2.<br><br>*Defined Contribution Component*<br>Not applicable.<br><br>*Eligibility:*<br>Same as Plan 1 and Plan 2. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|---|---|
| **Disability Coverage**<br>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. | **Disability Coverage**<br>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted. | **Disability Coverage**<br>Members of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.<br><br>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. |
| **Purchase of Prior Service**<br>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay. | **Purchase of Prior Service**<br>Same as Plan 1. | **Purchase of Prior Service**<br>**Defined Benefit Component**<br>Same as Plan 1, with the following exceptions:<br>• Hybrid Retirement Plan members are ineligible for ported service.<br><br>**Defined Contribution Component**<br>Not applicable. |

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

**Employees Covered by Benefit Terms**

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Number |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 34 |
| Inactive members: | |
| Vested | 30 |
| Non-vested | 20 |
| Active elsewhere in VRS | 34 |
| **Total inactive members** | 84 |
| Active members | 52 |
| **Total covered employees** | 170 |

**Contributions**

The contribution requirement for active employees is governed by Section 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 contribution rate for the year ended June 30, 2021 was 2.36% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were $35,668 and $9,098 for the years ended June 30, 2021 and 2020, respectively.

B. Net Pension Asset

The Board's net pension asset 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 political subdivisions, the net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

**Note 7. Pension Plan (Continued)**

B. Net Pension Asset (Continued)

**Actuarial Assumptions**

The total pension liability for General Employee's in the Board's retirement plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% – 5.35% |
| Investment rate or return | 6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

| | |
|---|---|
| Mortality Rates: | 15% of deaths are assumed to be service-related. |
| – Pre-retirement: | RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates. |
| – Post-retirement: | RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90. |
| – Post-disablement: | RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates. |

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update 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 nine years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

**Note 7. Pension Plan (Continued)**

B. Net Pension Asset (Continued)

**Long-Term Expected Rate of Return**

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

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|---|---|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP - Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| **Total** | 100.00% | | 4.64% |
| | Inflation | | 2.50% |
| | * Expected arithmetic nominal return | | 7.14% |

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

**Note 7. Pension Plan (Continued)**

B. Net Pension Asset (Continued)

**Discount Rate**

The discount rate used to measure the total pension asset was 6.75%. 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; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 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 asset.

C. Changes in the Net Pension Asset

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability | Plan Fiduciary Net Pension | Net Pension Asset |
| Balances at June 30, 2019 | $ 8,313,209 | $ 9,544,620 | $ (1,231,411) |
| Changes for the year: | | | |
| Service cost | 223,481 | - | 223,481 |
| Interest | 546,061 | - | 546,061 |
| Difference between expected and actual experience | 157,329 | - | 157,329 |
| Contributions – employer | - | 9,098 | (9,098) |
| Contributions – employee | - | 109,224 | (109,224) |
| Net investment income | - | 180,642 | (180,642) |
| Benefit payments, including refunds of employee contributions | (446,828) | (446,828) | - |
| Administrative expense | - | (6,328) | 6,328 |
| Other changes | - | (212) | 212 |
| **Net changes** | 480,043 | (154,404) | 634,447 |
| Balances at June 30, 2020 | $ 8,793,252 | $ 9,390,216 | $ (596,964) |

**Note 7. Pension Plan (Continued)**

C. Changes in the Net Pension Asset (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 6.75%, as well as what the Board's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| Board's net pension (asset) liability | $ 507,757 | $ (596,964) | $ (1,509,803) |

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

For the year ended June 30, 2021, the Board recognized pension expense of $347,679. At June 30, 2021, the Board also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 116,021 | $ - |
| Changes in assumptions | 32,341 | - |
| Net difference between projected and actual earnings on pension plan investments | 282,017 | - |
| Employer contributions subsequent to the measurement date | 35,668 | - |
| **Total** | $ 466,047 | $ - |

The $35,668 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2022.

