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**PIEDMONT REGIONAL COMMUNITY SERVICES BOARD  
dba PIEDMONT COMMUNITY SERVICES**

**Martinsville, Virginia**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2020**

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PIEDMONT REGIONAL COMMUNITY SERVICES BOARD  
Martinsville, Virginia

FINANCIAL REPORT - YEAR ENDED JUNE 30, 2020

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### Organization of Directors

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Jane Carlson, Chair  
Justin Sigmon, 1st Vice-Chair  
Brenda Ephriam, 2nd Vice-Chair

#### *Franklin County*

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Bettye Buckingham  
Vera Hollen  
Justin Sigmon  
B. W. Wright

#### *Henry County*

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Gill Carter  
Garrett Dillard  
Mary Blanche Horsley  
Bonnie Martin  
Eric Winn

#### *Patrick County*

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Jane Carlson  
Rendy Williams

#### *City of Martinsville*

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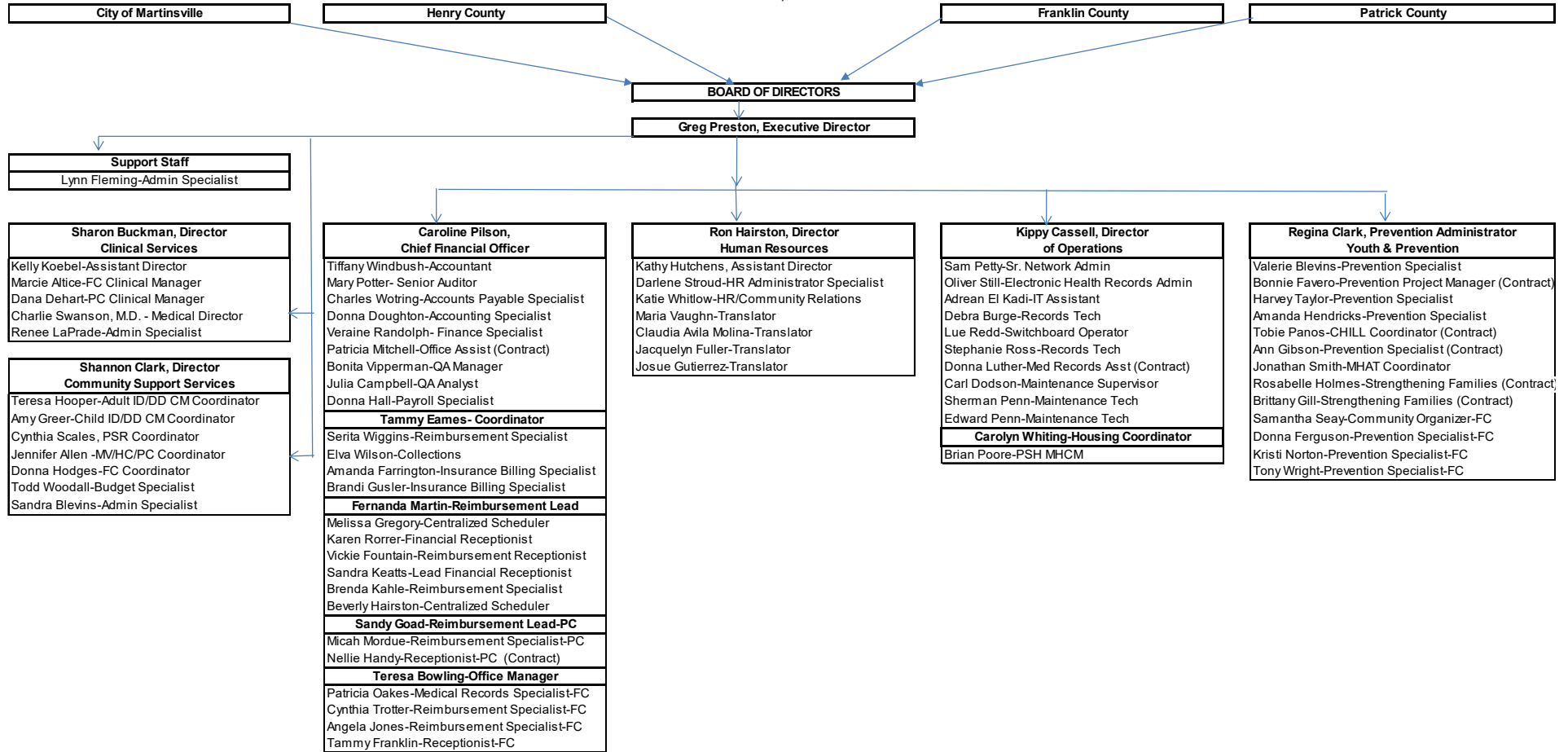
Linda R. Drage  
Brenda Ephriam

### Key Administrative Staff

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Brian "Greg" Preston	Executive Director
Caroline Pilson	Chief Financial Officer
Kippy Cassell	Director of Operations
Regina Clark	Prevention Administrator
Ronald Hairston	Director of Human Resources
Shannon Clark	Director of Community Support Services
Sharon Buckman	Director of Clinical Services

PIEDMONT COMMUNITY SERVICES  
ORGANIZATIONAL CHART  
ADMINISTRATION  
JUNE 30, 2020





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Independent Auditors' Report

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To the Board of Directors  
Piedmont Regional Community Services Board  
dba Piedmont Community Services  
Martinsville, Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Piedmont Regional Community Services Board dba Piedmont Community Services, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Piedmont Regional 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 Piedmont Regional 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 37-42 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 and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Piedmont Regional Community Services Board's basic financial statements. The combining financial statements are presented for the 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 of 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 Piedmont Regional Community Services Board's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 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 30, 2020 on our consideration of Piedmont Regional 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 Piedmont Regional 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 Piedmont Regional Community Services Board's internal control over financial reporting and compliance.

*Robinson, Fawcett, Cox Associates*

Charlottesville, Virginia  
November 30, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of Piedmont Regional Community Services Board's financial performance provides an introduction and overview to the financial statements for the fiscal year ended June 30, 2020.

Following this MD&A are the basic financial statements of Piedmont Regional Community Services Board (PCS) together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, there is certain required supplementary information regarding schedule of expenditures of federal awards and schedules related to pension and OPEB funding.

### Revenue

The CSB disabilities (Mental Health, Developmental Disabilities, and Substance Abuse) fourth quarter operating revenues prior to fee transfers or adjustments are as follows:

Disability	FY 2020	FY 2019
Mental Health	\$ 16,277,515	\$ 15,389,948
DD Services	7,443,682	5,734,621
Substance Abuse	4,787,715	4,118,572
Total	\$ 28,508,912	\$ 25,243,141

Medicaid remains the largest source of revenue for PCS, with collections totaling \$14.5 million.

New services in FY20 became operational through the Rural Jail Diversion project, with annual funding of \$235,000, as well as regional state funds of \$54,146 for Permanent Supportive Housing.

The Department of Behavioral Health (DBHDS) more than doubled annual allocation of funds for a total of \$886,253 to expand the implementation of STEP-VA—System Transformation Excellence and Performance. This is a statewide project for improving services, including same-day access, expansion of outpatient, crisis response, and prescribing capabilities. The eventual goal of this project is to reduce state hospital bed day census by the improvement of community-based capabilities.

FY20 Funding awards increased for total of \$465,000 from SAMHSA for the Virginia Opioid Prevention, Treatment and Recovery project (OPT-R). PCS was selected due to the high incidents of abuse revealed from the data collected on Virginia's social indicator dashboard for this catchment area. The goal is to increase access to treatment and reduce overdose deaths. Another \$100,000 became available for Medically Assisted Substance Treatment (MAT).

The Code of Virginia requires that state funds from DBHDS be matched by the localities at a 90/10 ratio. When the funds fall short of the required ratio, the Community Service Boards must request a waiver and provide evidence of economic hardship within the catchment area. Piedmont's local match ratio at the end of FY20 was short by 2.8%. PCS management met with the local government officials about this concern and asked them to consider additional ways to improve the local match allocations, such as in-kind donations, or reallocation of school based reimbursement as government appropriation funds.

### Summary of Operations and Changes in Net Position

	FY 2020	FY 2019
Operating revenue	\$ 16,297,001	\$ 15,325,145
Operating expenses	26,377,140	25,455,809
Operating income (loss)	\$ (10,080,139)	\$ (10,130,664)
Nonoperating income (loss)	11,436,829	10,626,056
Income (loss) before contributions	\$ 1,356,690	\$ 495,392
Capital contributions	810,963	646,912
Extraordinary item	860,050	1,491,904
Change in Net Position	\$ 3,027,703	\$ 2,634,208



## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Summary of Operations and Changes in Net Position (continued)

Operating revenue and expenses are defined as those items which result from providing services, primarily fees, and include all transactions and events which are noncapital and related financing. Non-operating revenues consist of grants, government appropriations, investment and other income. Non-operating expenses are defined as capital and noncapital related financing and other expenses.

