

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

Table of Contents

	<u>Page</u>
Board of Directors and Senior Management Team	i
Organizational Chart	ii
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
 <i>Basic Financial Statements:</i>	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-37
 <i>Required Supplementary Information:</i>	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios.....	38
Schedule of Employer Contributions - Pension Plan	39
Notes to Required Supplementary Information - Pension Plan.....	40
Schedule of Changes in the Board's Net OPEB Liability and Related Ratios - Health Insurance Credit (HIC) Plan	41
Schedule of Employer Contributions - Health Insurance Credit (HIC) Plan	42
Notes to Required Supplementary Information - Health Insurance Credit (HIC) Plan.....	43
 <i>Other Supplementary Information:</i>	
Combining Statement of Net Position.....	44-45
Combining Statement of Revenues, Expenses and Changes in Net Position	46-47
Combining Statement of Cash Flows.....	48-49
 <i>Compliance:</i>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50-51
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	52-53
Schedule of Expenditures of Federal Awards.....	54
Schedule of Findings and Questioned Costs	55
Schedule of Prior Audit Findings.....	56

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

BOARD OF DIRECTORS

Steven Blunt
Donald T. Robertson
Toni Brown
Cindy Edwards

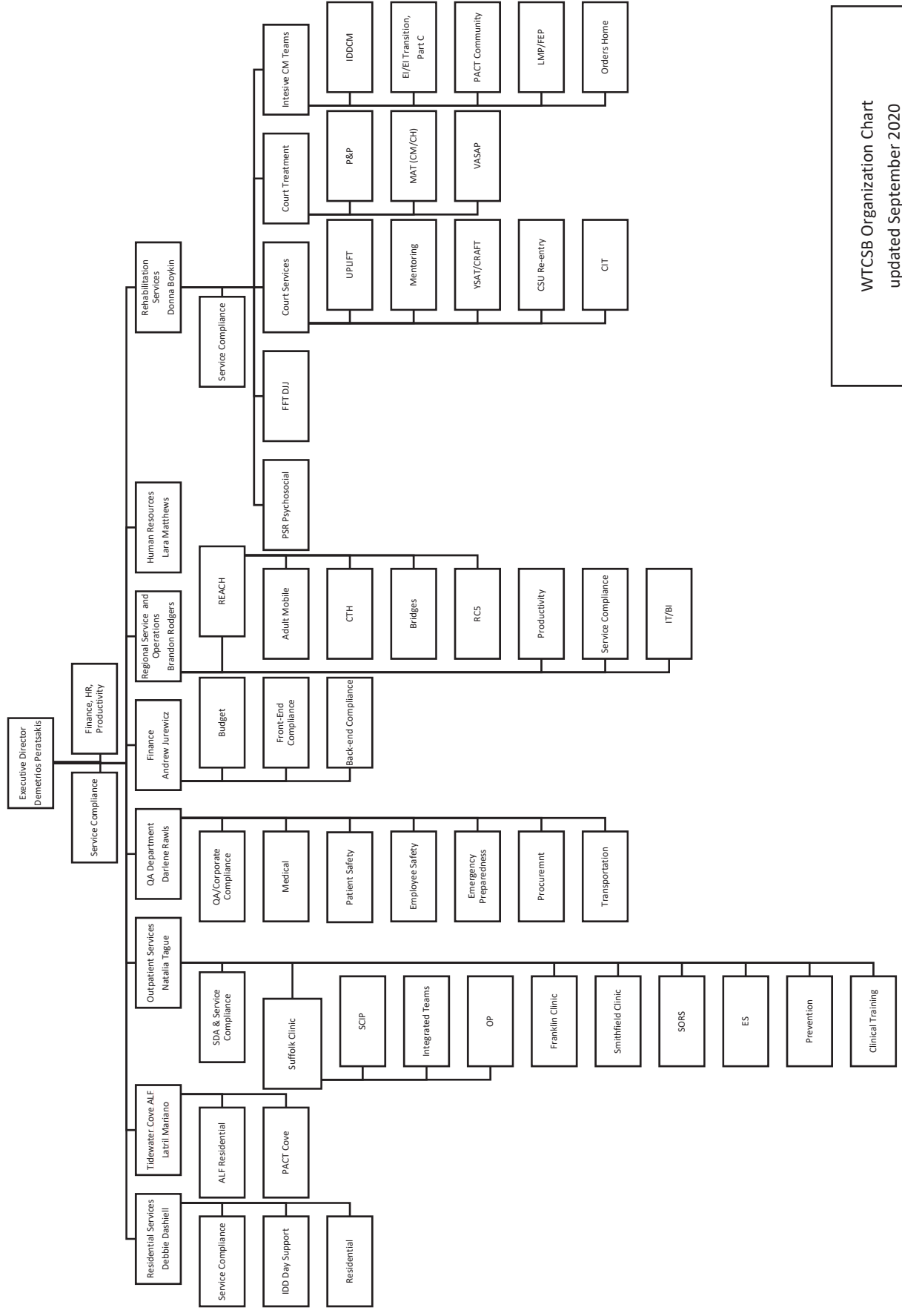
Lula Holland
Denise Tynes
Vicki Wiggins Pittman
LaRhonda Mabry

Phyllis Austin
Angela Vick
Gwendolyn Wilson

SENIOR MANAGEMENT TEAM

Demetrios Peratsakis
Andrew Jurewicz
Darlene Rawls
Donna Boykin
Brandon Rodgers
Lara Matthews
Debbie Dashiell
Natalia Tague
Latril Mariano

Executive Director
Finance Director
Community Support Director
Care Coordination Director
Director of Operations
Human Resources
Director of Counseling and Training Services
Director of Counseling and Training Services
Director of Residential Treatment and Housing Supports



WTCSB Organization Chart
updated September 2020



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Western Tidewater Community Services Board, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Western Tidewater Community Services Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Western Tidewater Community Services Board, as of June 30, 2020, 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 that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-7 and 38-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Report on Summarized Comparative Information

We have previously audited Western Tidewater Community Services Board's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2020, on our consideration of Western Tidewater Community Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Western Tidewater Community Services Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Tidewater Community Services Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Robinson, Farmer, Cox, Associates".

Charlottesville, Virginia
November 27, 2020

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WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Management's Discussion and Analysis Year Ended June 30, 2020

This Management's Discussion and Analysis (MD&A) of Western Tidewater Community Services Board's (WTCSB) financial performance provides an overview to the financial statements of the WTCSB for the fiscal year ended June 30, 2020.

Western Tidewater Community Services Board (WTCSB) presents three basic financial statements for the purpose of analyzing the financial position of the WTCSB as of June 30, 2020. These are: (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Net Position; and (3) Statement of Cash Flows.

WTCSB's financial position is measured in terms of resources (assets and deferred outflows) owned and obligations (liabilities and deferred inflows) owed as of June 30, 2020 and 2019. This information is reflected on the Statement of Net Position. The excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources is the net position.

Information showing the results of operations during fiscal year 2020 and 2019 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement details total revenue and total expenses and reflects an excess or deficiency of revenue over expenses for the fiscal years ending June 30, 2020 and 2019.

The flow of cash resources into and out of WTCSB during the fiscal year is reflected on the Statement of Cash Flows. This statement also reflects the net increase or decrease in cash and cash equivalents for the year and the ending cash and cash equivalents as of June 30, 2020 and 2019.