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**Note 7. Pension Plan (Continued)**

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | | Amount |
|---|---|---|
| 2022 | $ | 132,478 |
| 2023 | | 110,329 |
| 2024 | | 97,108 |
| 2025 | | 90,464 |
| | $ | 430,379 |

E. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/Publications/2020-annual-report.pdf, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

**Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program**

A. Plan Description

All full-time, salaried permanent employees of the Board are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

## Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

A. Plan Description (Continued)

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

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS |
|---|
| **Eligible Employees**<br>The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.<br>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**<br>The benefits payable under the GLI Program have several components.<br>• Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.<br>• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.<br>• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<br>o Accidental dismemberment benefit<br>o Safety belt benefit<br>o Repatriation benefit<br>o Felonious assault benefit<br>o Accelerated death benefit option |
| **Reduction in Benefit Amounts**<br>The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. |
| **Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**<br>For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,616 as of June 30, 2021. |

## Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI Program are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Board were $14,151 and $13,244 for the years ended June 30, 2021 and June 30, 2020, respectively.

C. 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, 2021, the Board reported a liability of $206,435 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.01237% as compared to 0.01243% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of $8,937. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 13,241 | $ 1,855 |
| Net difference between projected and actual investment earnings on OPEB plan investments | 6,201 | - |
| Change in assumptions | 10,324 | 4,310 |
| Changes in proportionate share | 5,796 | 3,907 |
| Employer contributions subsequent to the measurement date | 14,151 | - |
| **Total** | $ 49,713 | $ 10,072 |

**Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)**

C. 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)

The $14,151 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2022 | $ 4,174 |
| 2023 | 5,925 |
| 2024 | 6,783 |
| 2025 | 6,820 |
| 2026 | 1,705 |
| Thereafter | 83 |
| | $ 25,490 |

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| Locality – general employees | 3.5%-5.35% |
| Investment rate of return | 6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

## Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

**Mortality Rates – Non-Largest 10 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 three years; females 1.0% increase compounded from ages 70 to 90.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

| | Group Life Insurance OPEB Program |
|---|---|
| Total GLI OPEB liability | $ 3,523,937 |
| Plan fiduciary net position | 1,855,102 |
| **Employer's net GLI OPEB liability** | $ 1,668,835 |
| | |
| Plan fiduciary net position as a percentage of the total GLI OPEB liability | 52.64% |

**Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)**

E. Net GLI OPEB Liability (Continued)

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

F. Long-Term Expected Rate of Return

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

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|---|---|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi-Asset Public Stategies | 6.00% | 3.04% | 0.18% |
| PIP - Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| **Total** | 100.00% | | 4.64% |
| | | Inflation | 2.50% |
| | * Expected arithmetic nominal return | | 7.14% |

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocations. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

## Note 8. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the Board 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, 2020 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.

H. Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the Board'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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1% Decrease 5.75% | Current Discount Rate 6.75% | 1% Increase 7.75% |
|---|---|---|---|
| Plan's net OPEB liability | $ 271,375 | $ 206,435 | $ 153,698 |

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

## Note 9. Funding from Participating Localities

Appropriations from participating localities for the year ended June 30, 2021 were as follows:

| | |
|---|---|
| County of Goochland | $ 298,630 |
| County of Powhatan | 298,630 |
| | $ 597,260 |

### Note 10. Blended Component Unit

The following table shows a condensed statement of net position as of June 30, 2021:

| | Goochland-Powhatan Community Services | Cedarwoods Residential, Inc. | Total |
|---|---|---|---|
| Assets: | | | |
| Current assets | $ 3,412,119 | $ 51,723 | $ 3,463,842 |
| Capital assets (net of accumulated depreciation and amortization) | 1,000,959 | 111,208 | 1,112,167 |
| Net pension asset | 596,964 | - | 596,964 |
| **Total assets** | 5,010,042 | 162,931 | 5,172,973 |
| Deferred outflows of resources: | | | |
| Pension plan | 466,047 | - | 466,047 |
| Other postemployment benefits | 49,713 | - | 49,713 |
| **Total deferred outflows of resources** | 515,760 | - | 515,760 |
| Liabilities: | | | |
| Current liabilities | 82,572 | - | 82,572 |
| Noncurrent liabilities | 419,278 | - | 419,278 |
| **Total liabilities** | 501,850 | - | 501,850 |
| Deferred inflows of resources: | | | |
| Other postemployment benefits | 10,072 | - | 10,072 |
| **Total deferred inflows of resources** | 10,072 | - | 10,072 |
| Net position: | | | |
| Net investment in capital assets | 1,000,959 | 111,208 | 1,112,167 |
| Unrestricted | 4,012,921 | 51,723 | 4,064,644 |
| **Total net position** | $ 5,013,880 | $ 162,931 | $ 5,176,811 |

