
MIDDLE PENINSULA - NORTHERN NECK

COMMUNITY SERVICES BOARD

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

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MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

BOARD OF DIRECTORS

At June 30, 2020

Alice Coates, Chair

H. Pratt Haynie, Jr.
Kathryn Knoeller
J. David Parr

Timothy Doss
Stanley Langford
Melissa Kenney

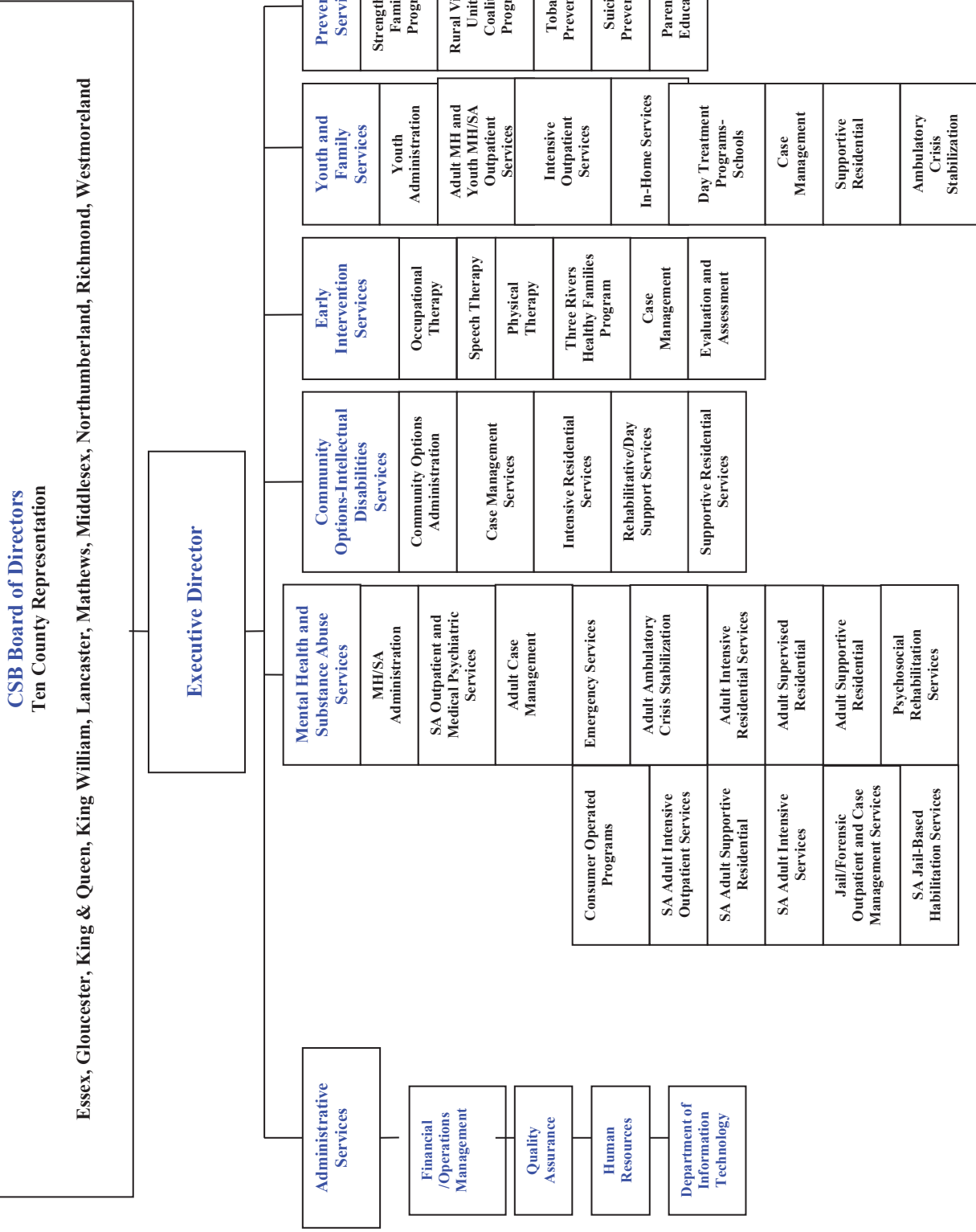
Dr. Darryl Pirok
Edith Turner
Rosalyn Trent

PRINCIPAL MANAGEMENT TEAM

Charles R. Walsh	Executive Director
Yvonne Wingrove	Chief Financial Officer
Linda Hodges	Director of Clinical Mental Health & Substance Abuse
Lynnie McCrobie	Director of Intellectual Disabilities
Emily Eanes	Director of Youth and Family Services
William F. Wallace	Director of Human Resources
Katherine Phillips	Director of Early Intervention
Cheryl Matteo-Kerney	Director of Prevention Services
Erich Campbell	Director of Information Technology
Scott Britton	Director of Quality Assurance

Middle Peninsula-Northern Neck Community Services Board
FY 20

ORGANIZATIONAL STRUCTURE





ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Middle Peninsula-Northern Neck Community Services Board
Saluda, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Middle Peninsula-Northern Neck Community Services Board, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Middle Peninsula-Northern Neck 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 respective financial position of the business-type activities of Middle Peninsula-Northern Neck 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 4-13, and 44-49 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 Middle Peninsula-Northern Neck Community Services Board's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Report on Summarized Comparative Information

We have previously audited Middle Peninsula-Northern Neck Community Services Board's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 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 5, 2020, on our consideration of Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck Community Services Board's internal control over financial reporting and compliance.

Robinson Taven Cox Associates

Charlottesville, Virginia
November 5, 2020

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MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

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

The following Management's Discussion and Analysis of the Middle Peninsula - Northern Neck Community Services Board's (MPNNCSB) activities and financial performance provides an introduction and overview to the financial statements for fiscal year ended June 30, 2020. The financial statements not only represent the operations of the Board but are blended with Properties, Inc. and three HUD projects, Kilmarnock New Horizons, Lively Turning Point and Woodland Pointe. Properties, Inc. is a property holding organization for the Board. The HUD projects were organized to own and operate facilities for individuals with disabilities. All three of these components are not-for-profit organizations exempt under Section 501(c)(3) of the Internal Revenue Code.

HIGHLIGHTS ON FISCAL YEAR 2020

MPNNCSB's focus in FY 20 included:

1. MPNNCSB was awarded \$64,395 in Seriously Mentally Ill (SMI) funding through the Mental Health Block Grant.
2. The Community Options program was awarded \$18,307 for COVID Developmentally Delayed (DD) and COVID DD to offset costs due to COVID-19.
3. MPNNCSB's Rural Infant Services Program was awarded State Caboose Funds of \$261,953 for additional funding for FY 20.
4. The state allocated a One Time Add On Funds for Children's Mental Health Federal Block Grant of \$34,120 which will be added to the base amount from FY 20 of 25,668 and carry on into FY 21 for a total amount of \$59,788
5. Charterhouse received a Supplemental Block Grant for equipment needs of \$64,392
6. MPNNCSB received a One Time Regional funding of \$58,628 which was approved for operations at Discovery 1, the Mental Health residential site.
7. Financial reimbursement following the Virginia Beach shooting of \$1,459 was granted to MPNCSB for hours worked and miles driven by staff supporting the community during this critical incident. Also \$730 in Mental Health One Time funds were awarded.
8. The PACT program received \$37,438 in additional funding to carry forward in FY 21.
9. MPNN received \$103, 724 for the replacement of General Fund monies reduced as a result of Medicaid Expansion as One Time Funds. The general Fund reduction for Medicaid Expansion was \$361,794 for FY 20.
10. MPNNCSB continued as fiscal agent for Region 5 with \$125,000 for the Mental Health First Aid and Regional Suicide Prevention Workgroup Support.
11. Federal dollars were awarded in the following areas to expand psychiatric services for Substance Use Disorder clients to include Medication Assistance Treatment, purchase medication, assistance with barriers to care such as transportation and receive other clinical supports: \$223,000 for treatment expansion and \$177,000 for recovery expansion.
12. For expansion of Medication Assisted Treatment (MAT) and Opioid Use Disorder (OUD), MPNNCSB was funded \$130,000 by the Department of Behavioral Health and Disability Services (DBHDS).
13. Prevention Services received a \$100,000 State Opioid Response (VA SOR) award.
14. All Community Service Boards were awarded \$32,250 in Mental Health Outpatient funding for FY 20.

HIGHLIGHTS ON FISCAL YEAR 2020 (continued)

15. The VOCA Child Treatment Program (VDSS) had a total award of \$84,722 funded -\$16,944 was agency match and \$67,778 were Federal funds.
16. The CIT programs in Kilmarnock and Tappahannock were closed due to low utilization and funds from DBHDS were reduced to \$285,170. Original award was \$543,721.
17. MPNNCSB received \$192,380 ongoing funds and \$195,000 to support the development of Outpatient Services
18. \$5,000 was awarded to the Prevention Program to participate in Over-the-Counter Drug Pilot project.
19. The System of Care grant received \$226,954 in FY 20 however the grant was not renewed for FY 21.
20. MPNNCSB continued to collaborate with Western Tidewater Mental Health (WTMH) CSB to provide Mental Health Skill Building services at Tidewater Cove run by WTMH CSB.
21. The USDA funded \$19,289 in groceries for the Psychosocial Rehabilitative program, Charterhouse
22. MPNN continued in the Anthem's Behavioral Health Quality Incentive program and are a gold card member.
23. Telehealth initiatives with Bay Rivers Telehealth remained in place throughout FY 20 offering services in schools.
24. MPNNCSB had outsourced billing to Credible in FY 19 and will continue until 2023.
25. Services in the jails resulted in agreements with the Gloucester and Lancaster Sherriff's departments, the Middle Peninsula Regional Jail and Northern Neck Regional Jail for a combined total of \$189,482 in funding.
26. A continuation of the Healthy Families Grant through the Department of Social Services continued at \$181,816 for FY 20.
27. MPNNCSB's Prevention Program continued with the HCAT nutritional grant at \$29,512.
28. The PACT program continued with another \$750,000 in state funds for the year.
29. Ongoing federal consumer grants continued with the Consumer Operated Program -\$32,219 and Peer Recovery \$105,096.
30. Properties Inc., which MPNNCSB leases office space and group homes, worked to complete space planning and architectural work on the two new bank buildings and renovations began throughout FY 20 with opening planned for December 2020.
31. The Youth and Family program continued to receive awards from District 9 and 15 Juvenile Courts \$110,416.
32. Fees were \$12,350,985 in FY 20 compared to \$13,577,948 in FY 19. This was a 9.04% decrease from prior year mainly from Medicaid. Fees accounted for 53.05% of total revenue.
33. Operating expenses decreased by \$173,750 or .74% from the prior year.
34. Revenues from the Commonwealth of Virginia increased \$357,687 or 5.17%; Federal funds had an increase of \$596,926 or 33.89%, while Local funds increased by \$19,814 or 3.82%.