A summary of WTCSB's statements of net position at June 30, 2020 and 2019 is presented below:

	2020	2019
Current assets	\$ 11,644,112	\$ 6,940,605
Restricted assets	705,615	599,110
Capital assets	12,458,441	12,862,631
Other assets	1,151,148	2,361,543
Total assets	\$ 25,959,316	\$ 22,763,889
Deferred outflows of resources	\$ 1,446,416	\$ 529,406
Current liabilities	\$ 5,093,303	\$ 4,418,432
Liabilities payable from restricted assets	343,177	257,341
Long-term liabilities	1,564,237	1,779,427
Total liabilities	\$ 7,000,717	\$ 6,455,200
Deferred inflows of resources	\$ 709,341	\$ 1,026,452
Net Position:		
Net investment in capital assets	\$ 10,693,118	\$ 10,886,676
Restricted	392,812	375,118
Unrestricted	8,609,744	4,549,849
Total net position	\$ 19,695,674	\$ 15,811,643

The financial position of Western Tidewater Community Services Board increased by \$3,884,031 during the year ended June 30, 2020 and increased by \$1,917,831 in 2019.

Management's Discussion and Analysis
Year Ended June 30, 2020 (continued)

A summary of WTCSB's Statement of Revenues, Expenses and Changes in Net Position for fiscal years 2020 and 2019 is presented below.

Summary Statement of Revenues, Expenses and Changes in Net Position		
	2020	2019
Operating revenues:		
Net patient service revenue	\$ 20,789,483	\$ 20,988,843
Operating expenses	35,039,001	34,194,468
Operating income (loss)	\$ (14,249,518)	\$ (13,205,625)
Net nonoperating income	18,133,549	15,123,456
Change in net position	<u>\$ 3,884,031</u>	<u>\$ 1,917,831</u>

Operating income is generated from providing patient services. The majority of operating income is generated from Medicaid services. In fiscal years 2020 and 2019, Net Patient Service Revenue decreased .95% and increased by 22.24%, respectively.

Operating expenses increased 2.47% in 2020 and decreased .79% in 2019.

Nonoperating income increased by \$3,010,093 from the prior year largely due to the \$2,832,322 increase in revenues from the Commonwealth of Virginia.

A summary of WTCSB's Statement of Cash Flows for fiscal years 2020 and 2019 is presented below.

Summary Statement of Cash Flows		
	2020	2019
Cash flows from operating activities	\$ (12,995,125)	\$ (14,443,318)
Cash flows from noncapital financing activities	18,234,128	15,203,181
Cash flows from capital and related financing activities	(602,099)	(696,739)
Cash flows from investing activities	15,681	29,307
Net increase (decrease) in cash and cash equivalents	\$ 4,652,585	\$ 92,431
Cash and cash equivalents beginning of year	5,485,080	5,392,649
Cash and cash equivalents end of year	<u>\$ 10,137,665</u>	<u>\$ 5,485,080</u>

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

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

Management's Discussion and Analysis
Year Ended June 30, 2020 (continued)

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

Cash Flows from Investing Activities are comprised of interest income.

Cash and cash equivalents increased \$4,652,585 in 2020 and increased \$92,431 in 2019. The increase is largely due to the increase in nonoperating income.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2020 and 2019 the WTCSB had \$12,458,441 and \$12,862,631 in net capital assets, respectively. These were comprised primarily of land, buildings and improvements, and equipment and vehicles. (See Notes to Financial Statements, Note 4 - Capital Assets.)

Long-Term Debt

Long-term obligations as of June 30, 2020 are \$1,765,323 a net decrease of \$210,632 from June 30, 2019 (see Notes to Financial Statements, Note 6 - Long-term Obligations). This debt is for five facilities. 1000 Commercial Lane, our Suffolk Services Center and the Pathways ID day support complex is financed by SunTrust Bank with a balance of \$1,102,405. The two Intermediate Care Facilities located at 4373 and 4395 Pruden Blvd. are financed with a \$574,800 loan from Farmer's Bank with a balance of \$406,912. Neighbor's Place located at 22510 Thomas Woods Lane, Zuni, Virginia is financed with a loan from the Department of Housing and Urban Development with a balance of \$256,006.

Other Significant Activities in Fiscal Year 2020

Western Tidewater is one of forty Community Services Boards that serve the Commonwealth of Virginia. WTCSB is the local authority on Mental Health, Intellectual Disabilities and Substance Abuse Services and is responsible for providing community behavioral healthcare to the citizens of the cities of Suffolk, Franklin, and the counties of Southampton and Isle of Wight. These consumers are primarily underinsured families with children or adult members suffering from chronic and pervasive disabilities. Western Tidewater Community Services Board provided 354,392 units of service across all disabilities (Mental Health, Substance Abuse, and Intellectual Disabilities) to over 5,751 distinct consumers.

In addition to providing local services and supports to the aforementioned communities WTCSB also services as the lead CSB in Health Planning Region V that covers the southeastern geographic are of Virginia. Regional services and supports include a 24/7 Regional Crisis Program for developmentally disabled individuals REACH; operation of a 65 bed Licensed Assisted Living Facility specializing in the treatment of seriously and persistently mentally ill adults and operation of a regional crisis unit for children. In FY 2020 WTCSB also became the fiscal agent and assumed responsibility for Mobile Crisis Teams that will manage all crisis calls for children and adolescents experiencing an acute behavioral health crisis in Region V.

Management's Discussion and Analysis
Year Ended June 30, 2020 (continued)

WTCSB responded quickly and effectively to the COVID pandemic. It was able to aggressively mitigate job loss, stabilize its financial resources, redefine its service lines and protect employee and consumer safety. WTCSB has remained open and operational in the midst of the national, state and local catastrophe caused by the COVID19 pandemic. As an essential behavioral healthcare provider, WTCSB has continued to fulfill its regulatory obligations while working to provide for the ongoing care of its employee and consumer community. WTCSB prioritized three essential goals: 1) providing clinical services and supports to members of the community in-need; 2) ensuring employee safety and job security; and 3) protecting the agency's finances and operational integrity. In preparation for financial uncertainty WTCSB secured a 2 million dollar line of credit, however it has not been necessary to access this line. This is due to the aforementioned measures resulting in adequate cash reserves to cover the required average operating costs of the agency required by the Department of Behavioral Health and Disability Services (DBHDS). WTCSB ended June 2020 with an average of 8.36 weeks of operating expenses in cash reserves before considering the line of credit and that trend continues to increase.

Western Tidewater CSB continues to review and modify its services to ensure success with STEP-VA, a state-wide strategic plan for reforming behavioral health services in Virginia. DBHDS designed System Transformation Excellence and Performance (STEP-VA), an innovative initiative for individuals with behavioral health disorders featuring a uniform set of required services, consistent quality measures, and improved oversight in all Virginia communities. STEP-VA is based on a national best practice model that requires the development of a set array of deliberately chosen services that make up a comprehensive, accessible system for those with serious behavioral health disorders. Core service elements of STEP -VA include: Same Day Access (SDA), Standardized Core Community Services, 24/7 Mobile Crisis, Veterans Services, Robust Child Services, and Connections to Primary Care. Funding for the next phases of STEP VA have been un-allotted from the 2021 budget.

During FY 2020 WTCSB continued a Veterans Program with blended agency and federal funding from the Clay Hunt SAV act. The program consisted of five peer recovery specialists that link transitioning active duty military members to services throughout the Tidewater Region with specific attention to suicide prevention. This funding has been discontinued for FY 2021. WTCSB will work to continue to provide veterans services through other programs as these services remain part of the STEP VA initiative.

