

HARRISONBURG-ROCKINGHAM
COMMUNITY SERVICES BOARD



**HARRISONBURG-ROCKINGHAM
COMMUNITY SERVICES BOARD**

FINANCIAL REPORT

June 30, 2020

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

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INTRODUCTORY SECTION

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2020

BOARD OF DIRECTORS

Ms. Judy Bland, Chair

Ms. Deborah Bullis, Vice-Chair

Dr. John Kidd, Secretary

John Monger

Annette Sprinkle

Peter Barlow

Sheriff Bryan Hutchson

Cheryl Mast, Treasurer

Dr. Abdelrahman Rabie

Phillip Wishon

Carrie Budd

Tena Painter

PRINCIPAL MANAGEMENT TEAM

Ellen Harrison

Lynn R. Grigg

Holly Albrite

Rebekah Brubaker

John Malone

Executive Director

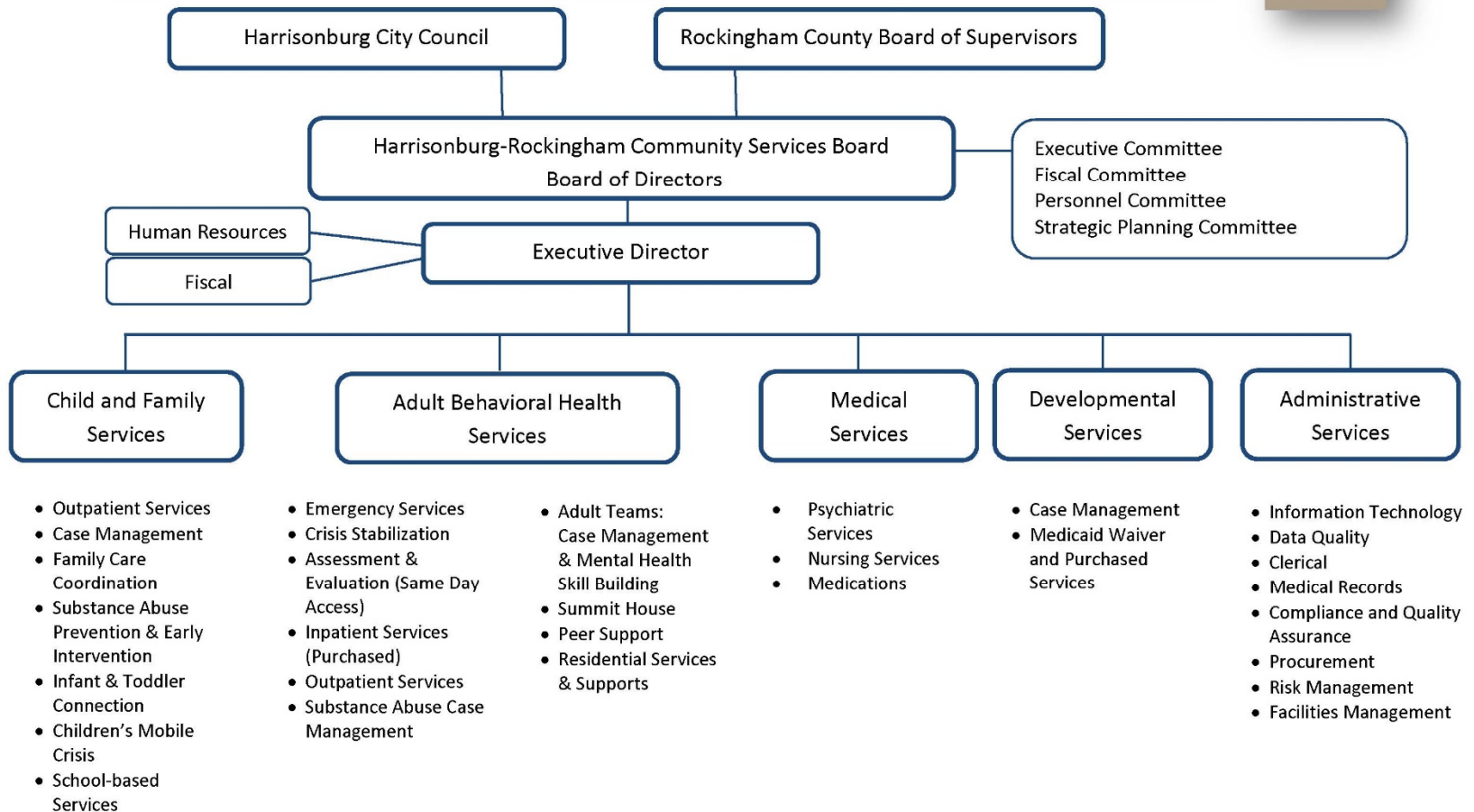
Child and Family Services Director

Administratives Director

Adult Behavioral Services Director

Developmental Services Director

HRCSB Organizational Chart



HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

ORGANIZATIONAL INFORMATION

MISSION STATEMENT

The Harrisonburg-Rockingham Community Services Board provides services that promote dignity, choice, recovery, and the highest possible level of participation in work, relationships, and all aspects of community life for individuals and their families whose lives are affected by behavioral health or developmental disorders.

Adopted by the CSB Board of Directors on September 8, 2009

MAJOR PROGRAMS

Harrisonburg-Rockingham Community Services Board provides community-based mental health, intellectual disabilities, and substance abuse programs, including:

24-Hour Emergency Services
Adult Services
Children & Family Services (McNulty Center)
Infant Services

Programs are licensed by the Virginia Department of Behavioral Health and Developmental Services. Services may have eligibility requirements.