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

The change in net position as of June 30, 2020 was (\$58,733) as compared to (\$67,589) in 2019.

	2020	2019
Operating revenues	\$ 12,350,985	\$ 13,577,948
Operating expenses	23,285,501	23,459,251
Operating income (loss)	\$ (10,934,516)	\$ (9,881,303)
Net nonoperating income	10,875,783	9,813,714
Change in net position	\$ (58,733)	\$ (67,589)

FINANCIAL POSITION SUMMARY

Net position may serve over time as a useful indicator of MPNNCSB's financial position. MPNNCSB's financial position is measured in terms of resources (assets and deferred outflows of resources) owned and obligations (liabilities and deferred inflows of resources) owed as of June 30, 2020. This information is reflected on the Statement of Net Position. The excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources is the net position. MPNNCSB's net position was \$8.4M.

A condensed summary of the CSB's Statements of Net Position at June 30, 2020 and 2019 is shown below:

	2020	2019
Assets		
Current assets	\$ 2,987,728	\$ 4,597,550
Restricted current assets	195,039	168,353
Capital assets (net of depreciation)	6,179,648	6,261,842
Other assets	4,402,322	4,784,220
Total assets	\$ 13,764,737	\$ 15,811,965
Deferred outflows of resources	\$ 1,232,687	\$ 431,831
Liabilities		
Current liabilities	\$ 1,252,552	\$ 5,498,753
Current liabilities payable from restricted current assets	122,538	91,384
Long-term liabilities	4,080,658	1,077,092
Total liabilities	\$ 5,455,748	\$ 6,667,229
Deferred inflows of resources	\$ 1,187,333	\$ 1,163,491
Net position	\$ 8,354,343	\$ 8,413,076

CASH FLOWS

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

	2020	2019
Cash flows from operating activities	\$ (11,371,223)	\$ (10,665,288)
Cash flows from noncapital financing activities	10,902,294	9,903,003
Cash flows from capital and related financing activities	(717,296)	(164,742)
Cash flows from investing activities	26,238	33,262
Net increase (decrease) in cash and cash equivalents	\$ (1,159,987)	\$ (893,765)

CASH FLOWS (continued)

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

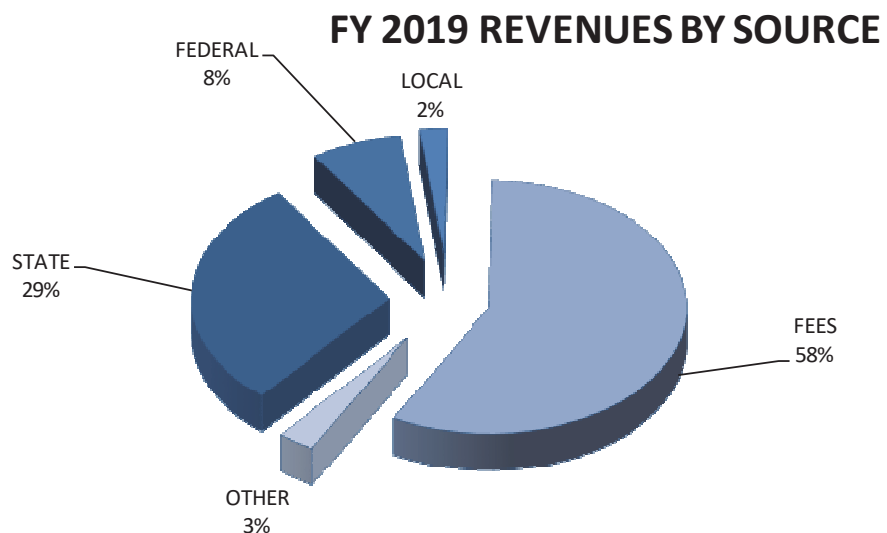
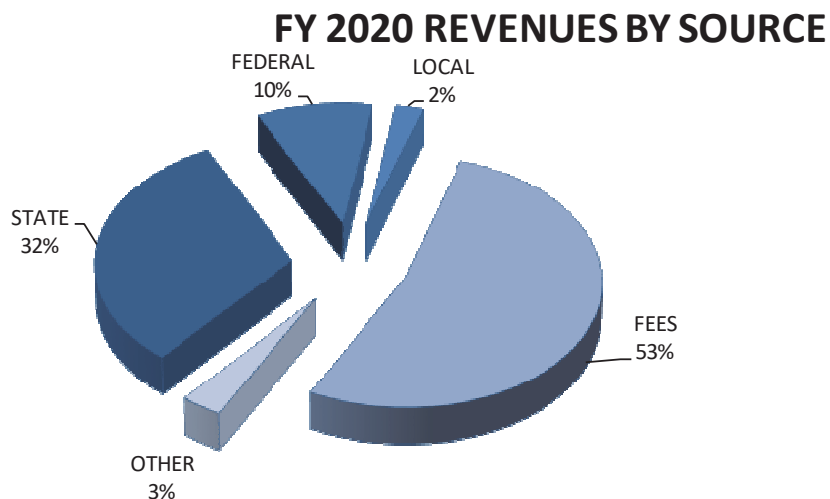
Cash Flows from Noncapital and Related Financing Activities consists of income received primarily as government grants.

Cash Flows from Capital and Related Financing Activities represents income from acquisition of fixed assets, interest payment on long term debt, principal payments on mortgages and loans payable.

The decrease in cash of \$1,160,082 is due mainly to the decrease of patient service revenue.

REVENUES

The following charts show the major sources and the percentages of operating revenues for the years ended June 30, 2020 and 2019:



REVENUES (continued)

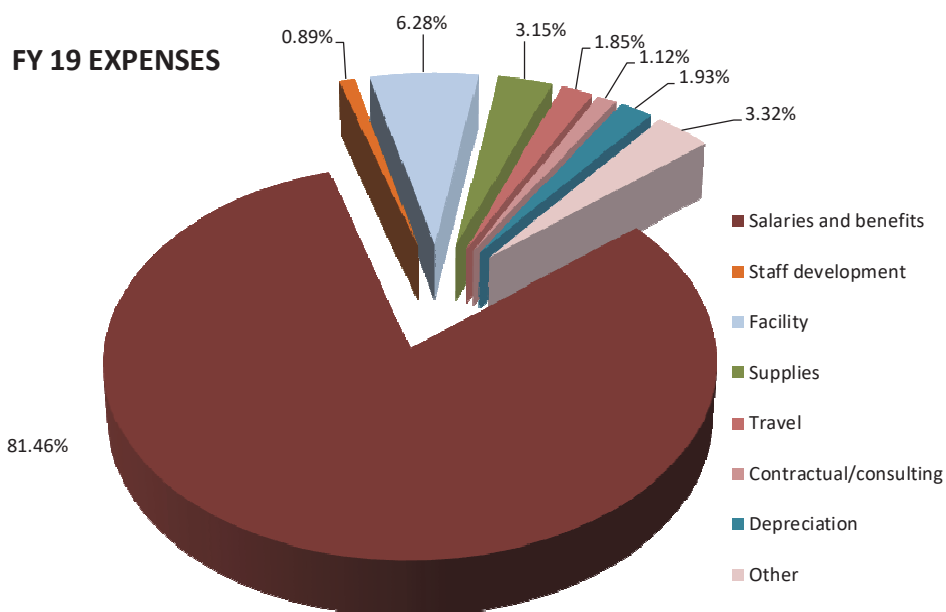
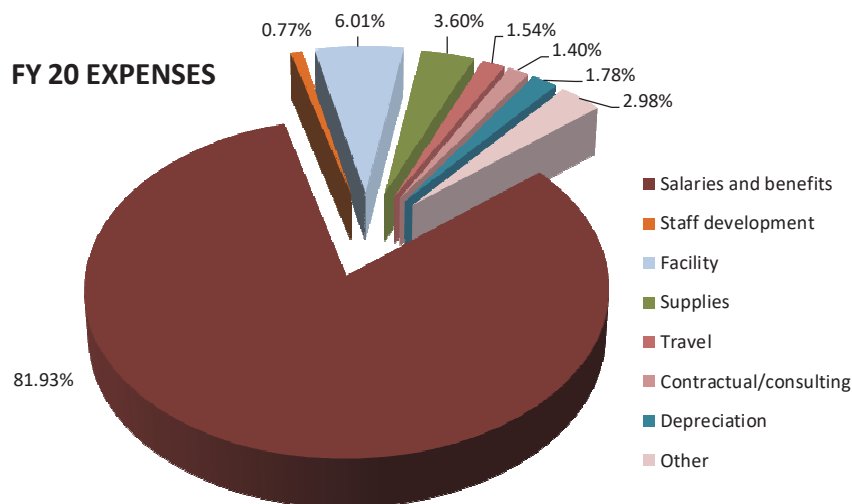
A summary of revenues for the years ended June 30, 2020 and 2019 and the amount and percentage change of 2020 in relation to 2019 are as follows:

Major Revenue Category Comparison Fiscal Years 2020 and 2019

Revenue	2020	Percent of Total	2019	Percent of Total	Increase (Decrease) from 2019	Percent Increase (Decrease) from 2019
State	\$ 7,275,940	31.25%	\$ 6,918,253	29.44%	\$ 357,687	5.17%
Federal	2,358,128	10.13%	1,761,202	7.49%	596,926	33.89%
Local	538,440	2.31%	518,626	2.21%	19,814	3.82%
Fees	12,350,985	53.05%	13,577,948	57.78%	(1,226,963)	-9.04%
Other	758,489	3.26%	723,237	3.08%	35,252	4.87%
Total	\$ 23,281,982	100.00%	\$ 23,499,266	100.00%	\$ (217,284)	38.72%

EXPENSES

The following charts show the expense categories and percentage of operating expenses for the years ended June 30, 2020 and 2019.