**Note 10. Blended Component Unit (Continued)**

The following table shows a condensed statement of revenues, expenses and change in net position for the year ended June 30, 2021:

| | Goochland-Powhatan Community Services | Cedarwoods Residential, Inc. | Total |
|---|---|---|---|
| Operating revenues | $ 1,692,677 | $ 10,828 | $ 1,703,505 |
| Operating expenses | 5,299,302 | 30,334 | 5,329,636 |
| **Operating loss** | (3,606,625) | (19,506) | (3,626,131) |
| Nonoperating revenues | 4,218,901 | - | 4,218,901 |
| **Income (loss) before transfers** | 612,276 | (19,506) | 592,770 |
| Transfers out | (34,170) | 34,170 | - |
| **Change in net position** | 578,106 | 14,664 | 592,770 |
| Net position, beginning of year | 4,435,774 | 148,267 | 4,584,041 |
| Net position, end of year | $ 5,013,880 | $ 162,931 | $ 5,176,811 |

The following table shows a condensed statement of cash flows for the year ended June 30, 2021:

| | Goochland-Powhatan Community Services | Cedarwoods Residential, Inc. | Total |
|---|---|---|---|
| Operating activities | $ (3,287,767) | $ (13,715) | $ (3,301,482) |
| Noncapital and related financing activities | 4,218,901 | - | 4,218,901 |
| Capital and related financing activities | (51,768) | - | (51,768) |
| **Net increase (decrease) in cash and cash equivalents** | 879,366 | (13,715) | 865,651 |
| Cash and cash equivalents, beginning of year | 2,090,925 | 65,438 | 2,156,363 |
| Cash and cash equivalents, end of year | $ 2,970,291 | $ 51,723 | $ 3,022,014 |

## Note 11. Commitments and Contingencies

The Board participates in federal assistance programs, which are subject to audit by grantor agencies. The Board believes it is in compliance with applicable grant requirements, and any disallowances of costs by grantor agencies would not be significant.

## Note 12. Pending GASB Statements

At June 30, 2021, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Board. The statements which might impact the Board is as follows:

GASB Statement No. 87, *Leases*, will increase the usefulness of the Board's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for the fiscal year beginning after June 15, 2021.

GASB Statement No. 92, *Omnibus 2020,* will improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including intra-entity transfers, the effective date of No. 87, *Leases*, the applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits, the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, terminology used to refer to derivative instruments. Statement No. 92 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and provide guidance for accounting and financial reporting for availability payment arrangements (APAs). Statement No. 94 will be effective for the fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

## Note 12. Pending GASB Statements (Continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,* will increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 will be effective for fiscal years beginning after June 15, 2021.

Management has not determined the effect these new Statements may have on prospective financial statements.

## Note 13. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Board operates. While it is unknown how long these conditions will last, many Board activities were and continue to be affected.

# REQUIRED SUPPLEMENTARY INFORMATION

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

| | Fiscal Year June 30, | | | |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| Employer's proportion of the net GLI OPEB liability | 0.01253% | 0.01220% | 0.01243% | 0.01237% |
| Employer's proportionate share of the net GLI OPEB liability | $ 189,000 | $ 185,000 | $ 202,270 | $ 206,435 |
| Employer's covered payroll | $ 2,282,900 | $ 2,319,038 | $ 2,437,115 | $ 2,546,923 |
| Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll | 8.28% | 7.98% | 8.30% | 8.11% |
| Plan fiduciary net position as a percentage of the total GLI OPEB liability | 48.86% | 51.22% | 52.00% | 52.64% |

**Notes to Schedule:**

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board will present information for those years for which information is available.