WTCSB continued to work with Obici Healthcare Foundation for expansion of the Behavioral Health Safety Net and will have funding for the next two years. Funding will support a continuation of psychiatric services at Western Tidewater Free Clinic, Outpatient Services at Western Tidewater Free Clinic, RN Case Management Services for youth involved in crisis, peer support, and adds additional crisis supports in the Franklin and Isle of Wight County Schools. Additionally budget revisions were submitted to cover COVID -19 related expenses through unfilled vacancies allocated to the program.

At the beginning of the 2018-2019 School Academic Year, WTCSB entered into partnership with the Suffolk Public School System to pilot a continuum of behavioral health services for at-risk children and their families. This program has continued into FY 2020. At its core, Case Management would provide technical and clinical support to Therapeutic Day Treatment private providers assigned to respective schools, serve as a point of contact for Guidance and Administration, and assist youngsters identified as in need of ancillary mental health or substance abuse related services. A key provision of their role is to work closely with Master's level Counselors-in Residence to stabilize youngsters with acute suicidal or homicidal ideation. WTCSB has worked to make the program more sustainable through billing revenue and other funding so that the model of service can be expanded as an offering to our other local school systems.

- Basic Financial Statements -

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WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Statement of Net Position
As of June 30, 2020
(With Comparative Totals for 2019)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 9,467,914	\$ 4,933,437
Due from other governments	-	43,101
Accounts receivable, less allowance for uncollectibles	2,176,198	1,964,067
Total current assets	<u>\$ 11,644,112</u>	<u>\$ 6,940,605</u>
Restricted Assets:		
Cash and cash equivalents	\$ 669,751	\$ 551,643
Accounts receivable	35,864	47,467
Total restricted assets	<u>\$ 705,615</u>	<u>\$ 599,110</u>
Capital Assets:		
Land	\$ 2,288,708	\$ 2,288,708
Other capital assets, less accumulated depreciation	10,169,733	10,573,923
Total capital assets, net	<u>\$ 12,458,441</u>	<u>\$ 12,862,631</u>
Other Assets:		
Net pension asset	\$ 1,151,148	\$ 2,361,543
Total assets	<u>\$ 25,959,316</u>	<u>\$ 22,763,889</u>
Deferred Outflows of Resources:		
Pension related items	\$ 1,417,736	\$ 509,697
OPEB related items	28,680	19,709
Total deferred outflows of resources	<u>\$ 1,446,416</u>	<u>\$ 529,406</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,244,004	\$ 1,429,685
Compensated absences	1,025,839	1,407,643
Amounts held for others - regional funds	2,613,352	1,380,334
Long-term debt, current portion	210,108	200,770
Total current liabilities	<u>\$ 5,093,303</u>	<u>\$ 4,418,432</u>
Liabilities Payable from Restricted Assets:		
Client and consumer funds	\$ 257,695	\$ 150,024
Accounts payable and accrued expenses	68,193	90,744
Long-term debt, current portion	12,254	11,272
Security deposits	5,035	5,301
Total liabilities payable from restricted assets	<u>\$ 343,177</u>	<u>\$ 257,341</u>
Long-Term Liabilities:		
Net OPEB liability	\$ 21,276	\$ 15,514
Long-term debt, less current portion	1,542,961	1,763,913
Total long-term liabilities	<u>\$ 1,564,237</u>	<u>\$ 1,779,427</u>
Total liabilities	<u>\$ 7,000,717</u>	<u>\$ 6,455,200</u>
Deferred Inflows of Resources:		
Pension related items	\$ 691,936	\$ 1,005,244
OPEB related items	17,405	21,208
Total deferred inflows of resources	<u>\$ 709,341</u>	<u>\$ 1,026,452</u>
Net Position:		
Net investment in capital assets	\$ 10,693,118	\$ 10,886,676
Restricted	392,812	375,118
Unrestricted	8,609,744	4,549,849
Total net position	<u>\$ 19,695,674</u>	<u>\$ 15,811,643</u>

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Operating revenue:		
Net patient service revenue	\$ 20,789,483	\$ 20,988,843
Operating expenses:		
Salaries and benefits	\$ 26,444,544	\$ 26,397,867
Staff development	171,909	291,415
Facility	2,043,825	2,151,490
Supplies	1,255,242	1,435,152
Travel	424,599	586,530
Contractual and consulting	2,380,940	2,270,197
Depreciation	690,656	680,729
Other	1,627,286	381,088
Total operating expenses	\$ 35,039,001	\$ 34,194,468
Operating income (loss)	\$ (14,249,518)	\$ (13,205,625)
Nonoperating income (expenses):		
Appropriations:		
Commonwealth of Virginia	\$ 15,420,546	\$ 12,588,224
Federal government	1,712,788	1,603,799
Local governments	601,559	585,331
Rentals	263,008	254,391
Interest income	15,681	29,307
Other	224,783	168,798
Loss on disposition of capital assets	(8,748)	-
Interest expense	(96,068)	(106,394)
Net nonoperating income	\$ 18,133,549	\$ 15,123,456
Change in net position	\$ 3,884,031	\$ 1,917,831
Net position, beginning of year	15,811,643	13,893,812
Net position, end of year	\$ 19,695,674	\$ 15,811,643

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

**Statement of Cash Flows
Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers	\$ 20,620,453	\$ 21,041,665
Payments to suppliers	(6,771,266)	(7,930,291)
Payments to and for employees	(26,844,312)	(27,554,692)
Net cash provided by (used for) operating activities	<u>\$ (12,995,125)</u>	<u>\$ (14,443,318)</u>
Cash flows from noncapital financing activities:		
Government grants	\$ 17,734,893	\$ 14,777,354
Other	499,235	425,827
Net cash provided by (used for) noncapital financing activities	<u>\$ 18,234,128</u>	<u>\$ 15,203,181</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ (295,321)	\$ (330,430)
Proceeds from sale of assets	-	766
Interest on long-term debt	(96,146)	(106,467)
Principal payments on mortgages payable	(210,632)	(260,608)
Net cash provided by (used for) capital and related financing activities	<u>\$ (602,099)</u>	<u>\$ (696,739)</u>
Cash flows from investing activities:		
Interest income	\$ 15,681	\$ 29,307
Net increase (decrease) in cash and cash equivalents	<u>\$ 4,652,585</u>	<u>\$ 92,431</u>
Cash and cash equivalents, beginning of year	<u>5,485,080</u>	<u>5,392,649</u>
Cash and cash equivalents, end of year	<u><u>\$ 10,137,665</u></u>	<u><u>\$ 5,485,080</u></u>
Reconciliation to statement of net position:		
Cash and cash equivalents	\$ 9,467,914	\$ 4,933,437
Cash and cash equivalents - restricted	669,751	551,643
Total cash and cash equivalents, end of year	<u><u>\$ 10,137,665</u></u>	<u><u>\$ 5,485,080</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (14,249,518)	\$ (13,205,625)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	690,656	680,729
Changes in assets, liabilities and deferred outflows/inflows of resources:		
Due from other governments	43,101	(43,101)
Accounts receivable	(212,131)	95,923
Deferred outflows of resources - pension related items	(908,039)	211,125
Deferred outflows of resources - OPEB related items	(8,971)	5,695
Accounts payable and accrued expenses	(208,154)	(688,825)
Compensated absences	(381,804)	4,076
Amounts held for others - regional funds	1,233,018	(100,075)
Client and consumer funds	107,671	(25,519)
Net pension asset	1,210,395	(962,388)
Net OPEB liability	5,762	(12,903)
Deferred inflows of resources - pension related items	(313,308)	(400,278)
Deferred inflows of resources - OPEB related items	(3,803)	(2,152)
Net cash provided by (used for) operating activities	<u><u>\$ (12,995,125)</u></u>	<u><u>\$ (14,443,318)</u></u>

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

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WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Organization:

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

B. Reporting Entity:

For financial reporting purposes, the Board includes all organizations for which it is considered financially accountable. All component units included in these financial statements have years which end on June 30.