EXPENSES (continued)

A summary of operating expenses for the years ended June 30, 2020 and 2019 and the amount and percentage change in 2020 in relation to 2019 are as follows:

Major Operating Expense Category Comparison Fiscal Years 2020 and 2019

<u>Operating Expenses</u>	<u>Expenses</u> <u>2020</u>	<u>Percent</u> <u>of Total</u>	<u>2019</u>	<u>Percent of</u> <u>Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>from 2019</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u> <u>from 2019</u>
Salaries and benefits	\$ 19,077,680	81.92%	\$ 19,109,833	81.46%	\$ (32,153)	-0.17%
Staff development	179,486	0.77%	208,524	0.89%	(29,038)	-13.93%
Facility	1,398,377	6.01%	1,474,226	6.28%	(75,849)	-5.15%
Supplies	837,899	3.60%	737,817	3.15%	100,082	13.56%
Travel	359,059	1.54%	434,802	1.85%	(75,743)	-17.42%
Contractual/Consulting	325,715	1.40%	263,476	1.12%	62,239	23.62%
Depreciation	413,515	1.78%	452,352	1.93%	(38,837)	-8.59%
Other	693,770	2.98%	778,221	3.32%	(84,451)	-10.85%
Total	\$ 23,285,501	100.00%	\$ 23,459,251	100.00%	\$ (173,750)	-0.74%

Debt Administration:

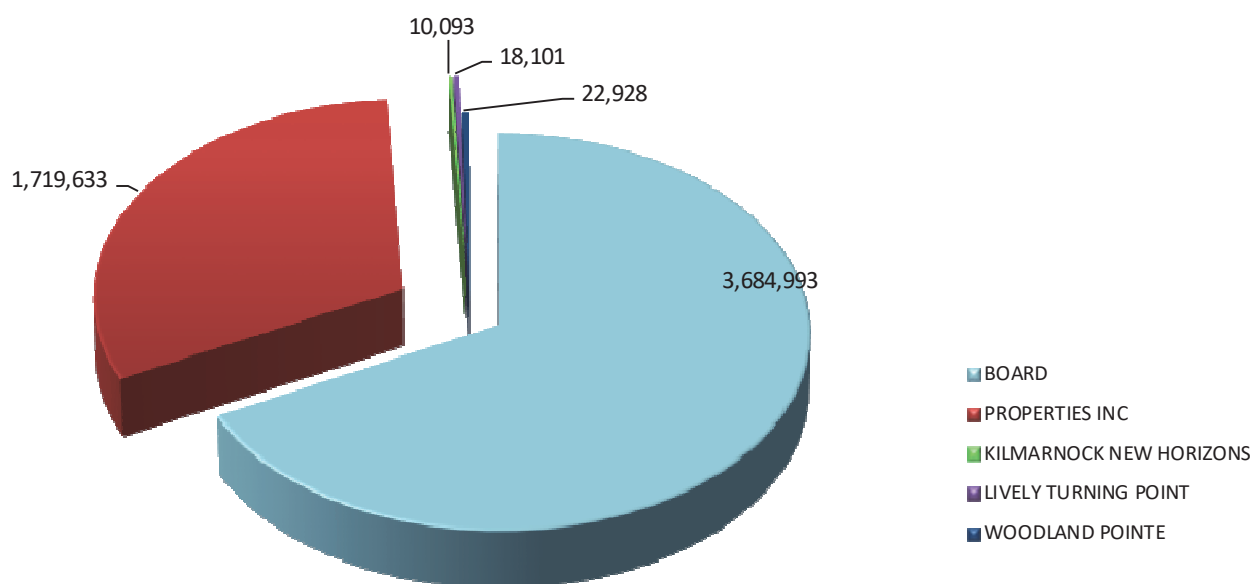
The component units of the organization contribute in varying degrees to the current and long-term debt. For MPNNCSB, current and total liabilities decreased by 17.15% for FY 2020. Total liabilities for Lively Turning Point decreased due to a reduction in payables and a loan repayment. Kilmarnock New Horizons and Woodland Pointe incurred increases in accrued expenses from the prior year.

Debt Administration

	<u>FY 2020</u>	<u>Increase</u> <u>(Decrease)</u> <u>from 2019</u>	<u>FY 2019</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u> <u>from 2019</u>
Board	\$ 3,684,993	\$ (762,906)	\$ 4,447,899	-17.15%
Properties Inc.	1,719,633	(466,027)	2,185,660	-21.32%
Kilmarnock New Horizons	10,093	3,182	6,911	46.04%
Lively Turning Point	18,101	(3,842)	21,943	-17.51%
Woodland Pointe	22,928	5,223	17,705	29.50%
Total	\$ 5,455,748	\$ (1,224,370)	\$ 6,680,118	-18.33%

EXPENSES (continued)

TOTAL LIABILITIES FY 2020

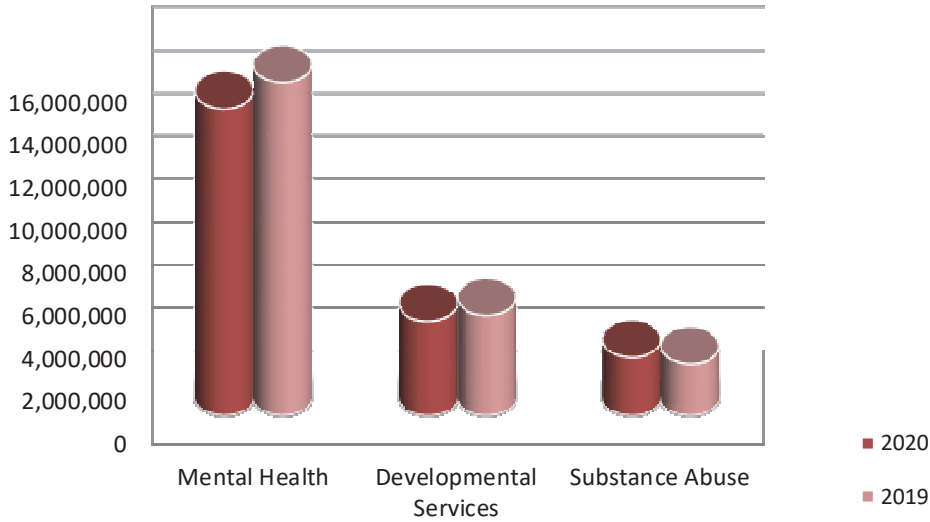


Summary of Revenue and Expenses by Disability (as reported on the Year End Financial Report to the Department of Behavioral Health and Developmental Services):

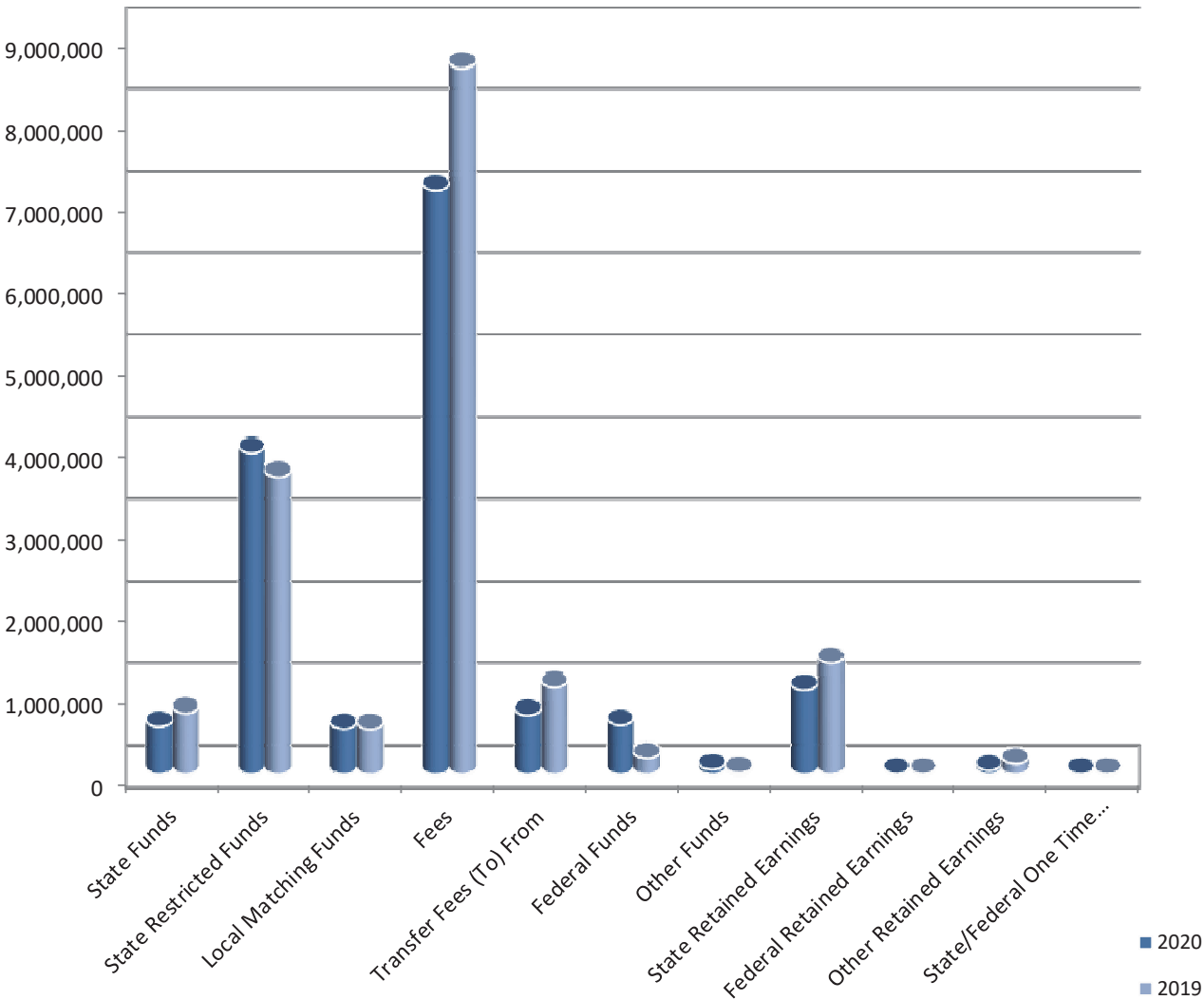
Summary of Revenue and Expenses by Disability