PCS is self-insured for medical insurance with intentions of reducing the long-term escalation of premiums over time. Estimated claims for health insurance incurred but not paid as of June 30, 2020 was \$86,664.

### Condensed Cash Flow

	FY 2020	FY 2019
Cash flows from operating activities	\$ (8,396,030)	\$ (9,065,742)
Cash flows from noncapital financing activities	14,440,068	10,612,342
Cash flows from capital and related financing activities	(752,620)	58,751
Cash flows from investing activities	17,970	33,479
Net cash increase (decrease)	\$ 5,309,388	\$ 1,638,830
Cash and cash equivalents, beginning of year	9,738,041	8,099,211
Cash and cash equivalents, end of year	\$ 15,047,429	\$ 9,738,041

Consumer fees, operating expenses and personnel expenses determine the operating activities line of the cash flow report. Approximately \$2.3 M was used to acquire capital assets such as vehicles, furniture and equipment, and for property improvements. A significant portion of those costs were related to the fire at the Church Street apartments, which was reimbursed by insurance proceeds. Principal reductions of \$63,092 were paid on mortgages and \$61,732 was paid for interest expense.

Of the \$15.0 M cash and equivalents as of 6/30/2020, balances in earmarked or restricted state, federal funds and grants totaled \$2.9 M. The restricted funds include various funding streams including PACT, Regional, Aftercare Pharmacy, Jail Diversion, CIT, Crisis Stab, Opioid Response, MH Block, Prevention, Community Recovery, as well as grants such as Harvest. Of this balance, approximately \$1.5K was from prior years. In addition to the restricted operating funds, there was also \$246,766 balance remaining in reserve held to support the start-up costs associated of the two new DD group homes. Loan proceeds of \$2.8M from the Payroll Protection Program are also being restricted for future determination of expenditures in FY21.

Cash and cash equivalents consist of the following at June 30, 2020:

Cash on hand or established as petty cash	\$ 6,050
Deposits with banks	10,397,032
Deposits with banks (Building Fund)	956,253
Deposits with banks - debt reserve funds	113,720
Deposits with banks - PPP loan	2,855,735
Deposits held for HUD projects	70,520
Investments - Local Government Investment Pool	648,119
Total cash and cash equivalents	\$ 15,047,429

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Condensed Summary of PCS Statement of Net Position

	FY 2020	FY 2019
<b>Assets</b>		
Current assets	\$ 14,050,170	\$ 11,788,927
Restricted assets	3,144,457	223,394
Other Assets	1,215,255	1,672,579
Capital assets	13,617,872	12,446,260
Total assets	<u>\$ 32,027,754</u>	<u>\$ 26,131,160</u>
<b>Deferred Outflows of Resources</b>		
Items related to net pension asset	\$ 1,034,014	\$ 569,139
Items related to net OPEB liability	298,481	138,872
Total deferred outflows of resources	<u>\$ 1,332,495</u>	<u>\$ 708,011</u>
<b>Liabilities</b>		
Current liabilities	\$ 5,535,180	\$ 3,783,066
Liabilities payable from restricted assets	103,293	48,372
Long term liabilities	4,192,227	2,343,597
Total liabilities	<u>\$ 9,830,700</u>	<u>\$ 6,175,035</u>
<b>Deferred Inflows of Resources</b>		
Items related to net pension asset	\$ 422,550	\$ 568,907
Items related to net OPEB liability	68,067	84,000
Total deferred inflows of resources	<u>\$ 490,617</u>	<u>\$ 652,907</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 12,120,271	\$ 10,885,567
Restricted	934,175	779,550
Unrestricted	9,984,486	8,346,112
Total net position	<u>\$ 23,038,932</u>	<u>\$ 20,011,229</u>

Net Position may serve over time as a useful indicator of the Organization's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23.0 million at the close of the most recent fiscal year, an increase of \$3.0 million over FY19. Compensated leave balances increased by \$177K.

PCS staff act as payee representative to several consumers, primarily in residential settings, providing management of individual bank accounts totaling \$96,269 on June 30, 2020, reflected in the table above as restricted assets. Other restricted assets are the funds designated for HUD and USDA sites and the PPP loan proceeds. Of that amount, \$184,240 is designated by the funding source for renovation and repair, and security deposits.

### Capital Assets

PCS has long range building and property improvements as part of its management priorities. Investments in the cash reserves set aside for buildings totaled \$1 million as of June 30, 2020.

PCS was awarded a contract by DBHDS to fund construction of two DD group homes in order to assist with the placement of residents of the Central Virginia Training Center, which was mandated to permanently close and allow residents to move back into their home communities. Both homes opened during FY20 and management is currently accepting new residents.

There was a fire at Church Street Apartments at the start of FY19, which made the entire 33-unit complex uninhabitable. Insurance proceeds were received to reimburse the restoration costs across two fiscal years. The reconstruction was completed January 2020.

Subsequent to June 30, PCS purchased a new home in Patrick Springs. Residents of Little Ivy Group Home will move there from current home in Meadows of Dan. The new residence will provide better access to health care facilities, and improved driving conditions. The expected move date is December 2020. After the move, the original home may be listed for sale.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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### Capital Assets (continued)

Also subsequent to June 30, PCS purchased a facility partially funded with bank financing. The facility is expected to support the growth in services PCS has experienced in Substance Use and Recovery. Some currently leased facilities may also eventually be able relocate services into this location, for cost savings.

Additional information can be found in Note 5 of the financial statements.

### Long-Term Debt

PCS has \$4,353,326 (less current portion \$1,091,905) of debt outstanding. A loan is payable to USDA for Technology Drive, Rocky Mount with final payment due February, 2039 (reduced from May, 2047 after a lump sum payment made in 2011). In addition, property was purchased with an interest-free note of \$59,000 during 2018. This note was financed over five years. Proceeds from the PPP loan will be determined during FY21. Any amounts from the PPP loan which is not forgiven will be repaid over 2 years.

Additional information can be found in Note 8 to the financial statements.

### Summary

Over the past 3 years, Virginia Medicaid has changed significantly. Being the largest source of revenue to PCS, the impact of these changes has created some opportunities and challenges. The state of Virginia expanded Medicaid coverage by lowering income requirements in 2019. Because of expected growth in services, the funding for the expansion was achieved by reducing state funds to all CSBs over two fiscal years. Piedmont absorbed a reduction in state general funds of approximately \$400,000. Because of slower than expected income gains, DBHDS awarded a one-time restoration of the cut in the amount of \$130,000 in FY20.

In November 2017, Commonwealth Coordinated Care Plus (CCC+) transformed Medicaid into Managed Long Term Care plans for eligible consumers. In 2019, the transformation of Medicaid continued as Medallion IV Managed care plan expanded to approximately 1,000 current PCS consumers. During FY20, PCS expanded Substance Use services in all three counties. Fee collections for the Substance Use services doubled and PCS experienced an increase in overall Medicaid collections by \$600K.

Conversely, Managed Care requirements has made authorizations for Therapeutic Day Treatment (school setting), Psychosocial Rehabilitation services, Crisis Intervention and most recently Case Management increasingly more difficult to continue providing the level of care needed to ensure clients receive proper monitoring and support.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, which has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The full impact of the COVID-19 outbreak continues to evolve. Management is monitoring the situation and impact that it may have on future financial conditions, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global response to curb its spread, PCS is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for FY21.

### Requests for Information

This financial report is designed to provide a general overview of Piedmont Regional Community Services Board's finances for all those with an interest in PCS's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 24 Clay Street, Martinsville, Virginia 24112.