FACILITIES

1241 North Main Street, Harrisonburg – Adult Services & Administration
463 East Washington Street, Harrisonburg – Children and Family Services
1888 Pear Street, Harrisonburg – Clubhouse Program
477 East Market Street, Harrisonburg – Residential Program
1241 Harmony Drive, Harrisonburg – Residential Program
1710 Park Road, Harrisonburg – Residential Program
1231 North Main Street, Harrisonburg – Developmental Services
1351 North Main Street, Harrisonburg – Financial Offices
1353 North Main Street, Harrisonburg – Crisis Stabilization Program and Administrative Officers

CONTACT INFORMATION

You may contact the Harrisonburg-Rockingham Community Services Board by:

Telephone: (540) 434-1941
TDD: (540) 434-1941
Fax: (540) 434-1791
Web Page: www.hrscsb.org
Mail: 1241 North Main Street
Harrisonburg, VA 22802

FINANCIAL SECTION

**The Financial Section contains
the Basic Financial Statements.**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Harrisonburg-Rockingham Community Services Board
Harrisonburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Harrisonburg-Rockingham Community Services Board (the "Board"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board, as of June 30, 2020, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Board's 2019 financial statements, on which, in our report dated November 6, 2019, we expressed an unmodified opinion. The 2019 financial information is provided for comparative purposes only. In our opinion, the 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 Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the Board's financial statements that collectively comprise the Board's basic financial statements. The introductory section and 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining financial statements 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 4, 2020

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Harrisonburg-Rockingham Community Services Board's (the "Board") activities and financial performance provides the reader with an introduction and overview to the Board's financial statements for the fiscal year ended June 30, 2020.

Following this MD&A are the basic financial statements of the Board, together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. The Rockingham-Harrisonburg Halfway House Corporation is considered to be a component unit for inclusion in the Board's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. Since the Board is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The enterprise funds of the Board consist of the Harrisonburg-Rockingham CSB and the Rockingham-Harrisonburg Halfway House, Inc.

Enterprise fund financial statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on the Board's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as one indicator of the trending financial position of the Board.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in a future fiscal period (e.g., earned but unused staff vacation leave).

The basic enterprise fund financial statements can be found on pages 5 through 8 of this report.

Notes to financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9 through of 42 this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Board's progress in funding its obligation to provide other postemployment benefits (OPEB) for its employees, changes in net pension liability, pension contributions, and changes to pension benefit terms and assumptions. Required supplementary information can be found on pages 44 through 49 of this report.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2020 FINANCIAL HIGHLIGHTS

The Board's financial statements are reported on the full accrual basis as required by generally accepted accounting principles. On this basis, the Board reported revenues of \$17,936,388 and expenditures of \$14,285,095, producing a net gain of \$3,651,293 for the year.

The Board's net position totaled \$16,664,694 which \$8,835,300 is available to spend at the discretion of the agency's Board of Directors in support of the Board's mission. All operations are supported through current financial resources.

Financial Position: A summary of the Harrisonburg-Rockingham CSB's Statement of Net Position, including all programs and operations, for 2020 and 2019 is presented below:

Condensed Statement of Net Position		
	2020	2019
ASSETS		
Current assets	\$ 13,569,703	\$ 11,482,582
Noncurrent assets	8,737,384	5,477,226
Total assets	\$ 22,307,087	\$ 16,959,808
DEFERRED OUTFLOWS OF RESOURCES		
Total deferred outflows of resources	\$ 1,241,765	\$ 439,417
LIABILITIES		
Current liabilities	\$ 3,994,390	\$ 3,163,056
Long-term liabilities	2,552,776	785,590
Total liabilities	\$ 6,547,166	\$ 3,948,646
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources	\$ 336,992	\$ 437,178
NET POSITION		
Net investment in capital assets	\$ 7,829,394	\$ 3,803,920
Unrestricted	8,835,300	9,209,481
Total net position	\$ 16,664,694	\$ 13,013,401

In 2020, the net value of the Board's current assets increased \$2,087,121 or 18.2%, primarily from unspent funding balances, amounts due from other governments for capital contributions, and a moderate increase in prepaid expenses.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2020 FINANCIAL HIGHLIGHTS (Continued)

The Board's cash and cash equivalents decreased by \$116,137 or 1.2%, to \$9,689,687. The decrease is attributed to the payment of construction costs prior to receiving debt proceeds. The Board requires between five and six months of cash expenditures be reserved for contingencies. This balance consisted of the following:

Board required cash reserves	\$ 5,644,508
Unrestricted cash	469,393
Halfway House	1,138,339
State restricted deferred revenue	2,359,421
Federal restricted deferred revenue	<u>78,026</u>
Total cash balance	\$ <u><u>9,689,687</u></u>

The net value of the Board's capital assets increased \$4,025,474 or 105.8%. Net capital assets were \$7,829,394 at the end of FY20. The most significant cause of this increase were costs associated with the new building construction. Additions to construction in progress consisted of \$4,199,862.

Deferred outflows of resources consist of contributions made to VRS during the fiscal year, subsequent to the measurement date for pensions, and other pension-related deferred outflows transactions. In addition, deferred outflows related to other postemployment benefits was added to this year's financial statements to reflect the contributions and other OPEB-related transactions required by GASB No. 75. Deferred outflows increased \$802,348 or 182.6% over 2019. This is due to the fluctuations in the financial market influencing the assumptions that are used to determine expected costs. Of the total increase, \$668,837 is attributable to pension and \$133,511 to other post-employment benefits.

Current liabilities increased \$831,334 or 26.3% over 2019. The Board recorded decreases in accrued salaries and fringe benefits due to the decision to forgo a bonus this year. Due to the construction project, the Board recorded an additional \$185,084 in retainage payable for the first time. The Board's unearned revenue increased due to state funding balances for the proportion allocated to cover program expenses and unspent restricted/earmarked funds.