	2020	2019	Percent Increase/ (Decrease)
Mental Health Services			
Revenue			
State Funds	\$ 577,417	\$ 744,274	-22.42%
State Restricted Funds	3,913,600	3,621,457	8.07%
Local Matching Funds	548,382	544,075	0.79%
Total Fees	7,112,285	8,603,057	-17.33%
Transfer Fees (To)/From	716,912	1,060,955	-32.43%
Federal Funds	598,258	193,406	209.33%
Other Funds	55,061	15,000	267.07%
State Retained Earnings	1,025,371	1,351,122	-24.11%
Other Retained Earnings	42,605	123,800	-65.59%
Total Revenues	\$ 14,589,891	\$ 16,257,146	-10.26%
Expenses	14,312,935	15,521,256	-7.78%
Balances	\$ 276,956	\$ 735,890	-62.36%
Developmental Services			
Revenue			
State Funds	\$ 30,488	\$ 5,554	448.94%
Local Matching Funds	98,174	71,951	36.45%
Total Fees	4,606,247	4,912,635	-6.24%
Other Funds	-	1,800	-100.00%
Transfer Fees (To)/From	(12,242)	(327,745)	-96.26%
Total Revenues	\$ 4,722,667	\$ 4,664,195	1.25%
Expenses	4,393,034	4,664,195	-5.81%
Balances	\$ 329,633	\$ -	100.00%
Substance Abuse Services			
Revenue			
State Funds	\$ 1,130,332	\$ 1,002,864	12.71%
Local Matching Funds	8,373	-	100.00%
Total Fees	721,424	771,448	-6.48%
Transfer Fees (To)/From	(704,670)	(733,210)	-3.89%
Federal Funds	1,150,423	1,483,656	-22.46%
Other Funds	79,512	5,520	1340.43%
State Retained Earnings	29,193	92,162	-68.32%
Federal Retained Earnings	451,504	212,317	112.66%
Other Retained Earnings	1,641	4,050	-59.48%
Federal One Time Funds	-	7,931	-100.00%
Total Revenues	\$ 2,867,732	\$ 2,846,738	0.74%
Expenses	2,703,289	2,393,293	12.95%
Balances	\$ 164,443	\$ 453,445	-63.73%

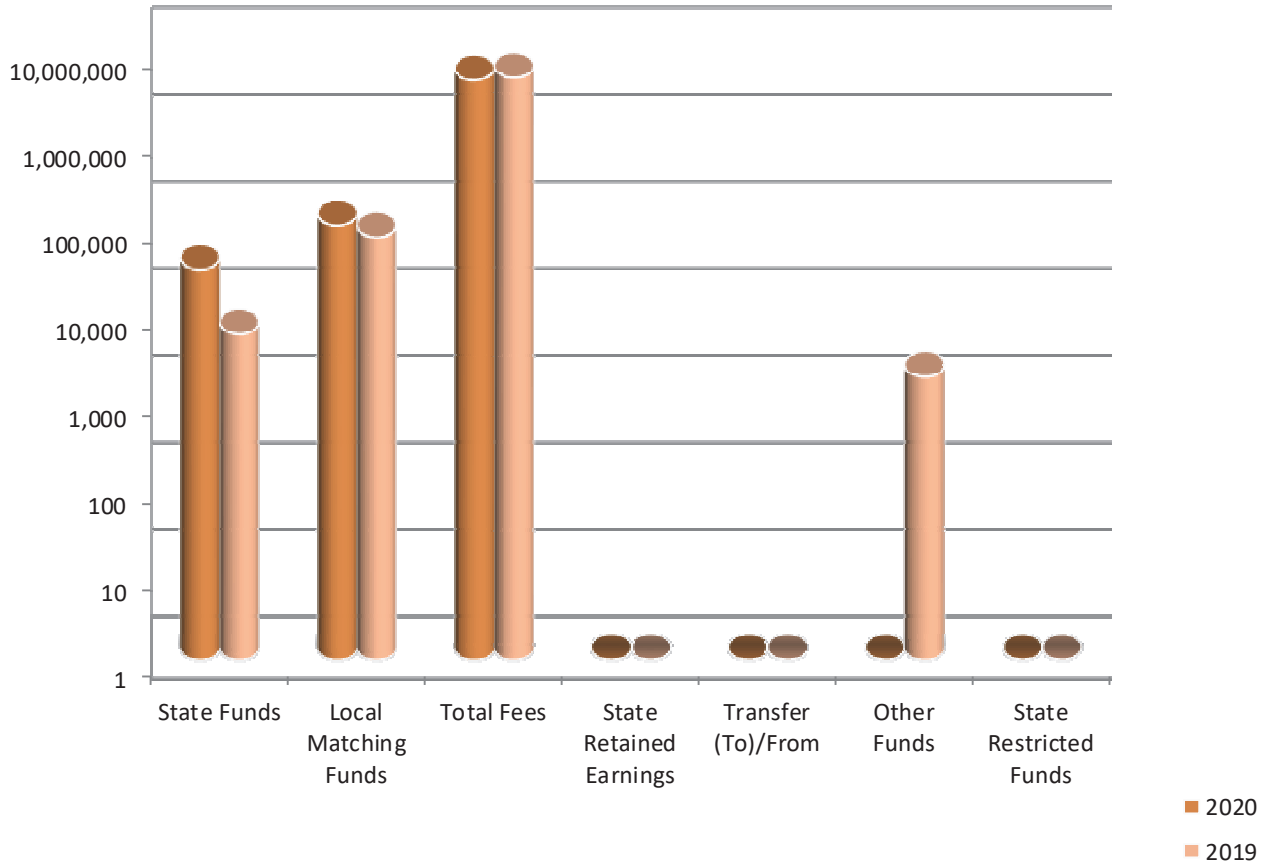
Expenses by Disability 2020 vs. 2019



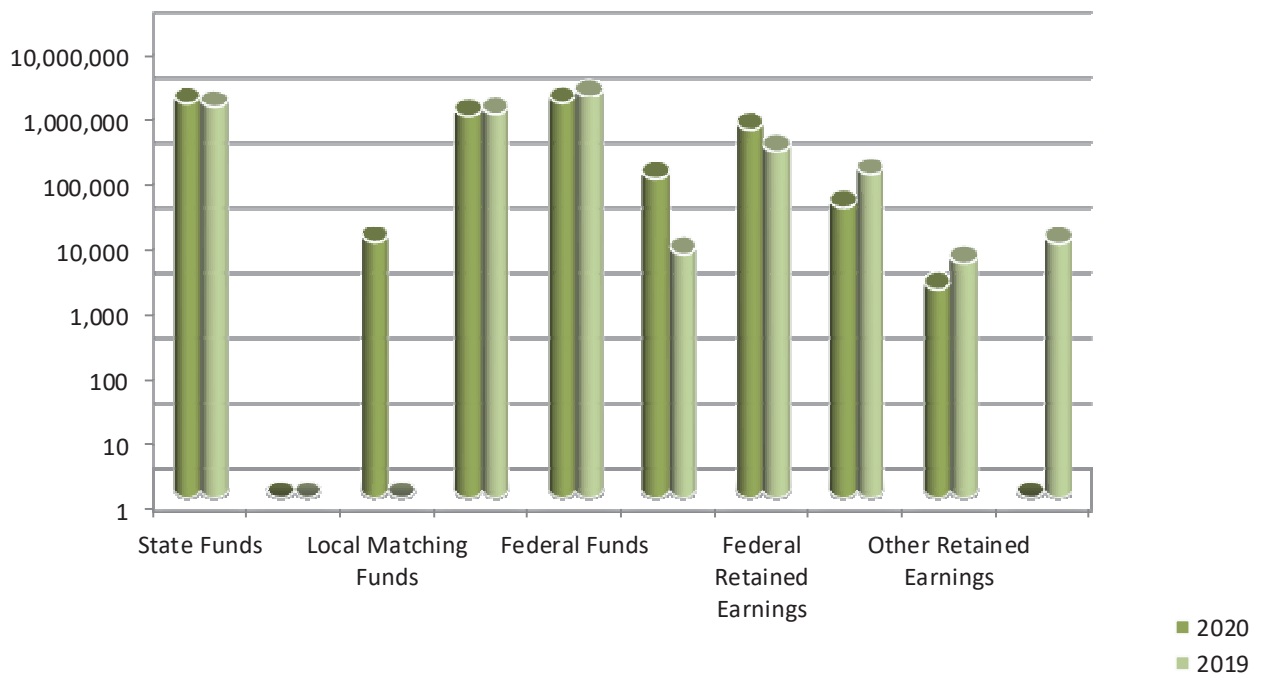
Mental Health Services Revenue FY 2020 vs. FY 2019