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## SCHEDULE OF EMPLOYER CONTRIBUTIONS OPEB – GROUP LIFE INSURANCE PROGRAM

| | Fiscal Year June 30, | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| Contractually required contribution (CRC) | $ 12,059 | $ 12,673 | $ 13,244 | $ 14,151 |
| Contributions in relation to the CRC | 12,059 | 12,673 | 13,244 | 14,151 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Employer's covered payroll | $ 2,319,038 | $ 2,437,115 | $ 2,546,923 | $ 2,436,731 |
| Contributions as a percentage of covered payroll | 0.52% | 0.52% | 0.52% | 0.58% |

**Note to Schedule:**

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board will present information for those years for which information is available.

## Note 1. Group Life Insurance Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

**Non-Largest 10 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 |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## SCHEDULE OF CHANGES IN THE BOARD'S NET PENSION ASSET AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

| | Fiscal Year June 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Total Pension Liability | | | | | | | |
| Service cost | $ 260,060 | $ 221,355 | $ 185,842 | $ 194,426 | $ 185,663 | $ 192,693 | $ 223,481 |
| Interest | 473,363 | 503,335 | 516,708 | 491,853 | 514,773 | 517,491 | 546,061 |
| Change in assumptions | - | - | - | 12,180 | - | 240,999 | - |
| Differences between expected and actual experience | - | (208,202) | (702,761) | 1,474 | (254,984) | 199,708 | 157,329 |
| Benefit payments, including refunds of employee contributions | (276,735) | (333,746) | (317,151) | (392,585) | (352,407) | (460,833) | (446,828) |
| **Net change in total pension liability** | 456,688 | 182,742 | (317,362) | 307,348 | 93,045 | 690,058 | 480,043 |
| Total pension liability - beginning | 6,900,690 | 7,357,378 | 7,540,120 | 7,222,758 | 7,530,106 | 7,623,151 | 8,313,209 |
| Total pension liability - ending (a) | $ 7,357,378 | $ 7,540,120 | $ 7,222,758 | $ 7,530,106 | $ 7,623,151 | $ 8,313,209 | $ 8,793,252 |
| Plan Fiduciary Net Position | | | | | | | |
| Contributions - employer | $ 148,439 | $ 133,686 | $ 134,539 | $ 10,846 | $ 4,296 | $ 9,520 | $ 9,098 |
| Contributions - employee | 108,601 | 109,382 | 104,648 | 106,855 | 106,354 | 110,176 | 109,224 |
| Net investment income | 1,076,702 | 361,437 | 142,256 | 983,507 | 653,330 | 605,122 | 180,642 |
| Benefit payments, including refunds of employee contributions | (276,735) | (333,746) | (317,151) | (392,585) | (352,407) | (460,833) | (446,828) |
| Administrative expense | (5,768) | (4,958) | (5,044) | (5,827) | (5,731) | (6,264) | (6,328) |
| Other | 57 | (77) | (60) | (869) | (577) | (12,098) | (212) |
| **Net change in plan fiduciary net position** | 1,051,296 | 265,724 | 59,188 | 701,927 | 405,265 | 245,623 | (154,404) |
| Plan fiduciary net position - beginning | 6,815,597 | 7,866,893 | 8,132,617 | 8,191,805 | 8,893,732 | 9,298,997 | 9,544,620 |
| Plan fiduciary net position - ending (b) | $ 7,866,893 | $ 8,132,617 | $ 8,191,805 | $ 8,893,732 | $ 9,298,997 | $ 9,544,620 | $ 9,390,216 |
| The Board's net pension asset - ending (a) - (b) | $ (509,515) | $ (592,497) | $ (969,047) | $ (1,363,626) | $ (1,675,846) | $ (1,231,411) | $ (596,964) |
| Plan fiduciary net position as a percentage of the total pension liability | 106.93% | 107.86% | 113.42% | 118.11% | 121.98% | 114.81% | 106.79% |
| Covered payroll | $ 2,276,672 | $ 2,050,399 | $ 2,063,481 | $ 2,282,900 | $ 2,315,420 | $ 2,437,051 | $ 2,431,340 |
| The Board's net pension asset as a percentage of covered payroll | 22.38% | 28.90% | 46.96% | 59.73% | 72.38% | 50.53% | 24.55% |

**Note to Schedule:**

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board will present information for those years for which information is available.