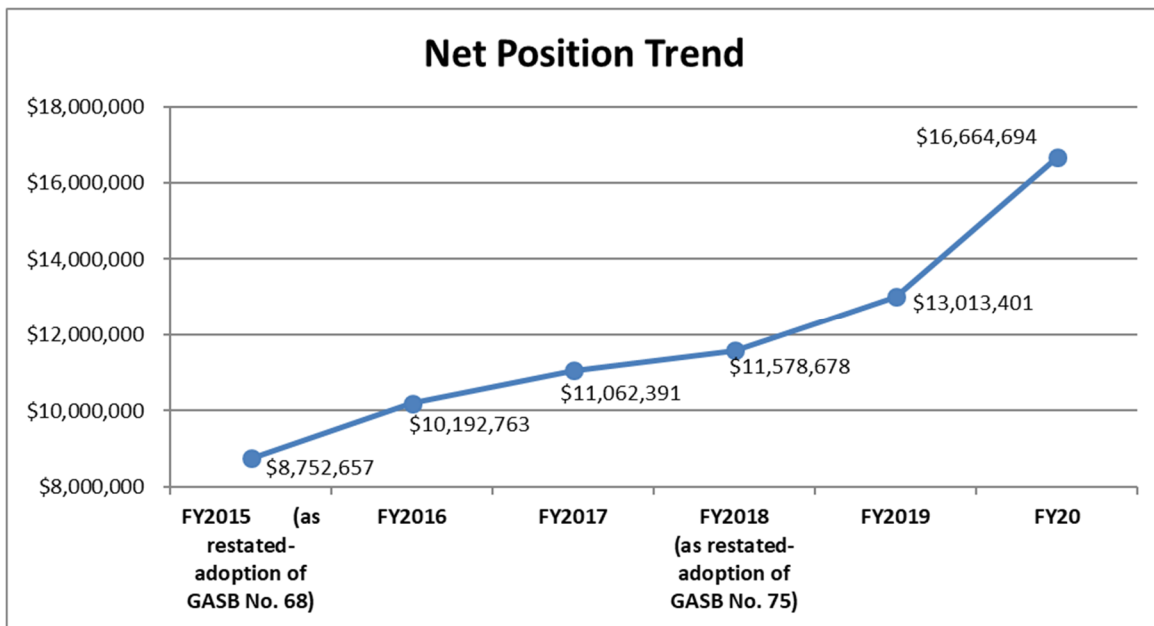
Deferred inflows of resources decreased \$100,186, of which \$83,480 is attributable to pension, while other postemployment benefits decreased \$16,706.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2020 FINANCIAL HIGHLIGHTS (Continued)

The Board's 2018 beginning net position was restated to reflect the adoption of GASB No. 75, which impacted the ending net position. However, the prior years is not restated because the OPEB information is not readily available. A multi-year historical compilation of year-end total net position indicates the Board's overall financial condition has tracked a positive trend line.



Overall, the financial position of the Harrisonburg-Rockingham CSB remains strong, as evidenced by continuing strong liquidity.

Change in Net Position: A summary of the Harrisonburg-Rockingham CSB's Statement of Revenues, Expenses, and Changes in Fund Net Position including all programs and operations, for 2020 and 2019 is presented below:

Condensed Statement of Revenues, Expenses, & Changes in Fund Net Position

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 5,968,704	\$ 5,695,638
Operating expenses	<u>14,139,764</u>	<u>13,033,100</u>
Operating loss	\$ <u>(8,171,060)</u>	\$ <u>(7,337,462)</u>
Nonoperating revenue (expenses)	\$ <u>11,822,353</u>	\$ <u>8,772,185</u>
Change in net position	\$ <u>3,651,293</u>	\$ <u>1,434,723</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2019 FINANCIAL HIGHLIGHTS (Continued)

Operating revenues are defined as the amount of revenue received from providing client services. During 2020, operating revenues increased \$273,066 or 4.8% in comparison with 2019, most of which is attributable to the continued expanding of service capacity in alignment with STEP VA Same Day Access regulations. Some of the increase was offset by a change in the estimate used in the calculation of the allowance for uncollectible accounts.

Operating expenses are comprised of the direct expenses of operating the Board. These include salaries, benefits, occupancy costs, contractual and professional services provided by others, and depreciation and amortization. The Board's most significant operating expenses consist of salary and benefits. During 2020, operating expenses increased \$1,106,664 or 8.5% from 2019. There were several new positions added for Same Day Access as well as various other positions funded by new funding sources. These increases were partially offset by several positions which remained unfilled (7% vacancy rate over FY2019) for extended periods of time, while others were covered with new funding sources. Contractual and professional services are higher due to greater demand for purchased services, including developmental disability services, speech and occupational therapy, substance abuse medication therapy, and interpreter services for infant and toddlers, and a significant increase in the number of Discharge Assistance Plans for clients exiting the state hospitals.