- Basic Financial Statements -

**PIEDMONT REGIONAL COMMUNITY SERVICES BOARD**

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

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 12,007,454	\$ 9,559,023
Accounts receivable, less allowance for uncollectibles	1,626,359	1,621,334
Due from other governments	213,707	387,843
Prepaid items	202,650	220,727
Total current assets	\$ 14,050,170	\$ 11,788,927
<b>Restricted Assets:</b>		
Cash and cash equivalents	\$ 3,039,975	\$ 179,018
Accounts receivable	8,213	3,261
Client funds	96,269	41,115
Total restricted assets	\$ 3,144,457	\$ 223,394
<b>Other Assets:</b>		
Net pension asset	\$ 1,215,255	\$ 1,672,579
<b>Capital Assets:</b>		
Property and equipment, less accumulated depreciation	\$ 13,617,872	\$ 12,446,260
Total assets	\$ 32,027,754	\$ 26,131,160
<b>Deferred Outflows of Resources</b>		
Items related to net pension asset	\$ 1,034,014	\$ 569,139
Items related to net OPEB liability	298,481	138,872
Total deferred outflows of resources	\$ 1,332,495	\$ 708,011
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,486,830	\$ 1,488,449
Contracts payable	-	425,011
Retainage payable	-	30,255
Unearned revenue	616,866	682,000
Compensated absences	1,258,369	1,081,219
Security and escrow deposits	15,966	13,036
Long-term debt, current portion	1,157,149	63,096
Total current liabilities	\$ 5,535,180	\$ 3,783,066
<b>Liabilities Payable from Restricted Assets:</b>		
Accounts payable and accrued expenses	\$ 2,565	\$ 2,500
Client funds	96,269	41,115
Security deposits and other	4,459	4,757
Total liabilities payable from restricted assets	\$ 103,293	\$ 48,372
<b>Long-Term Liabilities:</b>		
Long-term debt, less current portion	\$ 3,196,177	\$ 1,497,597
Net OPEB Liability	996,050	846,000
Total long-term liabilities	\$ 4,192,227	\$ 2,343,597
Total liabilities	\$ 9,830,700	\$ 6,175,035
<b>Deferred Inflows of Resources</b>		
Items related to net pension asset	\$ 422,550	\$ 568,907
Items related to net OPEB liability	68,067	84,000
Total deferred inflows of resources	\$ 490,617	\$ 652,907
<b>Net Position</b>		
Net investment in capital assets	\$ 12,120,271	\$ 10,885,567
Restricted	934,175	779,550
Unrestricted	9,984,486	8,346,112
Total net position	\$ 23,038,932	\$ 20,011,229

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

**PIEDMONT REGIONAL 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>
<b>Operating revenue:</b>		
Net patient service revenue	\$ 16,297,001	\$ 15,325,145
<b>Operating expenses:</b>		
Salaries and benefits	\$ 20,219,159	\$ 18,423,921
Staff development	78,538	105,661
Facility	1,153,719	1,391,785
Supplies	794,526	809,516
Travel	314,615	497,908
Contractual and consulting	2,915,829	3,395,240
Depreciation	671,931	612,783
Other	228,823	218,995
Total operating expenses	\$ 26,377,140	\$ 25,455,809
<b>Operating loss</b>	\$ (10,080,139)	\$ (10,130,664)
<b>Nonoperating income (expense):</b>		
Appropriations:		
Commonwealth of Virginia	\$ 8,130,420	\$ 7,039,839
Federal government	2,438,715	2,256,314
Local governments	433,774	407,714
Rent	227,367	255,686
Investment income	17,970	33,479
Other	250,315	680,651
Interest expense	(61,732)	(63,793)
Gain on sale of property and investments	-	16,166
Net nonoperating income	\$ 11,436,829	\$ 10,626,056
<b>Income before capital contributions and extraordinary item</b>	\$ 1,356,690	\$ 495,392
<b>Capital contributions and extraordinary item:</b>		
Construction grants and contributions	810,963	646,912
Impairment gain from fire	860,050	1,491,904
<b>Change in net position</b>	\$ 3,027,703	\$ 2,634,208
<b>Net position, beginning of year</b>	20,011,229	17,377,021
<b>Net position, end of year</b>	\$ 23,038,932	\$ 20,011,229

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

**PIEDMONT REGIONAL COMMUNITY SERVICES BOARD**

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

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 16,287,089	\$ 16,033,929
Payments to suppliers	(4,527,198)	(6,163,530)
Payments to and/or for employees	(20,155,921)	(18,936,141)
Cash flows provided by (used for) operating activities	\$ (8,396,030)	\$ (9,065,742)
<b>Cash flows from noncapital financing activities:</b>		
Government grants	\$ 11,111,911	\$ 9,676,093
PPP loan	2,855,725	-
Other	472,432	936,249
Cash flows provided by (used for) noncapital financing activities	\$ 14,440,068	\$ 10,612,342
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	\$ (2,298,809)	\$ (2,277,240)
Proceeds from insurance for fire	860,050	1,779,258
Proceeds from disposal of property	-	34,644
Principal payments on mortgages and loans payable	(63,092)	(61,030)
Payments for interest	(61,732)	(63,793)
Construction grants and contributions	810,963	646,912
Cash flows provided by (used for) capital and related financing activities	\$ (752,620)	\$ 58,751
<b>Cash flows from investing activities:</b>		
Investment income	\$ 17,970	\$ 33,479
Cash flows provided by (used for) investing activities	\$ 17,970	\$ 33,479
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 5,309,388</b>	<b>\$ 1,638,830</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>9,738,041</b>	<b>8,099,211</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 15,047,429</b>	<b>\$ 9,738,041</b>
<b>Cash and cash equivalents:</b>		
Unrestricted	\$ 12,007,454	\$ 9,559,023
Restricted	3,039,975	179,018
<b>Total</b>	<b>\$ 15,047,429</b>	<b>\$ 9,738,041</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (10,080,139)	\$ (10,130,664)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	671,931	612,783
Changes in operating assets, liabilities, and deferred outflows/inflows of resources:		
Accounts receivable	(9,912)	26,784
Prepaid items	18,077	741
Net pension asset	457,324	(164,152)
Deferred outflows related to net pension asset	(464,875)	(42,425)
Deferred outflows related to net OPEB liability	(159,609)	(83,380)
Accounts payable and accrued expenses	1,003,333	215,835
Security and escrow deposits	2,930	1,129
Unearned revenue	-	682,000
Compensated absences	177,150	(10,317)
Net OPEB liability	150,050	44,000
Deferred inflows related to net pension asset	(146,357)	(205,076)
Deferred inflows related to net OPEB liability	(15,933)	(13,000)
Cash flows provided by (used for) operating activities	\$ (8,396,030)	\$ (9,065,742)
<b>Supplemental cash flow information:</b>		
<b>Non-cash investing, capital, and financing activities</b>		
Personal property write-offs - new capitalization threshold	\$ -	\$ (450,251)
Impairment loss	-	(287,355)

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

## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements  
As of June 30, 2020

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. Description and Purpose of Organization:

The Organization operates as an agent for the Counties of Henry, Franklin, Patrick, and the City of Martinsville in the establishment and operation of community mental health, developmentally disabled and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950), relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Organization provides a system of community mental health and developmentally disabled and substance abuse services which relate to and are integrated with existing and planned programs.

#### B. Financial Reporting Entity:

For financial reporting purposes, the Organization includes all organizations which exclusively benefit the Organization. All component units included in these financial statements have years which end on June 30.

##### Blended Component Units:

Blended component units, although legally separate entities are, in substance, part of the Organization's operations, and so data from these units are combined with data of the Organization. The Organization has the following blended component units: Scuffling Hill Housing, Inc., Maynor Street Housing Inc., Pebble Creek Housing, Inc. and West Church Street Housing, Inc. All of these organizations have been included as part of the reporting entity. These entities are not-for-profit organizations exempt under Section 501(c)(3) of the Internal Revenue Code and were organized to own and operate facilities for handicapped individuals. Separately issued financial statements for the blended component units are available from the Chief Financial Officer, 24 Clay Street, Martinsville, VA 24112.

#### C. Financial Statement Presentation:

Piedmont Regional Community Services Board dba Piedmont Community Services is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

#### D. Basis of Accounting:

The Organization 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 Organization utilizes the accrual basis of accounting where revenues are recorded when earned and expenses recorded when due. Substantially all revenues and expenses are subject to accrual.

#### E. 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.



## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

#### F. Cash and Cash Equivalents:

The Organization 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 cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Organization. For purposes of the statement of cash flows, demand deposits and all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

#### G. Investments:

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

#### H. Restricted Assets:

The Organization segregates monies held on behalf of third parties (consumer funds and receivables) and debt reserve funds required to be maintained by loan covenants. Restricted assets also include proceeds from the PPP loan received in fiscal year 2020.

#### I. Client Accounts Receivable and Service Fee Revenue:

The Organization 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 Organization 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 Organization does not pursue the collection of amounts determined to qualify for financial assistance, they are not reported as 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.

The vast majority of fees collected result from Medicaid billings. An allowance for doubtful client and other accounts has been estimated by management to approximate \$435,275 at June 30, 2020 and \$554,335 at June 30, 2019.

#### J. Prepays:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of prepaid items are recorded as expenses when consumed rather than when purchased.

## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

#### K. Capital Assets:

Capital asset acquisitions of \$5,000 or more with a useful life of more than 2 years are capitalized and recorded at cost. Donated capital assets are recorded at acquisition value at the time of the gift. Depreciation is provided over the estimated useful life of each class of depreciable assets using the straight-line method.

Estimated useful lives of capital assets are as follows:

Buildings	25 to 40 years
Improvements to buildings	10 to 40 years
Furniture, fixtures, equipment and vehicles	5 years

#### L. 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 Organization 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 date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position may 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 Organization 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.

#### M. 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 Organization's Retirement Plan and the additions to/deductions from the Organization'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.

#### N. Other Postemployment Benefits (OPEB) - Group Life Insurance:

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

## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

#### O. Compensated Absences:

Employees are entitled to certain compensated absences based upon length of employment. Sick leave does not vest with the employee and is recorded as an expense when paid. Vacation and certain other compensated absences do vest with the employee. Provisions for the estimated liability for these compensated absences have been recorded in the financial statements.

#### P. Net Position:

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

The Organization 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 Organization's policy to consider restricted net position to have been depleted or used before unrestricted net position is applied.

#### Q. Operating and Nonoperating Revenues and Expenses:

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

#### R. Rental Income:

The Organization and its 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.

## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

#### S. Budgetary Accounting:

The Organization follows these procedures in establishing its budgets:

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

The Organization's Performance reports are filed with the Department during the fiscal year, 45 working days after the end of the second quarter. The final quarterly report is generally due by August 31 (unless extended), following the end of the fiscal year.

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

#### T. Comparative Totals:

Comparative amounts are presented for informational purposes only.

### NOTE 2 - DEPOSITS AND INVESTMENTS:

#### Deposits:

When an Organization has over \$250,000 in any one bank, the deposits in excess of \$250,000 are not covered by the Federal Deposit Insurance Corporation (FDIC) and, accordingly, are exposed to custodial credit risk because they are uncollateralized.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name. At June 30, 2020, the Organization had \$2,605,735 in deposits that were uncollateralized and exposed to custodial credit risk.

All other 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.

#### Restricted Deposits:

Restricted deposits consist of debt service reserve funds required by the USDA loan covenants and funds restricted for use by HUD in related organizations. Proceeds from the PPP loan received in fiscal year 2020 are also reported as restricted cash.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

**Investments:**

Statutes authorize the Organization 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), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The following is a summary of cash and cash equivalents:

	PCS	Component Units	Total	Total 2019
Cash on hand and petty cash	\$ 6,050	\$ -	\$ 6,050	\$ 5,800
Deposits with banks	14,322,740	70,520	14,393,260	9,094,510
Investments-LGIP	648,119	-	648,119	637,731
Total	<u>\$ 14,976,909</u>	<u>\$ 70,520</u>	<u>\$ 15,047,429</u>	<u>\$ 9,738,041</u>

**Credit Risk of Debt Securities:**

The Organization's investment policies allow the investment of funds in money market funds, repurchase agreements, the Commonwealth of Virginia Local Government Investment Pool, U.S. Treasury and agency securities and non-negotiable certificates of deposit. The Organization also accepts donations of equity securities. The Organization's rated debt investments at June 30, 2020 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

Rated Debt Investments	
Rated Debt Investments	Fair Quality Ratings AAAm
Virginia Local Government Investment Pool	\$ <u>648,119</u>

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

**Interest Rate Risk:**

The Organization's investment policy prohibits investing in instruments with a maturity date of greater than one year from the date of purchase.

	Interest Rate Risk	
	Investment Maturities (in Years)	
	Value	Less than 1 Year
Virginia Local Government Investment Pool	\$ 648,119	\$ 648,119

**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 LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

**NOTE 3 - ACCOUNTS RECEIVABLE:**

At June 30, the Organization had accounts receivable due from the following primary sources.

	2020	2019
Virginia Department of Medical Assistance Services (Medicaid)	\$ 1,502,082	\$ 1,447,309
Direct client, third party and other	559,552	728,360
Total	\$ 2,061,634	\$ 2,175,669
Less: Allowance for uncollectibles	(435,275)	(554,335)
Net accounts receivable	\$ 1,626,359	\$ 1,621,334

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 4 - DUE FROM OTHER GOVERNMENTS:**

The Organization has amounts due from other governments as follows:

	PCS	Component Units	Total	2019 Total
Commonwealth of Virginia:				
Tobacco Grant	\$ 3,913	\$ -	\$ 3,913	\$ 3,293
Healthy Families	16,824	-	16,824	14,756
DBHDS Group Home Reimbursement	-	-	-	185,856
Dept. of Juvenile Justice	11,250	-	11,250	11,250
Others	12,725	-	12,725	12,765
City of Martinsville	3,927	-	3,927	155
County of Henry	-	-	-	5,668
Danville-Pittsylvania CSB (DAP & Reg Funds)	155,493	-	155,493	92,208
US Dept. of Health and Human Services:				
Drug-Free Communities Grant	-	-	-	35,796
Mental Health Awareness Grants	9,575	-	9,575	26,096
Total	<u>\$ 213,707</u>	<u>\$ -</u>	<u>\$ 213,707</u>	<u>\$ 387,843</u>

**NOTE 5 - CAPITAL ASSETS:**

Capital assets consist of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,012,914	\$ 29,004	\$ -	\$ 1,041,918
Construction in progress	2,064,296	1,643,956	3,690,033	18,219
Total capital assets not being depreciated	<u>\$ 3,077,210</u>	<u>\$ 1,672,960</u>	<u>\$ 3,690,033</u>	<u>\$ 1,060,137</u>
Capital assets being depreciated:				
Building and improvements	\$ 14,783,994	\$ 3,948,473	\$ 912,546	\$ 17,819,921
Furnishings and equipment	2,088,375	189,330	19,853	2,257,852
Total capital assets being depreciated	<u>\$ 16,872,369</u>	<u>\$ 4,137,803</u>	<u>\$ 932,399</u>	<u>\$ 20,077,773</u>
Accumulated depreciation				
Building and improvements	\$ 6,026,853	\$ 496,589	\$ 635,359	\$ 5,888,083
Furnishings and equipment	1,476,466	175,342	19,853	1,631,955
Total accumulated depreciation	<u>\$ 7,503,319</u>	<u>\$ 671,931</u>	<u>\$ 655,212</u>	<u>\$ 7,520,038</u>
Net capital assets being depreciated	<u>\$ 9,369,050</u>	<u>\$ 3,465,872</u>	<u>\$ 277,187</u>	<u>\$ 12,557,735</u>
Total net capital assets	<u>\$ 12,446,260</u>	<u>\$ 5,138,832</u>	<u>\$ 3,967,220</u>	<u>\$ 13,617,872</u>

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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**NOTE 5 - CAPITAL ASSETS: (continued)**

Total depreciation expense was \$671,931 for 2020 and \$612,783 for 2019.

There was a fire at the Church Street apartments in fiscal year 2019 resulting in an impairment loss of \$287,355. Insurance proceeds of \$860,050 were received to reimburse the final restoration costs in fiscal year 2020, resulting in a gain. Additional insurance proceeds were received to reimburse lost rent and other costs.

**NOTE 6 - LEASE COMMITMENTS:**

The Organization leases office space and other facilities from various lessors. The lease terms range from monthly to one year. On May 31, 2018, the Organization entered into a new lease with the City of Martinsville for office space. This lease includes an option to purchase the property. Any payments tendered prior to the exercise of said option, less major capital expenses, incurred by the City related to occupancy of the premises, shall be applied to the purchase price. The Organization may be given credit toward lease payments for any improvement costs incurred, pending approval. The lease provides for thirteen monthly payments of \$1,500 expiring June 30, 2019 and was renewed for one additional year. In August 2018, the Organization paid for carpet replacement and was given credit toward lease payments from September 2018 through April 2019. The lease has not been formally renewed since the expiration on June 30, 2020. However, the Organization has continued to occupy the building and monthly payments have continued based on the most recent renewal.

Total rent expense for the years ended June 30, 2020 and 2019 totaled \$122,994 and \$109,340, respectively.

**NOTE 7 - COMPENSATED ABSENCES:**

The Organization has accrued the liability arising from compensated absences. Organization employees earn leave based on length of service. The Organization had outstanding accrued leave pay totaling \$1,258,369 at June 30, 2020 and \$1,081,219 at June 30, 2019. All of the compensated absence amounts are deemed to be current. Compensated absences increased by \$177,150 from 2019 to 2020.