C. Individual Component Unit Disclosures:

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

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

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

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

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

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

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

D. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Board only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liability measurement dates. For more detailed information on these items, reference the related notes.

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

E. Basis of Accounting:

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

F. Financial Statement Presentation:

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

G. Enterprise Fund Accounting:

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

H. Use of Estimates:

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

I. Cash and Cash Equivalents:

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

J. Net Client Service Revenue:

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

K. Financial Assistance:

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

The vast majority of fees collected result from Medicaid billings.

L. Capital Assets:

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

M. Restricted Assets:

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

N. Compensated Absences:

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

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

N. Compensated Absences: (Continued)

The liabilities for annual and sick leave have been recorded. The amount of annual and sick leave recognized as expense is the amount earned during the year. The balance at June 30, 2020 was \$1,025,839. Because the timing of the use of accrued leave is not estimable, the total amount has been classified as a current liability.

O. Investments:

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

P. Budgetary Accounting:

The Board follows these procedures in establishing its budgets:

1. In response to Letters of Notification received from the Virginia Department of Behavioral Health and Developmental Services (the Department), the Board submits a Performance Contract to the Department. This application contains complete budgets for all Core Services.
2. The Board's Performance reports are filed with the Department during the fiscal year, 45 working days after the end of the second and third quarters. The final quarterly report is due by August 31, unless extended, following the end of the fiscal year.
3. If any changes are made during the fiscal year in state or federal block grants or local match funds, the Board submits Performance Contract revisions which reflect these changes in time to be received by the Department by required deadlines.

Q. Operating and Nonoperating Revenues and Expenses:

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

R. Comparative Totals:

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

S. Net Position:

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

T. Net Position Flow Assumption:

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

U. Rental Income:

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

V. Pensions:

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

W. Other Postemployment Benefits (OPEB):

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

X. Unearned Revenue:

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Restricted Cash:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), and certain corporate notes banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments):

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

Credit Risk of Debt Securities:

The Board's rated debt investments as of June 30, 2020 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings				
	AAA	AA	A	A1	Unrated
Virginia Local Government Investment Pool	\$ 798,878	\$ -	\$ -	\$ -	\$ -
Federated Government Obligations Trust (Money Market Mutual Fund)	273,821	-	-	-	-
Total	\$ 1,072,699	\$ -	\$ -	\$ -	\$ -

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Concentration of Credit Risk:

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

Interest Rate Risk:

The Board's investment policy requires the investing of operating funds primarily in short-term securities, money market funds or similar investment pools to minimize interest rate risk. The following details the Board's investments at June 30, 2020.

<u>Investment Type</u>	<u>Value</u>	<u>Less Than One Year</u>
Virginia Local Government Investment Pool	\$ 798,878	\$ 798,878
Federated Government Obligations Trust (Money Market Mutual Fund)	273,821	273,821
Total	<u>\$ 1,072,699</u>	<u>\$ 1,072,699</u>

External Investment Pool:

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

Summary of Cash, Deposits and Investments:

	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 4,645	\$ 4,020
Cash in banks	8,390,570	4,369,521
Investments	1,072,699	1,057,134
Total	<u>\$ 9,467,914</u>	<u>\$ 5,430,675</u>
Cash and cash equivalents:		
Unrestricted	\$ 9,467,914	\$ 4,933,437
Restricted	669,751	551,643
Total	<u>\$ 10,137,665</u>	<u>\$ 5,485,080</u>
Restricted cash and cash equivalents consist of:		
Debt service reserves	\$ 577,282	\$ 465,448
Other entities	92,469	86,195
Total	<u>\$ 669,751</u>	<u>\$ 551,643</u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements:

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

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

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

The Board has the following recurring fair value measurements as of June 30, 2020:

Investment	6/30/2020	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Levels 2)	Significant Unobservable Inputs (Level 3)
Federated Government Obligations				
Trust (Money Market Mutual Fund)	\$ 273,821	\$ 273,821	\$ -	\$ -
Total	\$ 273,821	\$ 273,821	\$ -	\$ -

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2020 and 2019, the Board had accounts receivable due from the following primary sources.

	2020	2019
Virginia Department of Medical Assistance Services (Medicaid)	\$ 1,722,088	\$ 1,481,292
Direct client and third party	1,128,765	1,169,937
Other	35,177	65,208
Restricted accounts receivable	35,864	47,467
Total	\$ 2,921,894	\$ 2,763,904
Less: Allowance for uncollectibles	(709,832)	(752,370)
Net accounts receivable	\$ 2,212,062	\$ 2,011,534

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 3 - ACCOUNTS RECEIVABLE: (CONTINUED)

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

Net accounts receivable are allocated as follows:

	<u>2020</u>	<u>2019</u>
Unrestricted	\$ 2,176,198	\$ 1,964,067
Restricted	35,864	47,467
Total	<u>\$ 2,212,062</u>	<u>\$ 2,011,534</u>

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

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year is as follows:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 2,288,708	\$ -	\$ -	\$ 2,288,708
Total capital assets not being depreciated	<u>\$ 2,288,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,288,708</u>
Other capital assets:				
Buildings and improvements	\$ 12,951,056	\$ 43,186	\$ 16,262	\$ 12,977,980
Furniture and equipment	1,562,149	55,593	1,699	1,616,043
Vehicles	3,497,000	196,542	-	3,693,542
Total other capital assets	<u>\$ 18,010,205</u>	<u>\$ 295,321</u>	<u>\$ 17,961</u>	<u>\$ 18,287,565</u>
Less: Accumulated depreciation				
Buildings and improvements	\$ 3,452,658	\$ 348,066	\$ 7,407	\$ 3,793,317
Furniture and equipment	1,040,010	137,785	1,699	1,176,096
Vehicles	2,943,614	204,805	-	3,148,419
Total accumulated depreciation	<u>\$ 7,436,282</u>	<u>\$ 690,656</u>	<u>\$ 9,106</u>	<u>\$ 8,117,832</u>
Other capital assets, net	<u>\$ 10,573,923</u>	<u>\$ (395,335)</u>	<u>\$ 8,855</u>	<u>\$ 10,169,733</u>
Net capital assets	<u>\$ 12,862,631</u>	<u>\$ (395,335)</u>	<u>\$ 8,855</u>	<u>\$ 12,458,441</u>

Depreciation expense totaled \$690,656 for FY 2020 and \$680,729 for FY 2019.