Non-operating revenues are comprised of governmental funds, interest income, and other miscellaneous income. The majority of the governmental funds come from the Commonwealth of Virginia through the Virginia Department of Behavioral Health and Developmental Services. Governmental funding is also received from the federal government, the City of Harrisonburg, and Rockingham County. Grant funding for substance abuse prevention and treatment was received during the year resulting in increased Purchased Service expense. In addition, capital contributions of \$2,807,259 were received from the City and County (combined) for fees associated with the new campus. This represents the amount of proceeds from debt issuance that they have agreed to pay as their contribution to the project. Interest income totaled \$65,393 in 2020, reflecting higher interest rates paid on Operating fund account. Unfortunately, due to the COVID-19 Pandemic, these interest rates have been reduced and interest income will not be as significant in the coming year. Non-operating expense is typically comprised of interest expense incurred on debt. As part of the agreement with the City and County for the funding of the new building, the Board is responsible for one-third of each of their required payments resulting in interest expense of \$145,331.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2020 FINANCIAL HIGHLIGHTS (Continued)

Cash Flows: A summary of the Harrisonburg-Rockingham CSB's Statement of Cash Flows, including all programs and operations, for 2020 and 2019 is presented below:

Condensed Statement of Cash Flows		
	2020	2019
Operating activities	\$ (7,515,115)	\$ (7,518,341)
Non-capital financing activities	12,297,324	9,619,931
Capital and related financial activities	(4,919,214)	(1,388,467)
Investing activities	65,393	49,791
Net increase (decrease) in cash and cash equivalents	\$ (71,612)	\$ 762,914
Beginning at July 1	\$ 9,914,060	\$ 9,151,146
Ending at June 30	\$ 9,842,448	\$ 9,914,060

Cash flows from operating activities include cash received for services less payments made to suppliers and employees. The operating loss recorded on the Statement of Revenues, Expenses and Changes in Fund Net Position is reconciled to net cash used in operating activities through adjustments for depreciation and amortization, pension expense net of employer contributions, other postemployment expense net of employer contributions, and changes in current assets and liabilities. Please see the Statement of Cash Flows for a full listing of those transactions.

Cash flows from non-capital financing activities include cash received from state, federal, and local governments and other miscellaneous sources. Cash flows from capital and related financing activities are comprised of the acquisition and sale of fixed assets, plus principal and interest payments associated with debt. Cash flows from investing activities are comprised of interest received.

DEBT

Harrisonburg-Rockingham CSB currently has no long-term debt. As described in the accompanying notes, the Board has a Guidance Line of Credit with Truist Bank, which was not accessed during 2019 or 2020.

In August 2019, the Board entered into an agreement with the City of Harrisonburg and Rockingham County for financing for the construction of a new facility. Per this agreement, the City and County issued Virginia Resources Authority bonds, of which the Board will be responsible for repaying one-third of each localities balance. The Board's share is reported as Due to Other Governments in the Statement of Net Position and totaled \$1,607,590 at June 30, 2020.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide local citizens, our clients and their families, and all taxpayers with a general overview of the Board's finances. Questions regarding this report or requests for additional financial information should be made to Stephanie S. Laos, Controller, 1241 North Main Street, Harrisonburg, VA 22802; telephone (540) 434-1941.

BASIC FINANCIAL STATEMENTS

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

STATEMENT OF NET POSITION June 30, 2020

	2020	(For Comparative Purposes Only) 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 9,689,687	\$ 9,805,823
Accounts receivable, net (Note 3)	857,821	1,083,260
Miscellaneous accounts receivable	146,604	40,320
Due from other governments (Note 4)	2,586,484	416,578
Prepaid expenses	136,346	28,364
Cash and cash equivalents, restricted for representative payee beneficiaries (Note 2)	152,761	108,237
Total current assets	\$ 13,569,703	\$ 11,482,582
NONCURRENT ASSETS		
Net pension asset (Note 9)	\$ 907,990	\$ 1,673,306
Capital assets, net (Note 5)	7,829,394	3,803,920
Total noncurrent assets	\$ 8,737,384	\$ 5,477,226
Total assets	\$ 22,307,087	\$ 16,959,808
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 9)	\$ 988,585	\$ 319,748
Deferred outflows related to other postemployment benefits (Note 12)	253,180	119,669
Total deferred outflows of resources	\$ 1,241,765	\$ 439,417
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 450,684	\$ 123,257
Accrued payroll and related liabilities	505,604	597,422
Accrued interest	40,779	-
Amounts held for representative payee beneficiaries, payable from restricted assets	152,761	108,237
Unearned revenues (Note 7)	2,437,447	1,929,388
Compensated absences	407,115	404,752
Total current liabilities	\$ 3,994,390	\$ 3,163,056
LONG-TERM LIABILITIES		
Due to other governments (Note 13)	\$ 1,607,590	\$ -
Other postemployment benefits liability (Note 12)	945,186	785,590
Total long-term liabilities	\$ 2,552,776	\$ 785,590
Total liabilities	\$ 6,547,166	\$ 3,948,646
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 9)	\$ 291,951	\$ 375,431
Deferred inflows related to other postemployment benefits (Note 12)	45,041	61,747
Total deferred inflows of resources	\$ 336,992	\$ 437,178
NET POSITION		
Net investment in capital assets	\$ 7,829,394	\$ 3,803,920
Unrestricted	8,835,300	9,209,481
Total net position	\$ 16,664,694	\$ 13,013,401

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
June 30, 2020

	2020	(For Comparative Purposes Only) 2019
OPERATING REVENUES		
Net client service revenue (Note 15)	\$ 5,968,704	\$ 5,695,638
OPERATING EXPENSES		
Salaries	\$ 8,558,285	\$ 8,427,558
Benefits	2,231,063	1,675,367
Facility, equipment, and vehicle	366,808	454,432
Contractual and professional services	1,358,918	1,637,928
Depreciation and amortization	233,614	260,669
Other	1,391,076	577,146
Total operating expenses	\$ 14,139,764	\$ 13,033,100
Operating loss	\$ (8,171,060)	\$ (7,337,462)
NONOPERATING REVENUES (EXPENSES)		
Commonwealth of Virginia grants	\$ 5,419,936	\$ 5,375,959
Federal grants	1,034,616	648,438
Contributions from participating local governments (Note 16)	4,663,197	2,196,857
Interest income	65,393	49,791
Interest expense	(145,331)	-
Other income	784,542	501,140
Net nonoperating revenues	\$ 11,822,353	\$ 8,772,185
Change in net position	\$ 3,651,293	\$ 1,434,723
NET POSITION AT JULY 1	13,013,401	11,578,678
NET POSITION AT JUNE 30	\$ 16,664,694	\$ 13,013,401