**NOTE 8 - LONG-TERM DEBT:**

The following is a summary of long-term debt transactions of the Organization for the year ended June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Direct borrowings and placements:				
Notes payable	\$ 1,560,693	\$ 2,855,725	\$ 63,092	\$ 4,353,326



PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 8 - LONG-TERM DEBT: (continued)**

Details of long-term debt at June 30, 2020 were as follows:

	<u>Balance</u>	<u>Current Portion</u>
Direct borrowings and placements:		
\$2,161,300 note payable to USDA; interest only through May 22, 2009, payable in monthly installments of \$9,402 beginning June 22, 2009 (including principal and interest) through May 22, 2047, interest at 4.125%, secured by property in Rocky Mount, Virginia. The scheduled maturity date is February 22, 2039 due to a lump sum payment made in 2011.	\$ 1,468,601	\$ 53,244
\$59,000 note payable issued November 2018 for the purchase of land and a building in Martinsville, Virginia. The note was owner financed with no interest, paid in monthly installments of \$1,000 over 5 years.	29,000	12,000
\$2,855,725 Payroll Protection Program (PPP) loan issued May 2020, maturing on May 1, 2022, through Carter Bank & Trust. The loan is forgivable if the Organization uses the proceeds in accordance with the SBA PPP loan guidelines.	2,855,725	1,091,905
Total notes payable (direct borrowings and placements)	<u>\$ 4,353,326</u>	<u>\$ 1,157,149</u>

The Organization is in compliance with federal arbitrage regulations.

Maturities of notes payable and related interest (at current interest rates) are as follows:

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2021	\$ 1,157,149	\$ 87,870
2022	1,831,301	66,238
2023	62,815	55,009
2024	60,245	52,579
2025	62,778	50,046
2026-2030	355,765	208,355
2031-2035	437,102	127,018
2036-2039	386,171	30,836
Total	<u>\$ 4,353,326</u>	<u>\$ 677,951</u>

## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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### **NOTE 8 - LONG-TERM DEBT: (continued)**

Outstanding notes carry the following default provisions:

For the USDA note, upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Organization (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

If any installment due under the \$59,000 note is not paid when due and remains unpaid after thirty (30) days after such installment was due, the entire principal amount outstanding thereon shall at once become due and payable at the option of the Noteholder. The Noteholder may exercise this option to accelerate during any default by Borrower regardless of any prior forbearance. In the event of such acceleration by Noteholder, interest shall immediately begin to accrue on the entire remaining unpaid principal balance at the rate of five percent (5%) per annum until paid.

For the PPP loan, upon default, the noteholder can make all or any part of the amount owing by the terms of the Note become immediately due. The Noteholder may make a claim for any and all insurance benefits or refunds that may be available upon default. Amounts advanced will be immediately due and may be added to the balance owing under the terms of the Note and accrue interest at the highest post-maturity interest rate. The Noteholder may use the right of set-off, meaning that any amount due and payable under the terms of the Note may be set-off against any right of money to be received from the Noteholder.

### **NOTE 9 - COMMITMENTS AND CONTINGENCIES:**

Federal programs in which the Organization participates were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions therein all major programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The Organization has a line of credit with Carter Bank and Trust in the amount of \$3,000,000. The agreement is dated April 25, 2019 and expires on April 25, 2022 and carries an interest rate of 5.50%. The Organization did not draw on the line during fiscal year 2020 or fiscal year 2019.

At June 30, 2020, the Organization had no projects underway. DBHDS provided startup funds of \$682,000 to the group home projects on Independence Drive and Tank Street. Unspent funds of \$246,766 are reflected as unearned revenue at June 30, 2020.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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**NOTE 10 - LOCAL FUNDS:**

The following is a schedule of local funding by locality:

	<u>2020</u>	<u>2019</u>
Martinsville City	\$ 77,191	\$ 77,191
Henry County	207,599	181,539
Patrick County	71,779	71,779
Franklin County	77,205	77,205
Total	<u>\$ 433,774</u>	<u>\$ 407,714</u>

**NOTE 11 - NET PATIENT SERVICE REVENUES:**

Net patient service revenues were derived from the following sources:

	<u>2020</u>	<u>2019</u>
Medicaid	\$ 15,044,023	\$ 13,928,863
Direct client	483,811	446,704
Other	769,167	949,578
Total	<u>\$ 16,297,001</u>	<u>\$ 15,325,145</u>

**NOTE 12 - RENTAL INCOME:**

As a part of its operational purpose, the Organization receives rent for the use of residential facilities it owns. In fiscal year 2019, the Organization also entered into a three-year lease with a pharmacy provider, with the option for additional one-year renewal terms. The cost of the leased assets and related accumulated depreciation and depreciation expense are as follows:

	<u>2020</u>	<u>2019</u>
Rent received	\$ 227,367	\$ 255,686
Cost of leased assets	2,802,960	2,802,960
Accumulated depreciation	1,402,681	1,316,248
Depreciation expense	86,433	88,217

All rent received is pursuant to lease agreements which are one year or less, with the exception of the pharmacy lease.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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**NOTE 13 - RESTRICTED NET POSITION:**

Restricted net position consists of: (1) the net position of the component units less the cost of capital assets net of related debt of \$63,561 and (2) other unexpended grant funds of \$870,614. The net position is considered restricted due to the regulatory oversight over the Organization by the U.S. Department of Housing and Urban Development and the restrictions on the use of the property pursuant to the acceptance of capital advance funds by the Organization and state program restrictions on the use of certain funds.

**NOTE 14 - SELF-INSURANCE / RISK MANAGEMENT:**

**General and Property Insurance:**

The Organization has contracted with a commercial insurance carrier for general, professional liability, and director and officers' liability coverages which have \$1,000,000 coverage limits. Professional malpractice coverage is \$2,150,000. Other insurance coverages for property, workers compensation, crime, dishonesty and related coverages are provided by various commercial insurance carriers. Any settlements have not exceeded coverage in the past three years. Management believes the above described coverage is sufficient to preclude any significant uninsured losses.

**Employee Health Insurance:**

The Organization has established a self-insurance plan for its employee health program. The program is administered by a private insurance carrier. Premium payments are based on the number of employees insured and benefits.

Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued based upon history and estimates from the insurance carrier. The change in the estimated claims liability recorded in accounts payable and accrued liabilities for fiscal years 2020, 2019, and 2018 is summarized below.

<u>Fiscal Year</u>	<u>Estimated Claims Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Estimated Claims Liability End of Fiscal Year</u>
2020	\$ 99,253	\$ 1,953,627	\$ 1,966,216	\$ 86,664
2019	84,521	2,133,510	2,118,778	99,253
2018	105,718	2,408,450	2,429,647	84,521

## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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### **NOTE 15 - PENSION PLAN:**

#### ***Plan Description***

All full-time, salaried permanent employees of PCS 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.

#### ***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 and 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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### NOTE 15 - PENSION PLAN: (continued)

#### *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	46
Inactive members:	
Vested inactive members	27
Non-vested inactive members	74
Inactive members active elsewhere in VRS	<u>35</u>
Total inactive members	136
Active members	<u>291</u>
Total covered employees	<u><u>473</u></u>

#### *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.

Piedmont Regional Community Services Board's contractually required employer contribution rate for the year ended June 30, 2020 was 4.83% 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 Organization were \$526,405 and \$520,097 for the years ended June 30, 2020 and June 30, 2019, respectively.

## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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### NOTE 15 - PENSION PLAN: (continued)

#### *Net Pension Asset*

The net pension liability (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 PCS, 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 Organization'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 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 pension liabilities.