Developmental Services Revenue 2020 vs. 2019



Substance Abuse Services Revenue 2020 vs. 2019



- Basic Financial Statements -

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MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,618,860	\$ 2,778,942
Accounts receivable, less allowance for uncollectibles	1,121,038	1,378,126
Due from other governments	247,830	247,160
Prepaid items	-	193,322
Total current assets	\$ 2,987,728	\$ 4,597,550
Restricted Current Assets:		
Cash and cash equivalents	\$ 123,623	\$ 123,528
Client funds	71,416	44,825
Total restricted current assets	\$ 195,039	\$ 168,353
Other Assets:		
Net pension asset	\$ 4,402,322	\$ 4,784,220
Capital Assets:		
Property and equipment, less accumulated depreciation	\$ 6,179,648	\$ 6,261,842
Total assets	\$ 13,764,737	\$ 15,811,965
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 987,536	\$ 271,446
OPEB related items	245,151	160,385
Total deferred outflows of resources	\$ 1,232,687	\$ 431,831
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 433,956	\$ 662,711
Deposits and other	91,459	68,432
Compensated absences, current portion	129,443	1,280,468
Unearned revenue	527,387	1,428,128
Long-term debt, current portion	70,307	2,059,014
Total current liabilities	\$ 1,252,552	\$ 5,498,753
Current Liabilities Payable from Restricted Current Assets:		
Client funds	\$ 71,416	\$ 44,825
Accounts payable and accrued expenses	44,351	40,166
Security deposits	6,771	6,393
Total current liabilities payable from restricted current assets	\$ 122,538	\$ 91,384
Long-Term Liabilities:		
Net OPEB liability	\$ 1,139,575	\$ 1,069,000
Compensated absences, less current portion	1,164,987	-
Long-term debt, less current portion	1,776,096	8,092
Total long-term liabilities	\$ 4,080,658	\$ 1,077,092
Total liabilities	\$ 5,455,748	\$ 6,667,229
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 1,085,554	\$ 1,035,491
OPEB related items	101,779	128,000
Total deferred inflows of resources	\$ 1,187,333	\$ 1,163,491
NET POSITION		
Net investment in capital assets	\$ 4,316,679	\$ 4,194,736
Restricted	542,964	16,143
Unrestricted	3,494,700	4,202,197
Total net position	\$ 8,354,343	\$ 8,413,076

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

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Net patient service revenue	\$ 12,350,985	\$ 13,577,948
Operating expenses:		
Salaries and benefits	\$ 19,077,680	\$ 19,109,833
Staff development	179,486	208,524
Facility	1,398,377	1,474,226
Supplies	837,899	737,817
Travel	359,059	434,802
Contractual and consulting	325,715	263,476
Depreciation	413,515	452,352
Other	693,770	778,221
Total operating expenses	\$ 23,285,501	\$ 23,459,251
Operating income (loss)	\$ (10,934,516)	\$ (9,881,303)
Nonoperating income (expense):		
Appropriations:		
Commonwealth of Virginia	\$ 7,275,940	\$ 6,918,253
Federal government	2,358,128	1,761,202
Local governments	538,440	518,626
Contributions	11,542	29,743
Other	720,709	660,232
Interest income	26,238	33,262
Interest expense	(55,214)	(107,604)
Net nonoperating income (expense)	\$ 10,875,783	\$ 9,813,714
Change in net position	\$ (58,733)	\$ (67,589)
Net position, beginning of year	8,413,076	8,480,665
Net position, end of year	\$ 8,354,343	\$ 8,413,076

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

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers	\$ 11,722,016	\$ 13,635,394
Payments to suppliers	(3,704,980)	(4,078,912)
Payments to and for employees	(19,388,259)	(20,221,770)
Net cash flows provided by (used for) operating activities	<u>\$ (11,371,223)</u>	<u>\$ (10,665,288)</u>
Cash flows from noncapital financing activities:		
Government appropriations	\$ 10,172,508	\$ 9,198,081
Other	729,786	704,922
Net cash flows provided by (used for) noncapital financing activities	<u>\$ 10,902,294</u>	<u>\$ 9,903,003</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (331,321)	\$ (73,705)
Proceeds from loan payable	171,139	-
Interest payment on long-term debt	(165,272)	(5,584)
Principal payments on long-term debt	(391,842)	(85,453)
Net cash flows provided by (used for) capital and related financing activities	<u>\$ (717,296)</u>	<u>\$ (164,742)</u>
Cash flows from investing activities:		
Interest income	<u>\$ 26,238</u>	<u>\$ 33,262</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (1,159,987)</u>	<u>\$ (893,765)</u>
Cash and cash equivalents, beginning of year	<u>2,902,470</u>	<u>3,796,235</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,742,483</u></u>	<u><u>\$ 2,902,470</u></u>
Summary of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 1,618,860	\$ 2,778,942
Cash and cash equivalents - restricted	123,623	123,528
Total	<u><u>\$ 1,742,483</u></u>	<u><u>\$ 2,902,470</u></u>

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

Statement of Cash Flows

Year Ended June 30, 2020 (Continued)

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (10,934,516)	\$ (9,881,303)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	413,515	452,352
Changes in assets, liabilities and deferred inflows/outflows of resources:		
Accounts receivable and due from other governments, net	271,772	467,715
Prepaid items	193,322	(183,066)
Net pension asset	381,898	(563,570)
Deferred outflows of resources	(800,856)	29,429
Accounts payable and accrued expenses	(114,512)	24,069
Deposits and other	10,516	(22,849)
Compensated absences	13,962	(42,709)
Unearned revenue	(900,741)	(410,269)
Net OPEB liability	70,575	(22,000)
Deferred inflows of resources	<u>23,842</u>	<u>(513,087)</u>
Net cash flows provided by (used for) operating activities	<u>\$ (11,371,223)</u>	<u>\$ (10,665,288)</u>

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

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Organization:

The Board operates as an agent for the Counties of Essex, Gloucester, King and Queen, King William, Lancaster, Mathews, Middlesex, Northumberland, Richmond, and Westmoreland in the establishment and operation of community mental health, developmental disabilities and substance abuse programs as provided for in Title 37.2 of the *Code of Virginia* (1950), relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Board provides a system of community mental health and developmental disabilities and substance abuse services which relate to and are integrated with existing and planned programs.

B. Financial Reporting Entity:

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

Blended Component Units:

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

Properties, Inc. is a property holding organization for the Board and is exempt from taxation under the Federal Internal Revenue Code Section 501(c)(3).

Kilmarnock New Horizons, Lively Turning Point and Woodland Pointe 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 persons with disabilities.

C. Deferred Outflows/Inflows of Resources:

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

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

Notes to Financial Statements
At June 30, 2020 (continued)

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

D. Basis of Accounting:

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

E. Financial Statement Presentation:

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

All significant intercompany transactions and accounts have been eliminated for the combining statements.

F. Enterprise Fund Accounting:

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

G. 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.

H. Cash and Cash Equivalents:

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

I. Investments:

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

Notes to Financial Statements
At June 30, 2020 (continued)

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

J. Net Patient Service Revenue:

Net patient 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.

K. Financial Assistance:

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

The vast majority of fees collected result from Medicaid billings.

L. Rental Income:

Rental income is recognized on a monthly basis pursuant to lease agreements, which generally have terms of three to five years. Rental revenue is reported in other nonoperating income.

M. Capital Assets:

Capital assets acquired are recorded at cost. All capital asset purchases of \$5,000 or more and with an estimated useful life of at least one year are capitalized. 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 ranging from 5 to 30 years and is computed using the straight-line method.

N. Restricted Assets:

The Board segregates monies held on behalf of third parties and other organizations. Client funds are held in escrow for various participants in Board programs. These funds consist of client bank accounts and cash not recorded in the Board's name.

O. Compensated Absences:

Employees are entitled to certain compensated absences based upon length of employment. Paid time off, which includes vacation and certain other compensated absences, vest with the employee. A provision for the estimated liability for these compensated absences has been recorded in the financial statements.

Notes to Financial Statements
At June 30, 2020 (continued)

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

P. Budgetary Accounting:

The Board follows these procedures in establishing its budgets:

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

Q. Operating and Nonoperating Revenues and Expenses:

Operating revenues and expenses are defined as those items which result from providing services and include all transactions and events which are not capital and related financing, noncapital financing 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. Comparative Totals:

Comparative totals are presented for informational purposes only.

S. Net Position:

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

T. Net Position Flow Assumption:

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

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2020 (continued)

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

U. Pensions:

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

V. Other Postemployment Benefits (OPEB)

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

State statutes authorize the Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper 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).

Custodial Credit Risk (Investments):

To protect the Board against potential fraud, the Board requires the investment assets of the Board to be secured through third-party custody and safekeeping procedures. Collateralized securities, such as repurchase agreements, shall be purchased using the delivery versus payment procedure.

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Credit Risk of Debt Securities:

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

Rated Debt Investments' Values					
Rated Debt Investments	Fair Quality Ratings				
	AAAm	AA	A	A1	Unrated
Virginia Local Government Investment Pool	\$ 45,049	\$ -	\$ -	\$ -	\$ -
U.S. Savings Bonds	-	-	-	-	56,340
Total	\$ 45,049	\$ -	\$ -	\$ -	\$ 56,340

Concentration of Credit Risk:

At June 30, 2020 the Board's investment policy regarding the concentration of credit risk requires the minimization of investment risk through the monitoring of credit worthiness of banks and investment pools.

Interest Rate Risk:

The following details the Board's interest rate risk at June 30, 2020.

Investment Type	Value	Less Than			
		One Year	1-5 Years	6-10 Years	10 Years +
Virginia Local Government Investment Pool	\$ 45,049	\$ 45,049	\$ -	\$ -	\$ -
U.S. Savings Bonds	56,340	56,340	-	-	-
Total	\$ 101,389	\$ 101,389	\$ -	\$ -	\$ -

External Investment Pools:

The value of the positions in the external investment pools is the same as the value of the pool shares. Investments in the Local Government Investment Pool are not SEC registered but are monitored by the Treasurer of Virginia and other applicable state agencies. The external investment pools are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants. Investments in other external investment pools are all SEC registered or federal securities.

There were no involuntary participations in external investment pools. The Board does not sponsor any external investment pools.