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

STATEMENT OF CASH FLOWS
June 30, 2020

	2020	(For Comparative Purposes Only) 2019
OPERATING ACTIVITIES		
Receipts from clients, private insurers, Medicaid, and others	\$ 6,194,143	\$ 5,669,333
Payments to suppliers	(2,852,833)	(2,698,597)
Payments to and for employees	(10,856,425)	(10,488,177)
Other receipts	-	(900)
	<u>\$ (7,515,115)</u>	<u>\$ (7,518,341)</u>
NON-CAPITAL FINANCING ACTIVITIES		
Contributions from local, state, and federal governments	\$ 11,512,782	\$ 9,118,791
Other receipts	784,542	501,140
	<u>\$ 12,297,324</u>	<u>\$ 9,619,931</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	\$ (4,259,088)	\$ (980,346)
Contributions from local governments	(2,163,164)	(408,121)
Borrowed from local governments	1,607,590	-
Interest paid on debt	(104,552)	-
	<u>\$ (4,919,214)</u>	<u>\$ (1,388,467)</u>
INVESTING ACTIVITIES		
Interest received	\$ 65,393	\$ 49,791
	<u>\$ (71,612)</u>	<u>\$ 762,914</u>
CASH AND CASH EQUIVALENTS		
Beginning at July 1	\$ 9,914,060	\$ 9,151,146
	<u>\$ 9,842,448</u>	<u>\$ 9,914,060</u>
Ending at June 30		
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 9,689,687	\$ 9,805,823
Cash and cash equivalents, restricted for representative payee beneficiaries	152,761	108,237
	<u>\$ 9,842,448</u>	<u>\$ 9,914,060</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

STATEMENT OF CASH FLOWS
June 30, 2020

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (8,171,060)	\$ (7,337,462)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	233,614	260,669
Pension expense net of employer contributions	12,999	(479,179)
Other postemployment expense net of employer contributions	(150,217)	(55,325)
Decrease (increase) in:		
Accounts receivable, net	225,439	(26,305)
Prepaid expenses	(107,982)	20,364
Increase (decrease) in:		
Accounts payable and other current liabilities	327,427	(25,652)
Accrued payroll and related liabilities	(91,818)	98,140
Compensated absences	2,363	2,958
Other post-employment benefits	159,596	48,154
Unearned revenues	-	(900)
Amounts held for representative payee beneficiaries, payable from restricted assets	44,524	(23,803)
Net cash used in operating activities	<u>\$ (7,515,115)</u>	<u>\$ (7,518,341)</u>

SCHEDULE OF NON-CASH ACTIVITIES

Capital asset additions financed by accounts payable	<u>\$ 204,965</u>	<u>\$ -</u>
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HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies

Financial reporting entity

Harrisonburg-Rockingham Community Services Board (the "Board") is a jointly governed entity that operates as an agent for the City of Harrisonburg and the County of Rockingham in the establishment and operation of community behavioral health, developmental services, and substance abuse programs as provided for in Chapter 5 of 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 behavioral health, developmental services, and substance abuse services which relate to and are integrated with existing and planned programs. Substantially all of the entity's funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the aforementioned localities.

The Board is not considered a component unit of the County of Rockingham, Virginia or the City of Harrisonburg, Virginia since neither of these entities has oversight responsibilities for the Board, nor is either entity legally obligated to fund any deficit of the Board.

Blended component unit

The Rockingham-Harrisonburg Halfway House, Inc. (the "Halfway House") is an affiliated organization whose primary purpose is to hold title to certain real property which is rented primarily to the Harrisonburg-Rockingham Community Services Board.

Although legally a separate entity, the Halfway House is, in substance, part of the Board's operations. Financial information from this unit is combined with the financial statements of the Board as a blended component unit. The Board and this entity are collectively referred to herein as the "Board."

Measurement focus and basis of accounting

The Board is a governmental health care entity and follows the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). The Board's financial statements consist of a single enterprise fund, and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Board distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Board's principal ongoing operations. The principal operating revenues of the Board are fees collected from clients and the related collections from the various third-party insurers including Medicaid. Operating expenses consist of the direct and indirect costs of fulfilling the programs of the Board. All other revenues and expenses are reported as nonoperating revenues and expenses.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS June 30, 2020

Note 1. Summary of Significant Accounting Policies (continued)

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, and deferred inflows/outflows, as well as the reported revenues and expenses. Actual results could differ from those estimates.

The allowance for uncollectible accounts is a significant estimate that involves a great deal of judgment and the consideration of many factors. By nature, this estimate is not precise and requires re-evaluation as the conditions and factors change. Key factors that affect this calculation are delays in collection from third parties, the need to rebill multiple third-party payors, rate adjustments and settlements with third-party payors, and the financial assistance provided to clients based on their ability to pay.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Valuation of receivables

Receivables are reported net of the estimated allowance for uncollectible accounts. Management estimates this allowance using historical collection data and the aging of accounts receivable.

Net client service revenue

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

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 varies 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 of charges to individual clients. Because the Board does not pursue the collection of amounts determined to qualify for financial assistance, such amounts are not reported as revenue.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets

Capital assets include property and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at date of donation. The costs of normal maintenance and repairs that do not materially add to the value of an asset or its life are expensed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	8-25 years
Buildings	20-40 years
Building improvements	5-25 years
Equipment	5-20 years
Vehicles	5 years
Software	3-5 years

Restricted assets

The Board segregates funds held on behalf of the representative payee beneficiaries.