#### 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.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 15 - PENSION PLAN: (continued)**

***Actuarial Assumptions - General Employees (continued)***

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%

***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%



PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 15 - PENSION PLAN: (continued)**

*Long-Term Expected Rate of Return (continued)*

\* 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 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 Organization 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 Liability (Asset)*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 13,929,354	\$ 15,601,933	\$ (1,672,579)
Changes for the year:			
Service cost	\$ 1,047,246	\$ -	\$ 1,047,246
Interest	959,796	-	959,796
Changes of assumptions	533,183	-	533,183
Differences between expected and actual experience	67,374	-	67,374
Contributions - employer	-	519,898	(519,898)
Contributions - employee	-	555,567	(555,567)
Net investment income	-	1,085,191	(1,085,191)
Benefit payments, including refunds of employee contributions	(435,958)	(435,958)	-
Administrative expenses	-	(9,690)	9,690
Other changes	-	(691)	691
Net changes	\$ 2,171,641	\$ 1,714,317	\$ 457,324
Balances at June 30, 2019	\$ 16,100,995	\$ 17,316,250	\$ (1,215,255)

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 15 - PENSION PLAN: (continued)**

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

The following presents the net pension liability (asset) of PCS using the discount rate of 6.75%, as well as what the Organization's net pension liability (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		
	Current		
	1% Decrease	Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Piedmont Community Services			
Net Pension Liability (Asset)	\$ 998,829	\$ (1,215,255)	\$ (2,951,508)

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

For the year ended June 30, 2020, the Organization recognized pension expense of \$372,298. At June 30, 2020, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,089	\$ 90,305
Change of assumptions	418,520	179,800
Net difference between projected and actual earnings on pension plan investments	-	152,445
Employer contributions subsequent to the measurement date	526,405	-
Total	\$ 1,034,014	\$ 422,550

\$526,405 reported as deferred outflows of resources related to pensions resulting from the Organization's contributions subsequent to the measurement date will be recognized as an increase to the Net Pension Asset 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:

Year ended June 30	
2021	\$ (22,624)
2022	(102,812)
2023	120,755
2024	89,740
2025	-
Thereafter	-

## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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### **NOTE 15 - PENSION PLAN: (continued)**

#### ***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 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):**

#### ***Plan Description***

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

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

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

#### ***Eligible Employees***

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

#### ***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)**

***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$67,217 and \$62,872 for the years ended June 30, 2020 and June 30, 2019, respectively.

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB***

At June 30, 2020, the entity reported a liability of \$996,050 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .06121% as compared to .05569% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$42,037. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,243	\$ 12,920
Net difference between projected and actual earnings on GLI OPEB plan investments	-	20,460
Change in assumptions	62,885	30,035
Changes in proportion	102,136	4,652
Employer contributions subsequent to the measurement date	67,217	-
Total	\$ 298,481	\$ 68,067

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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**NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)**

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (continued)*

\$67,217 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 22,543
2022	22,544
2023	31,210
2024	39,858
2025	36,782
Thereafter	10,260

***Actuarial Assumptions:***

The total GLI 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. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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 OPEB liabilities.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)**

*Actuarial Assumptions: (continued)*

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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%

***NET GLI OPEB Liability***

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<u>GLI OPEB Plan</u>
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)**

***NET GLI OPEB Liability (continued)***

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

***Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	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.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

**NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)**

***Discount Rate***

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Organization's proportionate share of the GLI Plan Net OPEB Liability	\$ 1,308,534	\$ 996,050	\$ 742,634

***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan's Fiduciary Net Position 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.

**NOTE 17 - COVID-19 PANDEMIC:**

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, which has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. Management is monitoring the situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.



## PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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### **NOTE 18 - 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.

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

### **NOTE 19 - SUBSEQUENT EVENTS:**

On August 21, 2020, the Organization closed on the purchase of residential property on Scenic Drive in the amount of \$358,943. The purchase was financed with a \$302,000 loan from Fidelity Bank. The property will be used to relocate the Little Ivy Group Home.

On October 12, 2020, the Organization entered into an agreement to purchase commercial property in the amount of \$1,100,000. Financing has not yet been secured but a down payment of \$400,000 is anticipated with closing scheduled for November 30, 2020.

- Required Supplementary Information -

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 1,047,246	\$ 984,281	\$ 1,040,068	\$ 1,044,230	\$ 1,007,002	\$ 1,003,846
Interest	959,796	855,703	787,047	691,313	610,290	516,190
Differences between expected and actual experience	67,374	61,880	(39,235)	(77,525)	(253,095)	-
Changes of assumptions	533,183	-	(430,687)	-	-	-
Benefit payments	(435,958)	(393,670)	(359,136)	(221,626)	(191,837)	(159,644)
<b>Net change in total pension liability</b>	<b>\$ 2,171,641</b>	<b>\$ 1,508,194</b>	<b>\$ 998,057</b>	<b>\$ 1,436,392</b>	<b>\$ 1,172,360</b>	<b>\$ 1,360,392</b>
<b>Total pension liability - beginning</b>	<b>13,929,354</b>	<b>12,421,160</b>	<b>11,423,103</b>	<b>9,986,711</b>	<b>8,814,351</b>	<b>7,453,959</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 16,100,995</b>	<b>\$ 13,929,354</b>	<b>\$ 12,421,160</b>	<b>\$ 11,423,103</b>	<b>\$ 9,986,711</b>	<b>\$ 8,814,351</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 519,898	\$ 526,714	\$ 500,100	\$ 598,255	\$ 572,388	\$ 846,014
Contributions - employee	555,567	497,499	469,678	451,813	453,791	460,047
Net investment income	1,085,191	1,051,311	1,492,425	213,600	458,772	1,222,332
Benefit payments	(435,958)	(393,670)	(359,136)	(221,626)	(191,837)	(159,644)
Administrator charges	(9,690)	(8,362)	(7,869)	(6,210)	(5,378)	(5,542)
Other	(691)	(1,146)	(1,361)	(86)	(101)	64
<b>Net change in plan fiduciary net position</b>	<b>\$ 1,714,317</b>	<b>\$ 1,672,346</b>	<b>\$ 2,093,837</b>	<b>\$ 1,035,746</b>	<b>\$ 1,287,635</b>	<b>\$ 2,363,271</b>
<b>Plan fiduciary net position - beginning</b>	<b>15,601,933</b>	<b>13,929,587</b>	<b>11,835,750</b>	<b>10,800,004</b>	<b>9,512,369</b>	<b>7,149,098</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 17,316,250</b>	<b>\$ 15,601,933</b>	<b>\$ 13,929,587</b>	<b>\$ 11,835,750</b>	<b>\$ 10,800,004</b>	<b>\$ 9,512,369</b>
<b>Organization's net pension (asset) - ending (a) - (b)</b>	<b>\$ (1,215,255)</b>	<b>\$ (1,672,579)</b>	<b>\$ (1,508,427)</b>	<b>\$ (412,647)</b>	<b>\$ (813,293)</b>	<b>\$ (698,018)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>107.55%</b>	<b>112.01%</b>	<b>112.14%</b>	<b>103.61%</b>	<b>108.14%</b>	<b>107.92%</b>
<b>Covered payroll</b>	<b>\$ 11,978,257</b>	<b>\$ 10,582,256</b>	<b>\$ 9,816,096</b>	<b>\$ 9,645,309</b>	<b>\$ 9,117,984</b>	<b>\$ 8,605,627</b>
<b>Organization's net pension asset as a percentage of covered payroll</b>	<b>-10.15%</b>	<b>-15.81%</b>	<b>-15.37%</b>	<b>-4.28%</b>	<b>-8.92%</b>	<b>-8.11%</b>

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.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Schedule of Employer Contributions

Pension Plan

For the 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	\$ 526,405	\$ 526,405	\$ -	\$ 12,819,800	4.11%
2019	520,097	520,097	-	11,978,257	4.34%
2018	526,714	526,714	-	10,582,256	4.98%
2017	500,300	500,300	-	9,816,096	5.10%
2016	612,477	612,477	-	9,645,309	6.35%
2015	578,992	578,992	-	9,117,984	6.35%
2014	846,794	846,794	-	8,605,627	9.84%
2013	824,026	824,026	-	8,374,247	9.84%
2012	692,811	692,811	-	7,935,976	8.73%
2011	636,090	636,090	-	7,286,250	8.73%

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information

Pension Plan

For the Year Ended June 30, 2020

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**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%

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Schedule of Organization's Share of Net OPEB Liability  
Group Life Insurance (GLI) Plan

For the Measurement Dates June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.06121% \$	996,050 \$	11,998,385	8.30%	52.00%
2018	0.05569%	846,000	10,589,886	7.99%	51.22%
2017	0.05324%	802,000	9,820,945	8.17%	48.86%

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Schedule of Employer Contributions  
Group Life Insurance (GLI) Plan  
For the Years Ended June 30, 2011 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	\$ 67,217	\$ 67,217	\$ -	\$ 12,827,553	0.52%
2019	62,872	62,872	-	11,998,385	0.52%
2018	55,492	55,492	-	10,589,886	0.52%
2017	51,463	51,463	-	9,820,945	0.52%
2016	46,418	46,418	-	9,670,313	0.48%
2015	43,739	43,739	-	9,112,191	0.48%
2014	41,339	41,339	-	8,612,346	0.48%
2013	40,222	40,222	-	8,379,675	0.48%
2012	22,239	22,239	-	7,942,420	0.28%
2011	20,415	20,415	-	7,290,907	0.28%

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information  
Group Life Insurance (GLI) Plan  
For the Year Ended June 30, 2020

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**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 -  
*Combining Financial Statements*

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Combining Statement of Net Position  
As of June 30, 2020