NOTE 5 - LEASE COMMITMENTS:

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

Rent expenses totaled \$401,194 for fiscal year 2020 and \$396,184 for fiscal year 2019.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS:

	<u>Balance</u>	<u>Current Portion</u>
<u>Direct Borrowings and Direct Placements:</u>		
\$3,000,000, SunTrust Bank, interest at 4.60%, due in monthly installments of \$19,171 through November 2025, secured by real estate.	\$ 1,102,405	\$ 183,269
\$375,000, U.S. Department of Housing and Urban Development, interest at 8.375%, due in monthly installments of \$2,769 through October 2032, secured by real estate.	256,006	12,254
\$574,800, Farmer's Bank, interest at 4.255%, payable in monthly installments of \$3,817 through May 2022 with a final payment due June 2022, secured by real estate.	406,912	26,839
Total mortgages payable	<u>\$ 1,765,323</u>	<u>\$ 222,362</u>
Net OPEB liability	<u>\$ 21,276</u>	<u>\$ -</u>
Total long-term obligations	<u><u>\$ 1,786,599</u></u>	<u><u>\$ 222,362</u></u>

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

Year Ending June 30,	<u>Direct Borrowings and Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 222,362	\$ 84,418
2022	582,457	73,578
2023	215,373	47,911
2024	226,072	37,212
2025	237,324	25,960
2026-2030	204,437	56,572
2031-2033	77,298	7,828
Total	<u><u>\$ 1,765,323</u></u>	<u><u>\$ 333,479</u></u>

Details of Long-Term Obligations:

	<u>Direct Borrowings and Direct Placements</u>		
	<u>Mortgages Payable</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance at July 1, 2019	\$ 1,975,955	\$ 15,514	\$ 1,991,469
Additions	-	52,281	52,281
Retirements	(210,632)	(46,519)	(257,151)
Balance at June 30, 2020	<u><u>\$ 1,765,323</u></u>	<u><u>\$ 21,276</u></u>	<u><u>\$ 1,786,599</u></u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2020 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations: (Continued)

The Board is in compliance with federal arbitrage regulations.

Total interest cost for fiscal year 2020 was \$96,068, all of which was expensed.

The Board's outstanding notes from direct borrowings and direct placements contain a provision that in an event of default, outstanding amounts become immediately due if the Board is unable to make payment.

NOTE 7 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7 - PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	102
Inactive members:	
Vested inactive members	54
Non-vested inactive members	116
Inactive members active elsewhere in VRS	<u>108</u>
Total inactive members	278
Active members	<u>420</u>
Total covered employees	<u><u>800</u></u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7 - PENSION PLAN: (CONTINUED)

Contributions

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

The Board's contractually required employer contribution rate for the year ended June 30, 2020 was 3.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$480,402 and \$509,697 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Board, the net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Board's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of 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.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates 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, 2018 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. 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%. 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.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7 - PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability 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; the Board was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, 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, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 35,946,316	\$ 38,307,859	\$ (2,361,543)
Changes for the year:			
Service cost	\$ 1,404,579	\$ -	\$ 1,404,579
Interest	2,470,370	-	2,470,370
Changes of assumptions	1,261,671	-	1,261,671
Differences between expected and actual experience	(64,265)	-	(64,265)
Contributions - employer	-	499,550	(499,550)
Contributions - employee	-	803,027	(803,027)
Net investment income	-	2,585,866	(2,585,866)
Benefit payments, including refunds of employee contributions	(1,310,641)	(1,310,641)	-
Administrative expenses	-	(24,852)	24,852
Other changes	-	(1,631)	1,631
Net changes	<u>\$ 3,761,714</u>	<u>\$ 2,551,319</u>	<u>\$ 1,210,395</u>
Balances at June 30, 2019	<u>\$ 39,708,030</u>	<u>\$ 40,859,178</u>	<u>\$ (1,151,148)</u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7 - PENSION PLAN: (CONTINUED)

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

The following presents the net pension asset of the Board using the discount rate of 6.75%, as well as what the Board's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Board's			
Net Pension Liability (Asset)	\$ 4,474,027	\$ (1,151,148)	\$ (5,606,769)

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

For the year ended June 30, 2020, the Board recognized pension expense of \$459,302. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Differences between expected and actual experience	\$ -	\$ 264,050
Change of assumptions	937,334	78,197
Net difference between projected and actual earnings on pension plan investments	-	349,689
Employer contributions subsequent to the measurement date	480,402	-
Total	<u>\$ 1,417,736</u>	<u>\$ 691,936</u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7 - PENSION PLAN: (CONTINUED)

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

\$480,402 was reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2021	\$	52,846
2022		(91,167)
2023		264,824
2024		18,895
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 8 - FISCAL AGENT:

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

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

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9 - COMMITMENTS AND CONTINGENCIES: (CONTINUED)

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

NOTE 10 - RISK MANAGEMENT:

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

NOTE 11 - CONTRIBUTIONS BY PARTICIPANT LOCAL GOVERNMENTS:

Funds contributed by participant local governments were as follows:

	<u>2020</u>	<u>2019</u>
City of Suffolk	\$ 307,330	\$ 295,210
City of Franklin	36,958	36,958
County of Isle of Wight	184,771	181,913
County of Southampton	72,500	71,250
Total	<u>\$ 601,559</u>	<u>\$ 585,331</u>

NOTE 12 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenues were from the following sources:

	<u>2020</u>	<u>2019</u>
Medicaid	\$ 10,619,117	\$ 12,038,615
Direct client and third party	1,992,773	1,024,422
Other	8,177,593	7,925,806
Total	<u>\$ 20,789,483</u>	<u>\$ 20,988,843</u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 13 - NET POSITION:

Isle of Wight Opportunities for the Disabled, a component unit of the Board, has a deficit net position balance of \$191,381 at June 30, 2020.

Restricted net position of the Board consists of the following:

Cash and other assets held by component unit organizations which are restricted for HUD purposes	\$ 73,225
Other Board restrictions	319,587
Total	<u>\$ 392,812</u>

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

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description

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

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

Eligible Employees

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Benefit Amounts

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

HIC Plan Notes

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>37</u>
Total inactive members	37
Active members	<u>419</u>
Total covered employees	<u><u>456</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Board's contractually required employer contribution rate for the year ended June 30, 2020 was .11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Board to the HIC Program were \$19,290 and \$19,709 for the years ended June 30, 2020 and June 30, 2019, respectively.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Net HIC OPEB Liability

The Board's net HIC OPEB liability was measured as of June 30, 2019. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-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.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 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
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. 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%. 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.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 373,334	\$ 357,820	\$ 15,514
Changes for the year:			
Service cost	\$ 15,087	\$ -	\$ 15,087
Interest	25,639	-	25,639
Differences between expected and actual experience	(3,403)	-	(3,403)
Assumption changes	11,014	-	11,014
Contributions - employer	-	19,712	(19,712)
Net investment income	-	23,404	(23,404)
Benefit payments	(14,115)	(14,115)	-
Administrative expenses	-	(513)	513
Other changes	-	(28)	28
Net changes	\$ 34,222	\$ 28,460	\$ 5,762
Balances at June 30, 2019	\$ 407,556	\$ 386,280	\$ 21,276

Sensitivity of the Board's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Board's HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the Board's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's Net HIC OPEB Liability (Asset)	\$ 70,404	\$ 21,276	\$ (20,137)

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

For the year ended June 30, 2020, the Board recognized HIC Program OPEB expense of \$12,281. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to the Board's HIC Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,841
Net difference between projected and actual earnings on HIC OPEB plan investments	-	8,566
Change in assumptions	9,390	3,998
Employer contributions subsequent to the measurement date	<u>19,290</u>	<u>-</u>
Total	<u>\$ 28,680</u>	<u>\$ 17,405</u>

\$19,290 was reported as deferred outflows of resources related to the HIC OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (3,762)
2022	(3,762)
2023	(1,137)
2024	(1,047)
2025	814
Thereafter	879

HIC Plan Data

Information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 15 - UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