Income taxes

The Rockingham-Harrisonburg Halfway House, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the *Internal Revenue Code*. Harrisonburg-Rockingham Community Services Board is exempt from such taxes as a governmental entity. Accordingly, the accompanying financial statements do not reflect a provision for income taxes.

Compensated absences

Employees are entitled to certain compensated absences based upon length of employment. Vacation and certain other compensated absences vest with the employee. A provision for these vested compensated absences has been recorded in the financial statements. Because the timing of the use of the benefit is not estimable, all of the liability has been classified as current.

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.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Other postemployment benefits (OPEB)

For purposes of measuring all financial statement elements related to OPEB plans, information about the fiduciary net position of the Board's Plans and the additions to/deductions from the Board's Plan's net fiduciary position have been determined on the same basis as they were reported by 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.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources for pensions and OPEB. This separate financial statement element represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The Board has the following items that qualify for reporting in this category:

- Contributions subsequent to the measurement date for pensions/OPEB; this will be applied to the net pension/OPEB asset/liability in the next fiscal year.
- Change in proportionate share between the measurement dates on the OPEB liability. This difference will be recognized in OPEB expense over the remaining service life of the employees subject to the plan.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total net pension asset or OPEB liability. This difference will be recognized in expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Changes in assumptions on pension plan or OPEB investments. This difference will be recognized in pension or OPEB expense over the remaining service life of the employees subject to the plan.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board has the following items that qualify for reporting in this category:

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total net pension asset or OPEB liability. This difference will be recognized in expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Differences between projected and actual earnings on plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred inflow or outflow as appropriate.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (continued)

- Changes in assumptions on pension plan or OPEB investments. This difference will be recognized in pension or OPEB expense over the remaining service life of the employees subject to the plan.

Comparative information

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Board's financial statements for the prior year from which the summarized information was derived. Certain reclassifications may have been made to the prior year reported amounts to provide a more comparable presentation with the current year reporting presentation.

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 amount from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Credit risk

At June 30, the Board's investments were all in the LGIP, which has been assigned a credit rating of AAAm by Standard & Poor's (S&P).

At June 30, 2020, the Board had no significant exposure to interest rate, foreign currency, or concentration of credit risks.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 2. Deposits and Investments (continued)

The Board's deposits and investments consist of the following:

Deposits and investments:	
Cash on hand	\$ 1,200
Deposits	7,836,560
Local Government Investment Pool	<u>2,004,688</u>
Total	\$ <u>9,842,448</u>
Statement of net position:	
Cash and cash equivalents	\$ 9,689,687
Cash and cash equivalents, restricted for representative payee beneficiaries	<u>152,761</u>
Total	\$ <u>9,842,448</u>

Note 3. Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	\$ 582,808
Direct client	1,159,997
Third-party insurers	195,132
Other	<u>56,722</u>
Total	\$ <u>1,994,659</u>
Allowance for uncollectible accounts	\$ <u>(1,136,838)</u>
Total	\$ <u>857,821</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 4. Due From Other Governments

Amounts are due from other governments or governmental agencies for the reimbursement of expenditures and fees for services provided under various programs and grants, and consist of the following:

City of Harrisonburg, Virginia	\$	1,285,642
Rockingham County, Virginia		1,285,642
Region 1 Diversion Fund		<u>15,200</u>
Total	\$	<u><u>2,586,484</u></u>

Note 5. Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable				
Land	\$ 888,799	\$ -	\$ -	\$ 888,799
Construction in progress	<u>658,661</u>	<u>4,199,862</u>	<u>-</u>	<u>4,858,523</u>
Capital assets, nondepreciable	<u>\$ 1,547,460</u>	<u>\$ 4,199,862</u>	<u>\$ -</u>	<u>\$ 5,747,322</u>
Capital assets, depreciable				
Land improvements	\$ 312,615	\$ -	\$ -	\$ 312,615
Buildings	2,786,871	-	-	2,786,871
Building improvements	1,892,296	-	-	1,892,296
Equipment	422,422	-	-	422,422
Vehicles	415,397	59,226	(40,395)	434,228
Software	<u>311,312</u>	<u>-</u>	<u>-</u>	<u>311,312</u>
Capital assets, depreciable	<u>\$ 6,140,913</u>	<u>\$ 59,226</u>	<u>\$ (40,395)</u>	<u>\$ 6,159,744</u>
Less accumulated depreciation	<u>\$ (3,884,453)</u>	<u>\$ (233,614)</u>	<u>\$ 40,395</u>	<u>\$ (4,077,672)</u>
Capital assets, depreciable, net	<u>\$ 2,256,460</u>	<u>\$ (174,388)</u>	<u>\$ -</u>	<u>\$ 2,082,072</u>
Capital assets, net	<u>\$ 3,803,920</u>	<u>\$ 4,025,474</u>	<u>\$ -</u>	<u>\$ 7,829,394</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Line of Credit

The Board maintains a \$300,000 unsecured guidance line of credit with Truist Bank. Borrowings under the line of credit will accrue interest at a variable rate (30 day LIBOR plus 1.50%; reset monthly). The line of credit may be renewed annually. At June 30, 2020, there were no amounts outstanding.

Note 7. Unearned Revenues

Unearned revenues consist of the following:

Unspent state and federal funds	\$ <u>2,437,447</u>
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Note 8. Lease Commitments

The Board leases several facilities from the Halfway House. All lease agreements expire annually on June 30th. Rental expense for 2020 totaled \$91,680, all of which are intercompany amounts and eliminated in the accompanying financial statements.