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Summary of Cash and Cash Equivalents:

	<u>2020</u>	<u>2019</u>
Cash:		
Petty cash	\$ 3,220	\$ 3,220
Checking	1,637,874	1,185,613
Total cash	\$ 1,641,094	\$ 1,188,833
Investments	101,389	1,713,637
Total cash and cash equivalents	<u>\$ 1,742,483</u>	<u>\$ 2,902,470</u>
Allocation:		
Unrestricted	\$ 1,618,860	\$ 2,778,942
Restricted	123,623	123,528
Total allocation	<u>\$ 1,742,483</u>	<u>\$ 2,902,470</u>

NOTE 3 - ACCOUNTS RECEIVABLE AND ACCRUED REVENUE:

Client Accounts Receivable:

At June 30, 2020 and 2019 the Board had client accounts receivable due, net of estimated uncollectibles of \$1,116,837 and \$1,378,126, respectively, from the following primary sources:

	<u>2020</u>	<u>2019</u>
Virginia Department of Medical Assistance Services (Medicaid)	\$ 944,811	\$ 1,140,803
Direct client and third party	133,444	174,000
Other	42,783	63,323
Total	<u>\$ 1,121,038</u>	<u>\$ 1,378,126</u>

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

Due from Other Governments:

	<u>2020</u>	<u>2019</u>
Commonwealth of Virginia - grants	\$ 230,089	\$ 223,061
Federal	15,929	-
Others	1,812	24,099
Total	<u>\$ 247,830</u>	<u>\$ 247,160</u>

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

**Notes to Financial Statements
At June 30, 2020 (continued)**

NOTE 4 - CAPITAL ASSETS:

Capital assets consist of the following:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 1,283,078	\$ -	\$ -	\$ 1,283,078
Construction in progress	-	331,321	-	331,321
Total capital assets not being depreciated	\$ 1,283,078	\$ 331,321	\$ -	\$ 1,614,399
Capital assets being depreciated:				
Buildings	\$ 7,063,924	\$ -	\$ -	\$ 7,063,924
Vehicles	1,735,612	-	-	1,735,612
Furniture, equipment and software	1,007,427	-	-	1,007,427
Total capital assets being depreciated	\$ 9,806,963	\$ -	\$ -	\$ 9,806,963
Accumulated depreciation:				
Buildings	\$ 2,595,142	\$ 238,674	\$ -	\$ 2,833,816
Vehicles	1,588,159	78,055	-	1,666,214
Furniture, equipment and software	644,898	96,786	-	741,684
Total accumulated depreciation	\$ 4,828,199	\$ 413,515	\$ -	\$ 5,241,714
Net capital assets being depreciated	\$ 4,978,764	\$ (413,515)	\$ -	\$ 4,565,249
Net capital assets	\$ 6,261,842	\$ (82,194)	\$ -	\$ 6,179,648

Total depreciation expense was \$413,515 for 2020 and \$452,352 for 2019.

NOTE 5 - OPERATING LEASE COMMITMENTS:

The Board leases office space and other facilities from various lessors. The lease terms range from monthly to ten years. All leases are subject to availability of funds and are cancelable within 60 days.

Total rent expense for the year ended June 30, 2020, exclusive of intercompany payments of \$195,300, totaled \$538,458. Rent expense (net) for 2019 totaled \$545,243.

NOTE 6 - COMPENSATED ABSENCES:

The Board has accrued the liability arising from compensated absences.

Board employees earn leave based on length of service. The Board has outstanding accrued leave pay totaling \$1,294,430 at June 30, 2020 and \$1,280,468 at June 30, 2019. Employees are paid their accumulated annual leave up to certain limits. Accrued leave has been reported as a current liability since there is no determination of the amounts which would be used after one year upon termination of employment.

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 7 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2020 (continued)

NOTE 7 - PENSION PLAN: (continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	123
Inactive members:	
Vested inactive members	67
Non-vested inactive members	168
LTD	1
Inactive members active elsewhere in VRS	118
Total inactive members	<u>354</u>
Active members	<u>353</u>
Total covered employees	<u><u>830</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.

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 7 - PENSION PLAN: (continued)

Contributions: (Continued)

The Board’s contractually required employer contribution rate for the year ended June 30, 2020 was 2.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$251,598 and \$271,446 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Asset

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Board’s Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective 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%

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 7 - PENSION PLAN: (continued)

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Board was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 7 - PENSION PLAN: (continued)

Discount Rate: (Continued)

employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 32,825,985	\$ 37,610,205	\$ (4,784,220)
Changes for the year:			
Service cost	\$ 1,137,594	\$ -	\$ 1,137,594
Interest	2,256,688	-	2,256,688
Changes in assumptions	1,096,692	-	1,096,692
Differences between expected and actual experience	(712,253)	-	(712,253)
Contributions - employer	-	270,903	(270,903)
Contributions - employee	-	629,057	(629,057)
Net investment income	-	2,523,017	(2,523,017)
Benefit payments, including refunds of employee contributions	(1,175,168)	(1,175,168)	-
Administrative expenses	-	(24,564)	24,564
Other changes	-	(1,590)	1,590
Net changes	\$ 2,603,553	\$ 2,221,655	\$ 381,898
Balances at June 30, 2019	\$ 35,429,538	\$ 39,831,860	\$ (4,402,322)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	\$ 486,832	\$ (4,402,322)	\$ (8,267,536)

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 7 - PENSION PLAN: (continued)

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

For the year ended June 30, 2020, the Board recognized pension expense of (\$33,076). At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 645,786
Change in assumptions	735,938	85,218
Net difference between projected and actual earnings on pension plan investments	-	354,550
Employer contributions subsequent to the measurement date	<u>251,598</u>	<u>-</u>
Total	<u>\$ 987,536</u>	<u>\$ 1,085,554</u>

\$251,598 was reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2021	\$ (117,482)
2022	(246,141)
2023	(5,822)
2024	19,829
2025	-
Thereafter	-

Pension Plan Data

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

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 8 - 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 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.

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 8 - 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 \$68,731 and \$71,385 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 Group Life Insurance Plan OPEB

At June 30, 2020, the entity reported a liability of \$1,139,575 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 .07003% as compared to .070393% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$28,223. 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	\$ 75,789	\$ 14,781
Net difference between projected and actual earnings on GLI OPEB program investments	-	23,408
Change in assumptions	71,946	34,363
Changes in proportion	28,685	29,227
Employer contributions subsequent to the measurement date	68,731	-
Total	\$ 245,151	\$ 101,779

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 8 - 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 Group Life Insurance Plan OPEB (Continued)

\$68,731 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	\$ 5,920
2022	5,921
2023	15,835
2024	20,309
2025	20,427
Thereafter	6,229

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.

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 8 - 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 Program</u>
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
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%

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 8 - 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.

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 8 - 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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,497,086	\$ 1,139,575	\$ 849,644

GLI Plan Fiduciary Net Position

Detailed information about the GLI Program'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.

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 9 - UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue is comprised of the following:

<u>Unearned Revenue</u>	<u>2020</u>	<u>2019</u>
Unexpended state grant funds	\$ 416,973	\$ 978,529
Unexpended federal grant funds	110,414	449,599
Total	<u>\$ 527,387</u>	<u>\$ 1,428,128</u>

NOTE 10 - RISK MANAGEMENT:

The Board participates in the Commonwealth of Virginia Risk Management Pool for general, professional liability, and director and officers' liability coverage which have \$2,000,000 coverage limits. Other insurance coverage for property, workers' compensation, crime, dishonesty and related coverage are purchased from a commercial insurance carrier. Coverage for these items varies from stated property values to \$2,000,000. There are no surety bonds for directors. There have been no settlements in excess of insurance coverages for the past three years. The primary risks of loss are generally confined to co-insurance and deductible amounts.

NOTE 11 - LONG-TERM OBLIGATIONS:

Summary of Changes in Long-Term Obligations:

	<u>Direct Borrowings and Direct Placements</u>				
	<u>Mortgages Payable</u>	<u>Loan Payable</u>	<u>Lease Payable</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance at July 1, 2019	\$ 2,059,036	\$ 8,070	\$ -	\$ 1,280,468	\$ 3,347,574
Add: Issuances/additions	-	-	171,139	13,962	185,101
Deduct: Retirements	(355,969)	(8,070)	(27,803)	-	(391,842)
Balance at June 30, 2020	<u>\$ 1,703,067</u>	<u>\$ -</u>	<u>\$ 143,336</u>	<u>\$ 1,294,430</u>	<u>\$ 3,140,833</u>

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 11 - LONG-TERM OBLIGATIONS: (continued)

Long-term obligations consist of the following:

	<u>Balance</u>	<u>Current Portion</u>
<u>Direct Borrowings and Direct Placements:</u>		
<u>Mortgages Payable:</u>		
Chesapeake National Bank, payable in monthly installments of \$1,039, plus interest at variable rates through April, 2021, secured by a Deed of Trust on property located in Gloucester, Virginia.	\$ 8,131	\$ 8,131
USDA loan payable, payable in monthly installments, plus interest at rate of 2.375%, interest only payments are due through April 1, 2021 with monthly payments of principal and interest payable through May 1, 2061, secured by a Deed of Trust on property, matures May 2061.	1,694,936	5,818
Total mortgages payable	\$ 1,703,067	\$ 13,949
<u>Lease Payable:</u>		
US Bank tax-exempt lease, original amount of \$171,139, payable in quarterly payments of \$14,777, interest of 2.25%, matures December 1, 2022.	\$ 143,336	\$ 56,358
Compensated absences	\$ 1,294,430	\$ 129,443
Total long-term obligations	\$ 3,140,833	\$ 199,750

The Board has entered into a capital lease for computers and equipment. The lease agreement qualifies as a capital lease for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Equipment</u>
Equipment	\$ 171,139
Accumulated depreciation	-
Net book value of assets	\$ 171,139
Present value of future minimum lease payments:	
<u>Year Ending June 30,</u>	<u>Total</u>
2021	\$ 59,110
2022	59,110
2023	29,587
Total minimum lease payments	\$ 147,807
Less: amount representing interest	(4,471)
Present value of future minimum lease payments	\$ 143,336

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 11 - LONG-TERM OBLIGATIONS: (continued)

Annual requirements to amortize long-term debt at current interest rates are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements		Lease Payable	
	Principal	Interest	Principal	Interest
2021	\$ 13,949	\$ 6,705	\$ 56,358	\$ 2,751
2022	25,805	39,255	57,637	1,472
2023	26,425	39,255	29,341	248
2024	27,059	38,620	-	-
2025	27,709	37,971	-	-
2026-2030	148,850	179,548	-	-
2031-2035	167,599	160,799	-	-
2036-2040	188,709	139,689	-	-
2041-2045	212,478	115,920	-	-
2046-2050	239,241	89,157	-	-
2051-2055	269,375	59,023	-	-
2056-2060	303,304	25,094	-	-
2061	52,564	593	-	-
Total	\$ 1,703,067	\$ 931,629	\$ 143,336	\$ 4,471

The Board has no federal arbitrage liability.