Assets	Piedmont Community Services	Scuffling Hill Housing, Inc.	Maynor Street Housing, Inc.	Pebble Creek Housing, Inc.
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 12,007,454	\$ -	\$ -	\$ -
Accounts receivable, less allowance for uncollectibles	1,634,507	-	-	-
Due from other governments	213,707	-	-	-
Prepaid items	202,650	-	-	-
Total current assets	\$ 14,058,318	\$ -	\$ -	\$ -
<b>Restricted Assets:</b>				
Cash and cash equivalents	\$ 2,969,455	\$ 15,870	\$ 23,470	\$ 10,174
Accounts receivable	-	1,080	-	-
Client funds	96,269	-	-	-
Total restricted assets	\$ 3,065,724	\$ 16,950	\$ 23,470	\$ 10,174
<b>Other Assets:</b>				
Net pension asset	\$ 1,215,255	\$ -	\$ -	\$ -
<b>Capital Assets:</b>				
Property and equipment, less accumulated depreciation	\$ 12,357,642	\$ 256,448	\$ 287,563	\$ 309,373
Total assets	\$ 30,696,939	\$ 273,398	\$ 311,033	\$ 319,547
<b>Deferred Outflows of Resources</b>				
Items related to net pension asset	\$ 1,034,014	\$ -	\$ -	\$ -
Items related to net OPEB liability	298,481	-	-	-
Total deferred outflows of resources	\$ 1,332,495	\$ -	\$ -	\$ -
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued expenses	\$ 2,486,830	\$ -	\$ -	\$ -
Unearned revenue	616,866	-	-	-
Compensated absences	1,258,369	-	-	-
Security and escrow deposits	15,966	-	-	-
Long-term debt, current portion	1,157,149	-	-	-
Total current liabilities	\$ 5,535,180	\$ -	\$ -	\$ -
<b>Liabilities Payable from Restricted Assets:</b>				
Accounts payable and accrued expenses	\$ -	\$ 1,080	\$ -	\$ -
Client funds	96,269	-	-	-
Security deposits and other	-	850	1,407	1,115
Total liabilities payable from restricted assets	\$ 96,269	\$ 1,930	\$ 1,407	\$ 1,115
<b>Long-Term Liabilities:</b>				
Long-term debt, less current portion	\$ 3,196,177	\$ -	\$ -	\$ -
Net OPEB liability	996,050	-	-	-
Total long-term liabilities	\$ 4,192,227	\$ -	\$ -	\$ -
Total liabilities	\$ 9,823,676	\$ 1,930	\$ 1,407	\$ 1,115
<b>Deferred Inflows of Resources</b>				
Items related to net pension asset	\$ 422,550	\$ -	\$ -	\$ -
Items related to net OPEB liability	68,067	-	-	-
Total deferred inflows of resources	\$ 490,617	\$ -	\$ -	\$ -
<b>Net Position</b>				
Net investment in capital assets	\$ 10,860,041	\$ 256,448	\$ 287,563	\$ 309,373
Restricted	870,614	15,020	22,063	9,059
Unrestricted	9,984,486	-	-	-
Total net position	\$ 21,715,141	\$ 271,468	\$ 309,626	\$ 318,432

West Church Street Housing, Inc.	Intercompany Eliminations	Total
\$ -	\$ -	\$ 12,007,454
-	(8,148)	1,626,359
-	-	213,707
-	-	202,650
<u>\$ -</u>	<u>(8,148)</u>	<u>\$ 14,050,170</u>
\$ 21,006	\$ -	\$ 3,039,975
7,133	-	8,213
-	-	96,269
<u>\$ 28,139</u>	<u>\$ -</u>	<u>\$ 3,144,457</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,215,255</u>
<u>\$ 406,846</u>	<u>\$ -</u>	<u>\$ 13,617,872</u>
<u>\$ 434,985</u>	<u>\$ (8,148)</u>	<u>\$ 32,027,754</u>
\$ -	\$ -	\$ 1,034,014
-	-	298,481
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,332,495</u>
\$ -	\$ -	\$ 2,486,830
-	-	616,866
-	-	1,258,369
-	-	15,966
-	-	1,157,149
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,535,180</u>
\$ 9,633	\$ (8,148)	\$ 2,565
-	-	96,269
1,087	-	4,459
<u>\$ 10,720</u>	<u>\$ (8,148)</u>	<u>\$ 103,293</u>
\$ -	\$ -	\$ 3,196,177
-	-	996,050
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,192,227</u>
<u>\$ 10,720</u>	<u>\$ (8,148)</u>	<u>\$ 9,830,700</u>
\$ -	\$ -	\$ 422,550
-	-	68,067
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 490,617</u>
\$ 406,846	\$ -	\$ 12,120,271
17,419	-	934,175
-	-	9,984,486
<u>\$ 424,265</u>	<u>\$ -</u>	<u>\$ 23,038,932</u>

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

	Piedmont Community Services	Scuffling Hill Housing, Inc.	Maynor Street Housing, Inc.
<b>Operating revenue:</b>			
Net patient service revenue	\$ 16,297,001	\$ -	\$ -
<b>Operating expenses:</b>			
Salaries and benefits	\$ 20,219,159	\$ -	\$ -
Staff development	78,538	-	-
Facility	1,030,538	44,823	30,947
Supplies	794,526	-	-
Travel	314,615	-	-
Contractual and consulting	2,915,829	-	-
Depreciation	606,338	14,053	19,720
Other	228,823	-	-
Total operating expenses	\$ 26,188,366	\$ 58,876	\$ 50,667
<b>Operating income (loss)</b>	<b>\$ (9,891,365)</b>	<b>\$ (58,876)</b>	<b>\$ (50,667)</b>
<b>Nonoperating income (expense):</b>			
Appropriations:			
Commonwealth of Virginia	\$ 8,130,420	\$ -	\$ -
Federal government	2,438,715	-	-
Local governments	433,774	-	-
Rent	99,651	23,962	30,947
Investment income	17,880	23	40
Other	250,315	21,593	1,649
Interest expense	(61,732)	-	-
Net nonoperating income (expense)	\$ 11,309,023	\$ 45,578	\$ 32,636
<b>Income (loss) before capital contributions and extraordinary item</b>	<b>\$ 1,417,658</b>	<b>\$ (13,298)</b>	<b>\$ (18,031)</b>
<b>Capital contributions and Extraordinary Item:</b>			
Construction grants and contributions	810,963	-	-
Impairment gain from fire	860,050	-	-
<b>Change in net position</b>	<b>\$ 3,088,671</b>	<b>\$ (13,298)</b>	<b>\$ (18,031)</b>
<b>Net position, beginning of year</b>	<b>18,626,470</b>	<b>284,766</b>	<b>327,657</b>
<b>Net position, end of year</b>	<b>\$ 21,715,141</b>	<b>\$ 271,468</b>	<b>\$ 309,626</b>

<u>Pebble Creek Housing, Inc.</u>	<u>West Church Street Housing, Inc.</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 16,297,001
\$ -	\$ -	\$ -	\$ 20,219,159
-	-	-	78,538
33,033	40,722	(26,344)	1,153,719
-	-	-	794,526
-	-	-	314,615
-	-	-	2,915,829
14,879	16,941	-	671,931
-	-	-	228,823
\$ 47,912	\$ 57,663	\$ (26,344)	\$ 26,377,140
\$ (47,912)	\$ (57,663)	\$ 26,344	\$ (10,080,139)
\$ -	\$ -	\$ -	\$ 8,130,420
-	-	-	2,438,715
-	-	-	433,774
32,085	40,722	-	227,367
8	19	-	17,970
1,598	1,504	(26,344)	250,315
-	-	-	(61,732)
\$ 33,691	\$ 42,245	\$ (26,344)	\$ 11,436,829
\$ (14,221)	\$ (15,418)	\$ -	\$ 1,356,690
-	-	-	810,963
-	-	-	860,050
\$ (14,221)	\$ (15,418)	\$ -	\$ 3,027,703
332,653	439,683	-	20,011,229
\$ 318,432	\$ 424,265	\$ -	\$ 23,038,932