Other leases:

At year end, the Board had contracts for eleven operating leases with non-cancellable lease terms. These equipment leases were for copiers and a postage meter with asset lives of four years or less. The future minimum rental payments are shown below:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 10,751
2022	1,592
2023	<u>1,592</u>
Total	<u>\$ 13,935</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 9. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of Harrisonburg-Rockingham Community Services Board (the "Political Subdivision") are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the "System") along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of 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.

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

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

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	<u>75</u>
Inactive members:	
Vested inactive members	37
Non-vested inactive members	36
LTD	-
Inactive members active elsewhere in VRS	<u>56</u>
Total inactive members	129
Active members	<u>146</u>
Total covered employees	<u><u>350</u></u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS June 30, 2020

Note 9. Defined Benefit Pension Plan (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2020 was 5.16% 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 political subdivision were \$373,862 and \$319,748 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

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

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision'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%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 9. Defined Benefit Pension Plan (Continued)

- * 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 rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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 are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

Long-Term Expected Rate of Return

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 9. Defined Benefit Pension Plan (Continued)

Asset Class (Strategy)	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 for 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 rate of 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 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, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 9. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2018	\$ 19,394,974	\$ 21,068,280	\$ (1,673,306)
Changes for the year:			
Service cost	\$ 587,113	\$ -	\$ 587,113
Interest	1,329,228	-	1,329,228
Changes of assumptions	632,598	-	632,598
Differences between expected and actual experience	241,503	-	241,503
Contributions – employer	-	319,112	(319,112)
Contributions – employee	-	311,555	(311,555)
Net investment income	-	1,409,101	(1,409,101)
Benefit payments, including refunds of employee contributions	(811,996)	(811,996)	-
Administrative expenses	-	(13,753)	13,753
Other changes	-	(889)	889
Net changes	\$ 1,978,446	\$ 1,213,130	\$ 765,316
Balances at June 30, 2019	\$ 21,373,420	\$ 22,281,410	\$ (907,990)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	\$ 1,943,947	\$ (907,990)	\$ (3,170,593)

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 9. Defined Benefit 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 political subdivision recognized pension expense of \$(161,448). At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 169,840	\$ 99,707
Changes of assumptions	444,883	785
Net difference between projected and actual earnings on pension plan investments	-	191,459
Employer contributions subsequent to the measurement date	373,862	-
Total	<u>\$ 988,585</u>	<u>\$ 291,951</u>

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

The \$373,862 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended 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 as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2021	174,187
2022	45,641
2023	91,180
2024	11,764
2025	-
Thereafter	-

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 9. Defined Benefit Pension Plan (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans 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.

Payables to the Pension Plan

At June 30, 2020, approximately \$52,248 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

Note 10. Other Postemployment Benefits Liability – Local Plan

Plan Description

Employees who retire from employment from the Board and are not yet eligible for Medicare may elect to continue participation in the Board's group health insurance plan. Health benefits include medical coverage only. Optional dental and vision coverage may be purchased separately. Coverage is for the retiree only. Dependents and spouses of retirees may continue medical coverage through COBRA only. Retirees contribute 100% of the premium cost for retiree coverage.

Participants must meet eligibility requirements based on service earned with the Board and prior service earned through other Virginia agencies to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are eligible for the health benefit through COBRA only.

Participants must retire from the Board with at least 5 years of continuous service with the Board and have participated in the group health insurance plan for the last 5 years of employment. Active employees must meet the VRS minimum retirement requirements to be eligible for a medical benefit upon retirement.

Funding Policy

The annual contribution requirements of plan members and the Board are determined annually by the Board. The Board has chosen to fund healthcare benefits on a pay-as-you-go basis.

Benefits Provided

Retiree health benefits include medical coverage only. Optional dental and optional vision coverage may be purchased separately. Retirees under the age of 65 are eligible to choose the Anthem BCBS (PPO) medical option, and coverage ends upon the earlier of the retiree's age 65 or the retiree's death. If the retiree dies prior to age 65, their dependents may continue medical coverage through COBRA.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS June 30, 2020

Note 10. Other Postemployment Benefits Liability – Local Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	3
Entitled to but not yet receiving benefits	-
Total inactive members	<u>3</u>
Active plan members	<u>150</u>
Total covered employees	<u><u>153</u></u>

Total OPEB Liability

The Board's total OPEB liability of \$338,952 was measured as of June 30, 2020 and was determined based on an actuarial valuation performed as of January 1, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Healthcare cost trend rates	2.00 - 5.70%
Retiree's share of benefit-related costs	\$570.20

Mortality rates: Pre-Retirement Mortality Rates: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

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

Post-Disablement Mortality Rates: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Other Postemployment Benefits Liability – Local Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from January 1, 2019 through January 1, 2020.

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 228,373
Changes for the year:	
Service cost	\$ 24,007
Interest	8,440
Economic/demographic gains or losses	46,481
Assumption or other input changes	54,276
Benefit payments	(22,625)
Net changes	\$ 110,579
Balances at June 30, 2020	<u>\$ 338,952</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
Total OPEB Liability	<u>\$ 360,807</u>	<u>\$ 338,952</u>	<u>\$ 312,277</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Other Postemployment Benefits Liability – Local Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates of 3.50-7.80%:

	<u>1.00% Decrease</u>	<u>Current Discount Rate</u>	<u>1.00% Increase</u>
Total OPEB Liability	<u>\$ 295,450</u>	<u>\$ 338,952</u>	<u>\$ 391,032</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Board recognized OPEB expense of \$19,033. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,646	\$ -
Changes of assumptions	<u>49,952</u>	<u>2,814</u>
Total	<u>\$ 89,598</u>	<u>\$ 2,814</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 10. Other Postemployment Benefits Liability – Local Plan (Continued)

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

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to Pension Expense</u>
2021	15,073
2022	15,073
2023	15,073
2024	14,893
2025	14,817
Thereafter	11,855

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Board also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Plan Descriptions (Continued)

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than Teachers. This plan is considered a multi-employer agent plan that members earn one month of service credit towards the benefit for each month they are employed. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage excluding any portion covering the spouse or dependents. The credit cannot exceed the premiums and ends upon the retiree's death.