NOTE 12 - PARTICIPANT LOCALITY CONTRIBUTIONS:

The participating localities (counties) appropriated the following amounts to the Board:

	2020	2019
Essex	\$ 41,357	\$ 34,927
Gloucester	138,849	138,849
King and Queen	30,000	28,000
King William	60,624	55,325
Lancaster	42,322	42,231
Mathews	33,130	33,130
Middlesex	41,257	41,257
Northumberland	50,690	46,196
Richmond	33,500	32,000
Westmoreland	66,711	66,711
Total	\$ 538,440	\$ 518,626

MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 13 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenues were from the following sources:

	<u>2020</u>	<u>2019</u>
Medicaid	\$ 11,083,830	\$ 11,082,757
Direct client and third party	750,896	1,887,908
Other	516,259	607,283
Total	<u>\$ 12,350,985</u>	<u>\$ 13,577,948</u>

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

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

NOTE 15 - LINE OF CREDIT:

The Board has a line of credit with Chesapeake Bank in the amount of \$3,000,000. One draw in the amount of \$150,000 was made from the line of credit during fiscal year 2020. The outstanding balance at June 30, 2020 was \$0.

NOTE 16 - RESTRICTED NET POSITION:

Restricted net position consists of cash balances less liabilities payable from such funds for component unit organizations. These funds are restricted for the operation and maintenance of the properties, and these funds cannot be accessed by the Board without approval from the U. S. Department of Housing and Urban Development.

NOTE 17 - 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.

Notes to Financial Statements
At June 30, 2020 (continued)

NOTE 17 - UPCOMING PRONOUNCEMENTS: (continued)

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

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

NOTE 18 - COVID-19 PANDEMIC

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

- Required Supplementary Information -

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MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 1,137,594	\$ 1,152,508	\$ 1,191,525	\$ 1,168,349	\$ 1,201,394	\$ 1,269,861
Interest	2,256,688	2,125,324	2,020,678	1,903,960	1,814,479	1,654,937
Changes in assumptions	1,096,692	-	(533,730)	-	-	-
Differences between expected and actual experience	(712,253)	(292,652)	(189,851)	(482,108)	(944,974)	-
Benefit payments, including refunds of employee contributions	(1,175,168)	(1,041,931)	(945,432)	(900,166)	(685,020)	(606,247)
Net change in total pension liability	\$ 2,603,553	\$ 1,943,249	\$ 1,543,190	\$ 1,690,035	\$ 1,385,879	\$ 2,318,551
Total pension liability - beginning	32,825,985	30,882,736	29,339,546	27,649,511	26,263,632	23,945,081
Total pension liability - ending (a)	\$ 35,429,538	\$ 32,825,985	\$ 30,882,736	\$ 29,339,546	\$ 27,649,511	\$ 26,263,632
Plan fiduciary net position						
Contributions - employer	\$ 270,903	\$ 342,784	\$ 366,037	\$ 677,438	\$ 666,450	\$ 924,133
Contributions - employee	629,057	623,169	637,509	610,175	636,928	606,235
Net investment income	2,523,017	2,607,280	3,835,526	547,979	1,328,073	3,822,539
Benefit payments, including refunds of employee contributions	(1,175,168)	(1,041,931)	(945,432)	(900,166)	(685,020)	(606,247)
Administrative expense	(24,564)	(22,149)	(21,680)	(18,429)	(17,298)	(19,602)
Other	(1,590)	(2,334)	(3,431)	(229)	(283)	201
Net change in plan fiduciary net position	\$ 2,221,655	\$ 2,506,819	\$ 3,868,529	\$ 916,768	\$ 1,928,850	\$ 4,727,259
Plan fiduciary net position - beginning	37,610,205	35,103,386	31,234,857	30,318,089	28,389,239	23,661,980
Plan fiduciary net position - ending (b)	\$ 39,831,860	\$ 37,610,205	\$ 35,103,386	\$ 31,234,857	\$ 30,318,089	\$ 28,389,239
Board's net pension liability (asset) - ending (a) - (b)	\$ (4,402,322)	\$ (4,784,220)	\$ (4,220,650)	\$ (1,895,311)	\$ (2,668,578)	\$ (2,125,607)
Plan fiduciary net position as a percentage of the total pension liability	112.43%	114.57%	113.67%	106.46%	109.65%	108.09%
Covered payroll	\$ 13,620,240	\$ 13,309,107	\$ 13,320,650	\$ 12,449,072	\$ 12,003,383	\$ 12,097,480
Board's net pension liability (asset) as a percentage of covered payroll	-32.32%	-35.95%	-31.69%	-15.22%	-22.23%	-17.57%

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.

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

Schedule of Employer Contributions - Pension 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	\$ 251,598	\$ 251,598	\$ -	\$ 12,928,183	1.95%
2019	271,446	271,446	-	13,620,240	1.99%
2018	346,660	346,660	-	13,309,107	2.60%
2017	414,272	414,272	-	13,320,650	3.11%
2016	700,883	700,883	-	12,449,072	5.63%
2015	675,790	675,790	-	12,003,383	5.63%
2014	924,248	924,248	-	12,097,480	7.64%
2013	898,674	898,674	-	11,762,747	7.64%
2012	649,567	649,567	-	11,788,876	5.51%
2011	606,068	606,068	-	10,999,427	5.51%

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

Schedule of Board's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

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

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
2019	0.07003% \$	1,139,575	\$ 13,727,875	8.30%	52.00%
2018	0.07039%	1,069,000	13,384,667	7.99%	51.22%
2017	0.07253%	1,091,000	13,320,650	8.19%	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.

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2017 through June 30, 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 68,731	\$ 68,731	\$ -	\$ 13,217,433	0.52%
2019	71,385	71,385	-	13,727,875	0.52%
2018	69,600	69,600	-	13,384,667	0.52%
2017	69,571	69,571	-	13,320,650	0.52%

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

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

- Other Supplementary Information -
Combining Financial Statements

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

Combining Statement of Net Position
At June 30, 2020

	Middle Peninsula Northern Neck Community Services Board	Properties Inc.	Kilmarnock New Horizons
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 944,292	\$ 674,568	\$ -
Accounts receivable, less allowance for uncollectibles	1,118,314	-	-
Due from other governments	247,830	-	-
Total current assets	\$ 2,310,436	\$ 674,568	\$ -
Restricted Current Assets:			
Cash and cash equivalents	\$ -	\$ -	\$ 25,670
Client funds	71,416	-	-
Total restricted current assets	\$ 71,416	\$ -	\$ 25,670
Other Assets:			
Net pension asset	\$ 4,402,322	\$ -	\$ -
Capital Assets:			
Property and equipment, less accumulated depreciation	\$ 1,234,055	\$ 2,876,276	\$ 236,164
Total assets	\$ 8,018,229	\$ 3,550,844	\$ 261,834
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 987,536	\$ -	\$ -
OPEB related items	245,151	-	-
Total deferred outflows of resources	\$ 1,232,687	\$ -	\$ -
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 417,390	\$ 16,566	\$ -
Deposits and other	91,459	-	-
Compensated absences, current portion	129,443	-	-
Unearned revenue	527,387	-	-
Long-term debt, current portion	56,358	13,949	-
Total current liabilities	\$ 1,222,037	\$ 30,515	\$ -
Current Liabilities Payable from Restricted Current Assets:			
Client funds	\$ 71,416	\$ -	\$ -
Accounts payable and accrued expenses	-	-	8,417
Security deposits	-	-	1,676
Total current liabilities payable from restricted current assets	\$ 71,416	\$ -	\$ 10,093
Long-Term Liabilities:			
Net OPEB liability	\$ 1,139,575	\$ -	\$ -
Compensated absences, less current portion	1,164,987	-	-
Long-term debt, less current portion	86,978	1,689,118	-
Total long-term liabilities	\$ 2,391,540	\$ 1,689,118	\$ -
Total liabilities	\$ 3,684,993	\$ 1,719,633	\$ 10,093
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 1,085,554	\$ -	\$ -
OPEB related items	101,779	-	-
Total deferred inflows of resources	\$ 1,187,333	\$ -	\$ -
NET POSITION			
Net investment in capital assets	\$ 1,090,719	\$ 1,156,643	\$ 236,164
Restricted	527,387	-	15,577
Unrestricted	2,760,484	674,568	-
Total net position	\$ 4,378,590	\$ 1,831,211	\$ 251,741

<u>Lively Turning Point</u>	<u>Woodland Pointe</u>	<u>Inter- Company and Other Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 1,618,860
-	2,724	-	1,121,038
-	-	-	247,830
<u>\$ -</u>	<u>\$ 2,724</u>	<u>\$ -</u>	<u>\$ 2,987,728</u>
\$ 15,083	\$ 82,870	\$ -	\$ 123,623
-	-	-	71,416
<u>\$ 15,083</u>	<u>\$ 82,870</u>	<u>\$ -</u>	<u>\$ 195,039</u>
\$ -	\$ -	\$ -	\$ 4,402,322
\$ 121,807	\$ 1,711,346	\$ -	\$ 6,179,648
<u>\$ 136,890</u>	<u>\$ 1,796,940</u>	<u>\$ -</u>	<u>\$ 13,764,737</u>
\$ -	\$ -	\$ -	\$ 987,536
-	-	-	245,151
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,232,687</u>
\$ -	\$ -	\$ -	\$ 433,956
-	-	-	91,459
-	-	-	129,443
-	-	-	527,387
-	-	-	70,307
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,252,552</u>
\$ -	\$ -	\$ -	\$ 71,416
16,241	19,693	-	44,351
<u>1,860</u>	<u>3,235</u>	<u>-</u>	<u>6,771</u>
<u>\$ 18,101</u>	<u>\$ 22,928</u>	<u>\$ -</u>	<u>\$ 122,538</u>
\$ -	\$ -	\$ -	\$ 1,139,575
-	-	-	1,164,987
-	-	-	1,776,096
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,080,658</u>
<u>\$ 18,101</u>	<u>\$ 22,928</u>	<u>\$ -</u>	<u>\$ 5,455,748</u>
\$ -	\$ -	\$ -	\$ 1,085,554
-	-	-	101,779
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,187,333</u>
\$ 121,807	\$ 1,711,346	\$ -	\$ 4,316,679
-	-	-	542,964
<u>(3,018)</u>	<u>62,666</u>	<u>-</u>	<u>3,494,700</u>
<u>\$ 118,789</u>	<u>\$ 1,774,012</u>	<u>\$ -</u>	<u>\$ 8,354,343</u>