NOTE 16 - COVID-19 PANDEMIC:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Western Tidewater Community Services Board is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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- Required Supplementary Information -

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WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 1,404,579	\$ 1,120,868	\$ 1,148,096	\$ 1,079,319	\$ 1,022,214	\$ 1,025,485
Interest	2,470,370	2,332,985	2,203,999	2,091,577	2,002,356	1,865,455
Differences between expected and actual experience	(64,265)	(297,355)	(146,127)	(559,745)	(705,766)	-
Changes in assumptions	1,261,671	-	(347,840)	-	-	-
Benefit payments, including refunds of employee contributions	(1,310,641)	(1,077,089)	(953,829)	(1,056,417)	(1,032,029)	(838,386)
Net change in total pension liability	\$ 3,761,714	\$ 2,079,409	\$ 1,904,299	\$ 1,554,734	\$ 1,286,775	\$ 2,052,554
Total pension liability - beginning	35,946,316	33,866,907	31,962,608	30,407,874	29,121,099	27,068,545
Total pension liability - ending (a)	\$ 39,708,030	\$ 35,946,316	\$ 33,866,907	\$ 31,962,608	\$ 30,407,874	\$ 29,121,099
Plan fiduciary net position						
Contributions - employer	\$ 499,550	\$ 721,226	\$ 597,248	\$ 826,080	\$ 716,269	\$ 766,310
Contributions - employee	803,027	798,405	642,663	578,410	511,262	484,390
Net investment income	2,585,866	2,623,420	3,836,489	546,746	1,331,894	3,905,265
Benefit payments, including refunds of employee contributions	(1,310,641)	(1,077,089)	(953,829)	(1,056,417)	(1,032,029)	(838,386)
Administrative expense	(24,852)	(21,788)	(21,426)	(18,388)	(17,753)	(20,500)
Other	(1,631)	(2,377)	(3,446)	(228)	(283)	206
Net change in plan fiduciary net position	\$ 2,551,319	\$ 3,041,797	\$ 4,097,699	\$ 876,203	\$ 1,509,360	\$ 4,297,285
Plan fiduciary net position - beginning	38,307,859	35,266,062	31,168,363	30,292,160	28,782,800	24,485,515
Plan fiduciary net position - ending (b)	\$ 40,859,178	\$ 38,307,859	\$ 35,266,062	\$ 31,168,363	\$ 30,292,160	\$ 28,782,800
Board's net pension liability (asset) - ending (a) - (b)	\$ (1,151,148)	\$ (2,361,543)	\$ (1,399,155)	\$ 794,245	\$ 115,714	\$ 338,299
Plan fiduciary net position as a percentage of the total pension liability	102.90%	106.57%	104.13%	97.52%	99.62%	98.84%
Covered payroll	\$ 17,918,115	\$ 16,961,551	\$ 13,417,215	\$ 12,137,983	\$ 10,281,973	\$ 9,640,834
Board's net pension liability (asset) as a percentage of covered payroll	-6.42%	-13.92%	-10.43%	6.54%	1.13%	3.51%

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Schedule of Employer Contributions

Pension Plan

Years Ended June 30, 2011 through June 30, 2020

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2020	\$ 480,402	\$ 480,402	\$ -	\$ 17,536,759	2.74%
2019	509,697	509,697	-	17,918,115	2.84%
2018	720,822	720,822	-	16,961,551	4.25%
2017	657,444	657,444	-	13,417,215	4.90%
2016	855,728	855,728	-	12,137,983	7.05%
2015	724,879	724,879	-	10,281,973	7.05%
2014	767,410	767,410	-	9,640,834	7.96%
2013	774,788	774,788	-	9,733,523	7.96%
2012	565,477	565,477	-	9,633,342	5.87%
2011	609,916	609,916	-	10,390,392	5.87%

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information
Pension Plan
Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

**Schedule of Changes in the Board's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability			
Service cost	\$ 15,087	\$ 12,289	\$ 13,810
Interest	25,639	24,367	23,557
Differences between expected and actual experience	(3,403)	(2,756)	-
Changes in assumptions	11,014	-	(15,007)
Benefit payments	(14,115)	(17,345)	(4,202)
Net change in total HIC OPEB liability	<u>\$ 34,222</u>	<u>\$ 16,555</u>	<u>\$ 18,158</u>
Total HIC OPEB Liability - beginning	373,334	356,779	338,621
Total HIC OPEB Liability - ending (a)	<u><u>\$ 407,556</u></u>	<u><u>\$ 373,334</u></u>	<u><u>\$ 356,779</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 19,712	\$ 25,450	\$ 20,137
Net investment income	23,404	23,532	33,193
Benefit payments	(14,115)	(17,345)	(4,202)
Administrative expense	(513)	(566)	(560)
Other	(28)	(1,613)	1,613
Net change in plan fiduciary net position	<u>\$ 28,460</u>	<u>\$ 29,458</u>	<u>\$ 50,181</u>
Plan fiduciary net position - beginning	357,820	328,362	278,181
Plan fiduciary net position - ending (b)	<u><u>\$ 386,280</u></u>	<u><u>\$ 357,820</u></u>	<u><u>\$ 328,362</u></u>
Board's net HIC OPEB liability - ending (a) - (b)	\$ 21,276	\$ 15,514	\$ 28,417
Plan fiduciary net position as a percentage of the total HIC OPEB liability	94.78%	95.84%	92.04%
Covered payroll	\$ 17,917,479	\$ 16,691,551	\$ 13,417,215
Board's net HIC OPEB liability as a percentage of covered payroll	0.12%	0.09%	0.21%

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

**Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
Years Ended June 30, 2017 through June 30, 2020**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 19,290	\$ 19,290	\$ -	\$ 17,536,759	0.11%
2019	19,709	19,709	-	17,917,479	0.11%
2018	25,404	25,404	-	16,691,551	0.15%
2017	20,126	20,126	-	13,417,215	0.15%

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018, 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:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

- Other Supplementary Information -

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Combining Statement of Net Position
As of June 30, 2020

	Western Tidewater Community Services Board	Isle of Wight Opportunities for the Disabled	Jay's Place
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets:			
Cash and cash equivalents	\$ 9,467,914	\$ -	\$ -
Accounts receivable, less allowance for uncollectibles	2,176,198	-	-
Total current assets	<u>\$ 11,644,112</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted Assets:			
Cash and cash equivalents	\$ 577,282	\$ 11,500	\$ 14,193
Accounts receivable	-	3,833	16,618
Total restricted assets	<u>\$ 577,282</u>	<u>\$ 15,333</u>	<u>\$ 30,811</u>
Capital Assets:			
Land	\$ 2,173,216	\$ 35,192	\$ 5,000
Other capital assets, less accumulated depreciation	9,111,968	47,553	138,880
Total capital assets, net	<u>\$ 11,285,184</u>	<u>\$ 82,745</u>	<u>\$ 143,880</u>
Other Assets:			
Net pension asset	\$ 1,151,148	\$ -	\$ -
Total assets	<u>\$ 24,657,726</u>	<u>\$ 98,078</u>	<u>\$ 174,691</u>
Deferred Outflows of Resources:			
Pension related items	\$ 1,417,736	\$ -	\$ -
OPEB related items	28,680	-	-
Total deferred outflows of resources	<u>\$ 1,446,416</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 1,244,004	\$ -	\$ -
Compensated absences	1,025,839	-	-
Amounts held for others - regional funds	2,613,352	-	-
Long-term debt, current portion	210,108	-	-
Total current liabilities	<u>\$ 5,093,303</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities Payable from Restricted Assets:			
Client and consumer funds	\$ 257,695	\$ -	\$ -
Accounts payable and accrued expenses	-	31,400	14,587
Long-term debt, current portion	-	12,254	-
Security deposits	-	2,053	193
Total liabilities payable from restricted assets	<u>\$ 257,695</u>	<u>\$ 45,707</u>	<u>\$ 14,780</u>
Long-Term Liabilities:			
Net OPEB liability	\$ 21,276	\$ -	\$ -
Long-term debt, less current portion	1,299,209	243,752	-
Total long-term liabilities	<u>\$ 1,320,485</u>	<u>\$ 243,752</u>	<u>\$ -</u>
Total liabilities	<u>\$ 6,671,483</u>	<u>\$ 289,459</u>	<u>\$ 14,780</u>
Deferred Inflows of Resources:			
Pension related items	\$ 691,936	\$ -	\$ -
OPEB related items	17,405	-	-
Total deferred inflows of resources	<u>\$ 709,341</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:			
Net investment in capital assets	\$ 9,775,867	\$ (173,261)	\$ 143,880
Restricted	319,587	-	16,031
Unrestricted	8,627,864	(18,120)	-
Total net position	<u>\$ 18,723,318</u>	<u>\$ (191,381)</u>	<u>\$ 159,911</u>