**PIEDMONT REGIONAL COMMUNITY SERVICES BOARD**

Combining Statement of Cash Flows  
Year Ended June 30, 2020

	<b>Piedmont Community Services</b>	<b>Scuffling Hill Housing, Inc.</b>	<b>Maynor Street Housing, Inc.</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 16,287,089	\$ -	\$ -
Payments to suppliers	(4,408,969)	(44,474)	(30,947)
Payments to and/or for employees	(20,155,921)	-	-
Cash flows provided by (used for) operating activities	<u>\$ (8,277,801)</u>	<u>\$ (44,474)</u>	<u>\$ (30,947)</u>
<b>Cash flows from noncapital financing activities:</b>			
Government grants	\$ 11,111,911	\$ -	\$ -
PPP loan	2,855,725	-	-
Other	349,966	45,106	32,600
Cash flows provided by (used for) noncapital financing activities	<u>\$ 14,317,602</u>	<u>\$ 45,106</u>	<u>\$ 32,600</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	\$ (2,298,809)	\$ -	\$ -
Proceeds from insurance for fire	860,050	-	-
Principal payments on mortgages and loans payable	(63,092)	-	-
Payments for interest	(61,732)	-	-
Construction grants and contributions	810,963	-	-
Cash flows provided by (used for) capital and related financing activities	<u>\$ (752,620)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash flows from investing activities:</b>			
Investment income	\$ 17,880	\$ 23	\$ 40
Cash flows provided by (used for) investing activities	<u>\$ 17,880</u>	<u>\$ 23</u>	<u>\$ 40</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>\$ 5,305,061</u>	<u>\$ 655</u>	<u>\$ 1,693</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>9,671,848</u>	<u>15,215</u>	<u>21,777</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 14,976,909</u></u>	<u><u>\$ 15,870</u></u>	<u><u>\$ 23,470</u></u>
<b>Cash and cash equivalents:</b>			
Unrestricted	\$ 12,007,454	\$ -	\$ -
Restricted	2,969,455	15,870	23,470
Total	<u><u>\$ 14,976,909</u></u>	<u><u>\$ 15,870</u></u>	<u><u>\$ 23,470</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (9,891,365)	\$ (58,876)	\$ (50,667)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:			
Depreciation	606,338	14,053	19,720
Changes in operating assets, liabilities, and deferred outflows/inflows of resources:			
Accounts receivable	(9,912)	-	-
Prepaid items	18,077	-	-
Net pension asset	457,324	-	-
Deferred outflows related to net pension asset	(464,875)	-	-
Deferred outflows related to net OPEB liability	(159,609)	-	-
Accounts payable and accrued expenses	998,381	349	-
Security and escrow deposits	2,930	-	-
Compensated absences	177,150	-	-
Net OPEB liability	150,050	-	-
Deferred inflows related to net pension asset	(146,357)	-	-
Deferred inflows related to net OPEB liability	(15,933)	-	-
Cash flows provided by (used for) operating activities	<u><u>\$ (8,277,801)</u></u>	<u><u>\$ (44,474)</u></u>	<u><u>\$ (30,947)</u></u>

Pebble Creek Housing, Inc.	West Church Street Housing, Inc.	Intercompany Eliminations	Total
\$ -	\$ -	\$ -	\$ 16,287,089
(34,933)	(34,219)	26,344	(4,527,198)
-	-	-	(20,155,921)
<u>\$ (34,933)</u>	<u>\$ (34,219)</u>	<u>\$ 26,344</u>	<u>\$ (8,396,030)</u>
\$ -	\$ -	\$ -	\$ 11,111,911
-	-	-	2,855,725
35,380	35,724	(26,344)	472,432
<u>\$ 35,380</u>	<u>\$ 35,724</u>	<u>\$ (26,344)</u>	<u>\$ 14,440,068</u>
\$ -	\$ -	\$ -	\$ (2,298,809)
-	-	-	860,050
-	-	-	(63,092)
-	-	-	(61,732)
-	-	-	810,963
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (752,620)</u>
<u>\$ 8</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 17,970</u>
<u>\$ 8</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 17,970</u>
\$ 455	\$ 1,524	\$ -	\$ 5,309,388
9,719	19,482	-	9,738,041
<u>\$ 10,174</u>	<u>\$ 21,006</u>	<u>\$ -</u>	<u>\$ 15,047,429</u>
\$ -	\$ -	\$ -	\$ 12,007,454
10,174	21,006	-	3,039,975
<u>\$ 10,174</u>	<u>\$ 21,006</u>	<u>\$ -</u>	<u>\$ 15,047,429</u>
\$ (47,912)	\$ (57,663)	\$ 26,344	\$ (10,080,139)
14,879	16,941	-	671,931
-	-	-	(9,912)
-	-	-	18,077
-	-	-	457,324
-	-	-	(464,875)
-	-	-	(159,609)
(1,900)	6,503	-	1,003,333
-	-	-	2,930
-	-	-	177,150
-	-	-	150,050
-	-	-	(146,357)
-	-	-	(15,933)
<u>\$ (34,933)</u>	<u>\$ (34,219)</u>	<u>\$ 26,344</u>	<u>\$ (8,396,030)</u>

- 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*

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To the Board of Directors  
Piedmont Regional Community Services Board  
dba Piedmont Community Services  
Martinsville, 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 Piedmont Regional Community Services Board dba Piedmont Community Services, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Piedmont Regional Community Services Board's basic financial statements and have issued our report thereon dated November 30, 2020.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Piedmont Regional 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 Piedmont Regional Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Piedmont Regional 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.

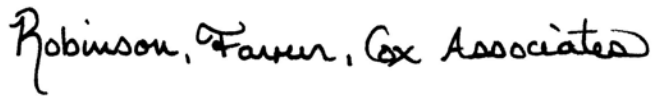
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Piedmont Regional 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 Piedmont Regional 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 Piedmont Regional Community Services Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Charlottesville, Virginia  
November 30, 2020



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

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To the Board of Directors  
Piedmont Regional Community Services Board  
dba Piedmont Community Services  
Martinsville, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited Piedmont Regional 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 Piedmont Regional Community Services Board's major federal programs for the year ended June 30, 2020. Piedmont Regional 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.

Piedmont Regional Community Services Board's basic financial statements include the operations of component unit organizations Scuffling Hill Housing, Inc.; Maynor Street Housing, Inc.; Pebble Creek Housing, Inc.; and West Church Street Housing Inc., which expended, in the aggregate, a total of \$1,856,629 in federal awards which is not included the Schedule 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 Piedmont Regional 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 Piedmont Regional 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 Piedmont Regional Community Services Board's compliance.

## *Opinion on Each Major Federal Program*

In our opinion, Piedmont Regional 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 June 30, 2020.

## **Report on Internal Control over Compliance**

Management of Piedmont Regional 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 Piedmont Regional 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 Piedmont Regional 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 a 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, Fawcett, Cox Associates*

Charlottesville, Virginia  
November 30, 2020

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>Department of Agriculture:</u>			
Pass-through payments:			
Virginia Department of Agriculture:			
Child and Adult Care Food Program (CACFP)	10.558	10340	\$ 70,574
<u>Department of Health and Human Services:</u>			
Direct payments:			
Drug-Free Communities Support Program Grants	93.276	Not Applicable	\$ 118,846
COVID-19 - Provider Relief Fund	93.498	Not Applicable	117,400
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Substance Abuse and Mental Health Services -			
Projects of Regional and National Significance (Direct)	93.243	Not Applicable	\$ 2,059
Projects of Regional and National Significance (Pass-Through)	93.243	5U79SP020791-05	200,766
Opioid STR	93.788	5H79TI080220-02/ 5H79TI081682-02	223,067
Block Grants for Community Mental Health Services	93.958	2B090SM010053-19	268,554
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053-19	908,675
Virginia Department of Social Services:			
Temporary Assistance for Needy Families (TANF)	93.558	FAM-18-106A-19	238,560
Total Department of Health and Human Services			\$ 2,077,927
<u>Department of Education:</u>			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Special Education - Grants for Infants and Families	84.181	H181A190017	\$ 62,547
Total expenditures of federal awards			\$ 2,211,048

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation:

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Piedmont Community Services 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 for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Piedmont Community Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of Piedmont Community Services.

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 - Indirect Cost Recovery:

The entity has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note E - Item Not Included in the Schedule:

U.S.D.A. Rural Development loan balance at June 30, 2020 for which only the payment of debt service is the primary compliance requirement. \$ 1,468,601

Note F - Reconciliation of Expenditures of Federal Awards to Financial Statements:

Total expenditures of Federal Awards	\$ 2,211,048
Adjustments:	
Substance Abuse - Stragic Prevention	8,208
Block Grant for Prevention and Treatment of Substance Abuse	24,477
Mental Health Block Grant Federal Balance	67,166
OPT-R Opioid Response Federal Balance	127,816
Total federal revenue per financial statements	\$ 2,438,715

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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**Section I - Summary of Auditors' Results**

**Financial Statements**

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

**Federal Awards**

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

Identification of major programs:

CFDA #    Name of Federal Program or Cluster

93.959    Block Grants for Prevention and Treatment of Substance Abuse

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

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

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

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There were no items reported for the year ended June 30, 2019.