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2020

	Middle Peninsula Northern Neck Community Services Board	Properties Inc.	Kilmarnock New Horizons
Operating revenues:			
Net patient service revenue	\$ 12,350,985	\$ -	\$ -
Operating expenses:			
Salaries and benefits	\$ 19,077,680	\$ -	\$ -
Staff development	179,486	-	-
Facility	1,307,179	147,864	39,705
Supplies	837,899	-	-
Travel	359,059	-	-
Contractual and consulting	217,824	107,891	-
Depreciation	216,734	120,971	19,393
Other	658,891	34,879	-
Total operating expenses	\$ 22,854,752	\$ 411,605	\$ 59,098
Operating income (loss)	\$ (10,503,767)	\$ (411,605)	\$ (59,098)
Nonoperating income (expense):			
Appropriations:			
Commonwealth of Virginia	\$ 7,275,940	\$ -	\$ -
Federal government	2,358,128	-	-
Local governments	538,440	-	-
Contributions	11,542	-	-
Other	530,731	249,505	38,956
Interest income	18,754	6,626	183
Interest expense	(1,975)	(53,239)	-
Net nonoperating income (expense)	\$ 10,731,560	\$ 202,892	\$ 39,139
Change in net position	\$ 227,793	\$ (208,713)	\$ (19,959)
Net position, beginning of year	4,150,797	2,039,924	271,700
Net position, end of year	\$ 4,378,590	\$ 1,831,211	\$ 251,741

<u>Lively Turning Point</u>	<u>Woodland Pointe</u>	<u>Inter- Company Eliminations</u>	<u>Total</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>12,350,985</u>
\$ -	\$ -	\$ -	\$ 19,077,680
-	-	-	179,486
38,010	60,919	(195,300)	1,398,377
-	-	-	837,899
-	-	-	359,059
-	-	-	325,715
8,778	47,639	-	413,515
-	-	-	693,770
\$ <u>46,788</u>	\$ <u>108,558</u>	\$ <u>(195,300)</u>	\$ <u>23,285,501</u>
\$ <u>(46,788)</u>	\$ <u>(108,558)</u>	\$ <u>195,300</u>	\$ <u>(10,934,516)</u>
\$ -	\$ -	\$ -	\$ 7,275,940
-	-	-	2,358,128
-	-	-	538,440
-	-	-	11,542
42,849	53,968	(195,300)	720,709
99	576	-	26,238
-	-	-	(55,214)
\$ <u>42,948</u>	\$ <u>54,544</u>	\$ <u>(195,300)</u>	\$ <u>10,875,783</u>
\$ (3,840)	\$ (54,014)	\$ -	\$ (58,733)
<u>122,629</u>	<u>1,828,026</u>	<u>-</u>	<u>8,413,076</u>
\$ <u><u>118,789</u></u>	\$ <u><u>1,774,012</u></u>	\$ <u><u>-</u></u>	\$ <u><u>8,354,343</u></u>

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows
Year Ended June 30, 2020

	Middle Peninsula Northern Neck Community Services Board	Properties Inc.	Kilmarnock New Horizons
Cash flows from operating activities:			
Receipts from customers	\$ 11,722,016	\$ -	\$ -
Payments to suppliers	(3,475,575)	(290,634)	(36,523)
Payments to and for employees	(19,388,259)	-	-
Net cash flows provided by (used for) operating activities	\$ (11,141,818)	\$ (290,634)	\$ (36,523)
Cash flows from noncapital financing activities:			
Government grants	\$ 10,172,508	\$ -	\$ -
Other	542,273	249,505	38,956
Net cash flows provided by (used for) noncapital financing activities	\$ 10,714,781	\$ 249,505	\$ 38,956
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ -	\$ (331,321)	\$ -
Proceeds from loan payable	171,139	-	-
Interest payments on long-term debt	(1,975)	(163,297)	-
Principal payments on long-term debt	(35,873)	(355,969)	-
Net cash flows provided by (used for) capital and related financing activities	\$ 133,291	\$ (850,587)	\$ -
Cash flows from investing activities:			
Interest income	\$ 18,754	\$ 6,626	\$ 183
Net increase (decrease) in cash and cash equivalents	\$ (274,992)	\$ (885,090)	\$ 2,616
Cash and cash equivalents, beginning of year	1,219,284	1,559,658	23,054
Cash and cash equivalents, end of year	\$ 944,292	\$ 674,568	\$ 25,670
Summary of cash and cash equivalents:			
Cash and cash equivalents	\$ 944,292	\$ 674,568	\$ -
Cash and cash equivalents - restricted	-	-	25,670
Total	\$ 944,292	\$ 674,568	\$ 25,670
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (10,503,767)	\$ (411,605)	\$ (59,098)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	216,734	120,971	19,393
Changes in assets, liabilities and deferred inflows/outflows of resources:			
Accounts receivable and due from other governments, net	271,772	-	-
Prepaid items	193,322	-	-
Net pension asset	381,898	-	-
Deferred outflows of resources	(800,856)	-	-
Accounts payable and accrued expenses	(118,697)	-	3,167
Deposits and other	10,138	-	15
Compensated absences	13,962	-	-
Unearned revenue	(900,741)	-	-
Net OPEB liability	70,575	-	-
Deferred inflows of resources	23,842	-	-
Net cash flows provided by (used for) operating activities	\$ (11,141,818)	\$ (290,634)	\$ (36,523)

<u>Lively Turning Point</u>	<u>Woodland Pointe</u>	<u>Inter- Company Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 11,722,016
(41,852)	(55,696)	195,300	(3,704,980)
-	-	-	(19,388,259)
<u>\$ (41,852)</u>	<u>\$ (55,696)</u>	<u>\$ 195,300</u>	<u>\$ (11,371,223)</u>
\$ -	\$ -	\$ -	\$ 10,172,508
42,849	51,503	(195,300)	729,786
<u>\$ 42,849</u>	<u>\$ 51,503</u>	<u>\$ (195,300)</u>	<u>\$ 10,902,294</u>
\$ -	\$ -	\$ -	\$ (331,321)
-	-	-	171,139
-	-	-	(165,272)
-	-	-	(391,842)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (717,296)</u>
\$ 99	\$ 576	\$ -	\$ 26,238
\$ 1,096	\$ (3,617)	\$ -	\$ (1,159,987)
13,987	86,487	-	2,902,470
<u>\$ 15,083</u>	<u>\$ 82,870</u>	<u>\$ -</u>	<u>\$ 1,742,483</u>
\$ -	\$ -	\$ -	\$ 1,618,860
15,083	82,870	-	123,623
<u>\$ 15,083</u>	<u>\$ 82,870</u>	<u>\$ -</u>	<u>\$ 1,742,483</u>
\$ (46,788)	\$ (108,558)	\$ 195,300	\$ (10,934,516)
8,778	47,639	-	413,515
-	-	-	271,772
-	-	-	193,322
-	-	-	381,898
-	-	-	(800,856)
(4,077)	5,095	-	(114,512)
235	128	-	10,516
-	-	-	13,962
-	-	-	(900,741)
-	-	-	70,575
-	-	-	23,842
<u>\$ (41,852)</u>	<u>\$ (55,696)</u>	<u>\$ 195,300</u>	<u>\$ (11,371,223)</u>

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- Compliance -



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

**To the Board of Directors
Middle Peninsula-Northern Neck Community Services Board
Saluda, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Middle Peninsula-Northern Neck Community Services Board, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Middle Peninsula-Northern Neck Community Services Board's basic financial statements and have issued our report thereon dated November 5, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck Community Services Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson Taven Cox Associates

Charlottesville, Virginia

November 5, 2020



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

**To the Board of Directors
Middle Peninsula-Northern Neck Community Services Board
Saluda, Virginia**

Report on Compliance for Each Major Federal Program

We have audited Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck Community Services Board's major federal programs for the year ended June 30, 2020. Middle Peninsula-Northern Neck 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.

Middle Peninsula-Northern Neck Community Services Board's basic financial statements include the operations of the component unit organizations Properties, Inc., Kilmarnock New Horizons, Lively Turning Point and Woodland Pointe Apartments, which expended \$2,130,472 in federal awards which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of the above component units because the component units issue 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck Community Services Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Auditors' Responsibility: (Continued)

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 Middle Peninsula-Northern Neck Community Services Board's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck Community Services Board's internal control over compliance.

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

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

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

Robinson Faren Cox Associates

Charlottesville, Virginia
November 5, 2020

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
Department of Agriculture:			
Pass-through payments:			
Virginia Department of Agriculture			
Child and Adult Care Food Program	10.558	Not available	\$ 19,289
Department of Health and Human Services:			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services			
COVID-19 - Provider Relief Fund	93.498	Not available	\$ 7,728
Temporary Assistance for Needy Families (TANF Cluster)	93.558	Not available	181,816
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08T1010053	1,466,196
Block Grants for Community Mental Health Services	93.958	2B0904010053	148,393
Opioid STR	93.788	1H79T1081682	335,856
Total Department of Health and Human Services			\$ 2,139,989
Department of Education:			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services			
Special Education - Grants for Infants and Families	84.181	Not available	\$ 131,072
Total Department of Education			\$ 131,072
Department of Justice:			
Pass through payments:			
Virginia Department of Criminal Justice Services			
Crime Victim Assistance	16.575	Not available	\$ 67,778
Total Department of Justice			\$ 67,778
Total Expenditures of Federal Awards			\$ 2,358,128

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

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

Note B - Summary of Significant Accounting Policies

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

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

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - De Minimis Cost Rate

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

Note E - Loan Balances

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

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

There were no prior year findings.

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