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## SCHEDULE OF BOARD CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

| | Fiscal Year June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Contractually required contribution (CRC) | $ 148,439 | $ 133,686 | $ 134,539 | $ 10,846 | $ 9,520 | $ 9,520 | $ 9,098 | $ 35,668 |
| Contributions in relation to the CRC | 148,439 | 133,686 | 134,539 | 10,846 | 4,296 | 9,520 | 9,098 | 35,668 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ 5,224 | $ - | $ - | $ - |
| Employer's covered-employee payroll | $ 2,276,672 | $ 2,050,399 | $ 2,063,481 | $ 2,282,900 | $ 2,315,420 | $ 2,437,051 | $ 2,431,340 | $ 2,611,427 |
| Contributions as a percentage of covered-employee payroll | 6.52% | 6.52% | 6.52% | 0.48% | 0.19% | 0.39% | 0.37% | 1.37% |

**Note to Schedule:**

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board will present information for those years for which information is available.

# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
# VIRGINIA RETIREMENT SYSTEM
# Year Ended June 30, 2021

## Note 1. Changes of Benefit Terms

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

## Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled | Update 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 nine years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

# SUPPORTING SCHEDULES

## GOOCHLAND-POWHATAN COMMUNITY SERVICES

## SCHEDULE OF INSURANCE
**June 30, 2021**

| Insurance Company | Policy Number | Policy Period | Annual Policy Cost | Insurance Type and Coverage | |
|---|---|---|---|---|---|
| Vaco Risk Management Programs | | | | Automobile: | |
| (VaCoRP) | VA-GO-037A-19 | 7/1/2020 - | $ 15,870 | Liability/comprehensive and collision - ACV | $ 3,000,000 |
| | | 6/30/2021 | | Medical payments | 5,000 |
| | | | 750 | Employee dishonesty | 250,000 |
| | | | 4,095 | Real property, personal property, 90% coinsurance | Various |
| | | | 9,502 | General liability | 2,000,000 |
| | | | | Fire damage | 500,000 |
| | | | 29,985 | Workers' compensation: | |
| | | | | Each accident | 1,000,000 |
| | | | | Policy limit – disease | 1,000,000 |
| Commonwealth of Virginia Division | | | | Public officials liability: | |
| of Risk Management | N/A | 7/1/2020 - | 4,875 | Per occurrence | 1,000,000 |
| | | 6/30/2021 | | Medical malpractice: | |
| | N/A | 7/1/2020 - | 3,677 | General liability | Subject to |
| | | 6/30/2021 | | | *Code of Virginia* |
| | | | | | §8.01-581.15 |

**GOOCHLAND-POWHATAN COMMUNITY SERVICES**

**CLIENT STATISTICS**
**Last Ten Fiscal Years**

| | Year Ended June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Unduplicated clients served: | | | | | | | | | | |
| Mental health | 407 | 378 | 453 | 466 | 436 | 552 | 436 | 479 | 485 | 614 |
| Intellectual disability | 235 | 218 | 219 | 220 | 223 | 190 | 239 | 310 | 245 | 262 |
| Substance abuse | 88 | 110 | 139 | 169 | 139 | 213 | 139 | 146 | 113 | 145 |
| Services outside of programs | 448 | 516 | 574 | 580 | 537 | 537 | 537 | 569 | 528 | 632 |

# COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S 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 Honorable Members of the Board of Directors
Goochland-Powhatan Community Services

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 Goochland-Powhatan Community Services (the Board), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 1, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing 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 the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a material misstatement of the Board'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 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 the 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 financial statements. 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 Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
November 1, 2021