<u>The Wilkins of Suffolk</u>	<u>Reggie's Place</u>	<u>Barrett House</u>	<u>Gabriel's Place</u>	<u>Inter-Company Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,467,914
-	-	-	-	-	2,176,198
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,644,112</u>
\$ 30,518	\$ 10,899	\$ 7,108	\$ 18,251	\$ -	\$ 669,751
460	9,742	1,080	4,131	-	35,864
<u>\$ 30,978</u>	<u>\$ 20,641</u>	<u>\$ 8,188</u>	<u>\$ 22,382</u>	<u>\$ -</u>	<u>\$ 705,615</u>
\$ 5,000	\$ 5,000	\$ 14,000	\$ 51,300	\$ -	\$ 2,288,708
130,709	183,021	165,289	392,313	-	10,169,733
<u>\$ 135,709</u>	<u>\$ 188,021</u>	<u>\$ 179,289</u>	<u>\$ 443,613</u>	<u>\$ -</u>	<u>\$ 12,458,441</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,151,148
<u>\$ 166,687</u>	<u>\$ 208,662</u>	<u>\$ 187,477</u>	<u>\$ 465,995</u>	<u>\$ -</u>	<u>\$ 25,959,316</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,417,736
-	-	-	-	-	28,680
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,446,416</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,244,004
-	-	-	-	-	1,025,839
-	-	-	-	-	2,613,352
-	-	-	-	-	210,108
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,093,303</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 257,695
950	21,256	-	-	-	68,193
-	-	-	-	-	12,254
643	799	305	1,042	-	5,035
<u>\$ 1,593</u>	<u>\$ 22,055</u>	<u>\$ 305</u>	<u>\$ 1,042</u>	<u>\$ -</u>	<u>\$ 343,177</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,276
-	-	-	-	-	1,542,961
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,564,237</u>
<u>\$ 1,593</u>	<u>\$ 22,055</u>	<u>\$ 305</u>	<u>\$ 1,042</u>	<u>\$ -</u>	<u>\$ 7,000,717</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 691,936
-	-	-	-	-	17,405
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,341</u>
\$ 135,709	\$ 188,021	\$ 179,289	\$ 443,613	\$ -	\$ 10,693,118
29,385	(1,414)	7,883	21,340	-	392,812
-	-	-	-	-	8,609,744
<u>\$ 165,094</u>	<u>\$ 186,607</u>	<u>\$ 187,172</u>	<u>\$ 464,953</u>	<u>\$ -</u>	<u>\$ 19,695,674</u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

**Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020**

	Western Tidewater Community Services Board	Isle of Wight Opportunities for the Disabled	Jay's Place
Operating revenue:			
Net patient service revenue	\$ 20,789,483	\$ -	\$ -
Operating expenses:			
Salaries and benefits	\$ 26,444,544	\$ -	\$ -
Staff development	171,909	-	-
Facility	1,850,223	39,172	28,447
Supplies	1,255,242	-	-
Travel	424,599	-	-
Contractual and consulting	2,380,940	-	-
Depreciation	618,839	17,624	10,023
Other	1,627,286	-	-
Total operating expenses	\$ 34,773,582	\$ 56,796	\$ 38,470
Operating income (loss)	\$ (13,984,099)	\$ (56,796)	\$ (38,470)
Nonoperating income (expenses):			
Appropriations:			
Commonwealth of Virginia	\$ 15,420,546	\$ -	\$ -
Federal government	1,712,788	-	-
Local governments	601,559	-	-
Rentals	-	81,504	38,352
Interest income	15,668	2	2
Other	224,783	-	-
Loss on disposition of capital assets	-	-	-
Interest expense	(74,188)	(21,880)	-
Net nonoperating income	\$ 17,901,156	\$ 59,626	\$ 38,354
Change in net position	\$ 3,917,057	\$ 2,830	\$ (116)
Net position, beginning of year	14,806,261	(194,211)	160,027
Net position, end of year	\$ 18,723,318	\$ (191,381)	\$ 159,911

<u>The Wilkins of Suffolk</u>	<u>Reggie's Place</u>	<u>Barrett House</u>	<u>Gabriel's Place</u>	<u>Inter- Company Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,789,483
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,444,544
-	-	-	-	-	171,909
39,298	22,572	30,065	34,048	-	2,043,825
-	-	-	-	-	1,255,242
-	-	-	-	-	424,599
-	-	-	-	-	2,380,940
7,508	11,625	9,177	15,860	-	690,656
-	-	-	-	-	1,627,286
\$ 46,806	\$ 34,197	\$ 39,242	\$ 49,908	\$ -	\$ 35,039,001
\$ (46,806)	\$ (34,197)	\$ (39,242)	\$ (49,908)	\$ -	\$ (14,249,518)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,420,546
-	-	-	-	-	1,712,788
-	-	-	-	-	601,559
40,368	29,904	35,520	37,360	-	263,008
4	1	1	3	-	15,681
-	-	-	-	-	224,783
-	-	(8,748)	-	-	(8,748)
-	-	-	-	-	(96,068)
\$ 40,372	\$ 29,905	\$ 26,773	\$ 37,363	\$ -	\$ 18,133,549
\$ (6,434)	\$ (4,292)	\$ (12,469)	\$ (12,545)	\$ -	\$ 3,884,031
171,528	190,899	199,641	477,498	-	15,811,643
\$ 165,094	\$ 186,607	\$ 187,172	\$ 464,953	\$ -	\$ 19,695,674

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows
Year Ended June 30, 2020

	Western Tidewater Community Services Board	Isle of Wight Opportunities for the Disabled	Jay's Place
Cash flows from operating activities:			
Receipts from customers	\$ 20,620,453	\$ -	\$ -
Payments to suppliers	(6,555,191)	(43,931)	(35,197)
Payments to and for employees	(26,844,312)	-	-
Net cash provided by (used for) operating activities	<u>\$ (12,779,050)</u>	<u>\$ (43,931)</u>	<u>\$ (35,197)</u>
Cash flows noncapital financing activities:			
Government grants	\$ 17,734,893	\$ -	\$ -
Other	224,889	80,588	38,676
Net cash flows provided by (used for) noncapital financing activities	<u>\$ 17,959,782</u>	<u>\$ 80,588</u>	<u>\$ 38,676</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	\$ (276,541)	\$ (5,225)	\$ -
Interest on long-term debt	(74,188)	(21,958)	-
Principal payments on mortgages payable	(199,360)	(11,272)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (550,089)</u>	<u>\$ (38,455)</u>	<u>\$ -</u>
Cash flows from investing activities:			
Interest income	\$ 15,668	\$ 2	\$ 2
Net increase (decrease) in cash and cash equivalents	<u>\$ 4,646,311</u>	<u>\$ (1,796)</u>	<u>\$ 3,481</u>
Cash and cash equivalents, beginning of year	<u>5,398,885</u>	<u>13,296</u>	<u>10,712</u>
Cash and cash equivalents, end of year	<u><u>\$ 10,045,196</u></u>	<u><u>\$ 11,500</u></u>	<u><u>\$ 14,193</u></u>
Reconciliation to combining statement of net position:			
Cash and cash equivalents	\$ 9,467,914	\$ -	\$ -
Cash and cash equivalents - restricted	577,282	11,500	14,193
Total cash and cash equivalents, end of year	<u><u>\$ 10,045,196</u></u>	<u><u>\$ 11,500</u></u>	<u><u>\$ 14,193</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (13,984,099)	\$ (56,796)	\$ (38,470)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:			
Depreciation	618,839	17,624	10,023
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Due from other governments	43,101	-	-
Accounts receivable	(212,131)	-	-
Deferred outflows of resources - pension related items	(908,039)	-	-
Deferred outflows of resources - OPEB related items	(8,971)	-	-
Accounts payable and accrued expenses	(185,681)	(4,759)	(6,750)
Compensated absences	(381,804)	-	-
Amounts held for others - regional funds	1,233,018	-	-
Client and consumer funds	107,671	-	-
Net pension asset	1,210,395	-	-
Net OPEB liability	5,762	-	-
Deferred inflows of resources - pension related items	(313,308)	-	-
Deferred inflows of resources - OPEB related items	(3,803)	-	-
Net cash provided by (used for) operating activities	<u><u>\$ (12,779,050)</u></u>	<u><u>\$ (43,931)</u></u>	<u><u>\$ (35,197)</u></u>

<u>The Wilkins of Suffolk</u>	<u>Reggie's Place</u>	<u>Barrett House</u>	<u>Gabriel's Place</u>	<u>Inter-Company Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,620,453
(51,008)	(21,826)	(30,065)	(34,048)	-	(6,771,266)
-	-	-	-	-	(26,844,312)
<u>\$ (51,008)</u>	<u>\$ (21,826)</u>	<u>\$ (30,065)</u>	<u>\$ (34,048)</u>	<u>\$ -</u>	<u>\$ (12,995,125)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,734,893
55,582	25,057	35,483	38,960	-	499,235
<u>\$ 55,582</u>	<u>\$ 25,057</u>	<u>\$ 35,483</u>	<u>\$ 38,960</u>	<u>\$ -</u>	<u>\$ 18,234,128</u>
\$ -	\$ (1,568)	\$ (11,987)	\$ -	\$ -	\$ (295,321)
-	-	-	-	-	(96,146)
-	-	-	-	-	(210,632)
<u>\$ -</u>	<u>\$ (1,568)</u>	<u>\$ (11,987)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (602,099)</u>
\$ 4	\$ 1	\$ 1	\$ 3	\$ -	\$ 15,681
\$ 4,578	\$ 1,664	\$ (6,568)	\$ 4,915	\$ -	\$ 4,652,585
25,940	9,235	13,676	13,336	-	5,485,080
<u>\$ 30,518</u>	<u>\$ 10,899</u>	<u>\$ 7,108</u>	<u>\$ 18,251</u>	<u>\$ -</u>	<u>\$ 10,137,665</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,467,914
30,518	10,899	7,108	18,251	-	669,751
<u>\$ 30,518</u>	<u>\$ 10,899</u>	<u>\$ 7,108</u>	<u>\$ 18,251</u>	<u>\$ -</u>	<u>\$ 10,137,665</u>
\$ (46,806)	\$ (34,197)	\$ (39,242)	\$ (49,908)	\$ -	\$ (14,249,518)
7,508	11,625	9,177	15,860	-	690,656
-	-	-	-	-	43,101
-	-	-	-	-	(212,131)
-	-	-	-	-	(908,039)
-	-	-	-	-	(8,971)
(11,710)	746	-	-	-	(208,154)
-	-	-	-	-	(381,804)
-	-	-	-	-	1,233,018
-	-	-	-	-	107,671
-	-	-	-	-	1,210,395
-	-	-	-	-	5,762
-	-	-	-	-	(313,308)
-	-	-	-	-	(3,803)
<u>\$ (51,008)</u>	<u>\$ (21,826)</u>	<u>\$ (30,065)</u>	<u>\$ (34,048)</u>	<u>\$ -</u>	<u>\$ (12,995,125)</u>

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- Compliance -



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Western Tidewater Community Services Board, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Western Tidewater Community Services Board's basic financial statements and have issued our report thereon dated November 27, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Tidewater Community Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Western Tidewater Community Services Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Tidewater Community Services Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia

November 27, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited Western Tidewater Community Services Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Western Tidewater Community Services Board's major federal programs for the year ended June 30, 2020. Western Tidewater Community Services Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Western Tidewater Community Services Board's basic financial statements include the operations of the component unit organizations Isle of Wight Opportunities for the Disabled, Jay's Place, The Wilkins of Suffolk, Reggie's Place, Barrett House and Gabriel's Place, which expended \$1,779,207 in federal awards which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of the above component units because each of the component units issues separate financial statements, and audits in compliance with the Uniform Guidance are performed at the component unit level, where applicable.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Western Tidewater Community Services Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 27, 2020

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
<u>Department of Agriculture</u>			
Pass-Through Payments:			
Virginia Department of Agriculture Child and Adult Care Food Program	10.558	Not available	\$ <u>44,653</u>
<u>Department of Veterans Affairs</u>			
Direct Payments:			
Vocational and Educational Counseling for Service Members and Veterans	64.125	N/A	\$ <u>280,949</u>
<u>Department of Justice</u>			
Pass-Through Payments:			
Virginia Department of Criminal Justice Services Juvenile Justice and Delinquency Prevention	16.540	18-B3405JJ13	\$ <u>22,924</u>
<u>Department of Health and Human Services</u>			
Pass-Through Payments:			
Virginia Department of Behavioral Health and Disability Services			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	2B08TI010053	\$ 151,000
COVID-19 - Provider Relief Funds	93.498	N/A	6,956
Opioid STR	93.788	5H79TI080220	290,000
Block Grants for Community Mental Health Services	93.958	2B09SM010053	343,994
Block Grants for Prevention and Treatment of Substance Abuse	93.959	6H79SM062897-02	<u>572,312</u>
Total Department of Health and Human Services			\$ <u>1,364,262</u>
Total expenditures of federal awards			\$ <u><u>1,712,788</u></u>

Notes to the Schedule of Expenditure of Federal Awards

Note A - Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Western Tidewater Community Services Board under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Western Tidewater Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of Western Tidewater Community Services Board.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - De Minimis Cost Rate

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

Note E - Loan Balances

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Identification of major programs:	
<u>CFDA #</u> <u>Name of Federal Program or Cluster</u>	
93.959 Block Grants for Prevention and Treatment of Substance Abuse	
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020**

There were no items reported.

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