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>32</u>
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	<u>-</u>
Total inactive members	32
Active members	<u>146</u>
Total covered employees	<u><u>178</u></u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2020 Contribution	\$ 34,190
June 30, 2019 Contribution	\$ 35,102

General Employee Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.</i>
Total rate:	0.20% of covered employee compensation.
June 30, 2019 Contribution	\$11,544
June 30, 2018 Contribution	\$10,800

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2019 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

Group Life Insurance Program

June 30, 2020 proportionate share of liability	\$560,430
June 30, 2019 proportion	0.03444 %
June 30, 2018 proportion	0.0326%
June 30, 2020 expense	\$23,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balances at June 30, 2018	\$ 233,275	\$ 196,058	\$ 37,217
Changes for the year:			
Service cost	\$ 7,526	\$ -	\$ 7,526
Interest	15,892	-	15,892
Changes of assumptions	5,691	-	5,691
Differences between expected and actual experience	2,540	-	2,540
Contributions – employer	-	10,800	(10,800)
Contributions – employee	-	-	-
Net investment income	-	12,552	(12,552)
Benefit payments, including refunds of employee contributions	(12,487)	(12,487)	-
Administrative expenses	-	(275)	275
Other changes	-	(15)	15
Net changes	\$ 19,162	\$ 10,575	\$ 8,587
Balances at June 30, 2019	\$ 252,437	\$ 206,633	\$ 45,804

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,272	\$ 7,269
Changes of assumptions	35,382	16,899
Net difference between projected and actual earnings on pension plan investments	-	11,512
Changes in proportion	38,208	-
Employer contributions subsequent to the measurement date	34,190	-
Total	\$ 145,052	\$ 35,680

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,156	\$ 1,929
Changes of assumptions	4,830	2,388
Net difference between projected and actual earnings on pension plan investments	-	2,230
Employer contributions subsequent to the measurement date	11,544	-
Total	\$ 18,530	\$ 6,547

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

The deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to Pension Expense
2021	11,603
2022	11,603
2023	16,479
2024	18,334
2025	13,757
Thereafter	3,406

General Employee Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to Pension Expense
2021	(1,186)
2022	(1,184)
2023	302
2024	702
2025	1,039
Thereafter	766

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 6.75%

- * 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 9.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS June 30, 2020

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	\$ 3,390,238
Plan fiduciary net positions	<u>1,762,972</u>
Employers' net OPEB liability (asset)	<u>\$ 1,627,266</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>52.00%</u>

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

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS 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 OPEB 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:

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return (Continued)

<u>Asset Class (Strategy)</u>	<u>Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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 for 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 rate of 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 2.5%. 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.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

	<u>1.00% Decrease</u> <u>(5.75%)</u>	<u>Current Discount</u> <u>Rate (6.75%)</u>	<u>1.00% Increase</u> <u>(7.75%)</u>
GLI Net OPEB liability	\$ 736,250	\$ 560,430	\$ 417,845
General Employee HIC Net OPEB Liability	\$ 70,990	\$ 45,804	\$ 24,301

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan 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.

Payables to the OPEB Plan

At June 30, 2020, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

Group Life Insurance	\$ 8,256
Employee Health Insurance Credit	945

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Summary of Other Postemployment Benefit Elements

A summary of other postemployment benefit ("OPEB") related financial statement elements is as follows:

Deferred outflows of resources - OPEB

Changes in proportion

VRS-Group Life Insurance	\$ 38,208
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Employer contributions subsequent to the measurement date

VRS-Group Life Insurance	34,190
--------------------------	--------

VRS-Health Insurance Credit	11,544
-----------------------------	--------

Difference between expected and actual experience

Local Plan	39,646
------------	--------

VRS-Group Life Insurance	37,272
--------------------------	--------

VRS-Health Insurance Credit	2,156
-----------------------------	-------

Change in assumption

Local Plan	49,952
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VRS-Group Life Insurance	35,382
--------------------------	--------

VRS-Health Insurance Credit	4,830
-----------------------------	-------

Total deferred outflow of resources - OPEB	\$ <u>253,180</u>
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Net OPEB liability

Local Plan	\$ 338,952
------------	------------

VRS-Group Life Insurance	560,430
--------------------------	---------

VRS-Health Insurance Credit	45,804
-----------------------------	--------

Total net OPEB liability	\$ <u>945,186</u>
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Deferred inflows of resources-OPEB

Difference between expected and actual experience

VRS-Group Life Insurance	\$ 7,269
--------------------------	----------

VRS-Health Insurance Credit	1,929
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Change in assumptions

Local Plan	2,814
------------	-------

VRS-Group Life Insurance	16,899
--------------------------	--------

VRS-Health Insurance Credit	2,388
-----------------------------	-------

Net difference between projected and actual earnings

VRS-Group Life Insurance	11,512
--------------------------	--------

VRS-Health Insurance Credit	2,230
-----------------------------	-------

Total deferred inflow of resources - OPEB	\$ <u>45,041</u>
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HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 13. Shared Indebtedness

In August 2019, the Board entered into an agreement with the City of Harrisonburg and the County of Rockingham for the construction of a new facility. The City and County each issued revenue bonds through the Virginia Resources Authority in the amounts of \$4,950,000 and \$4,965,000, respectively with an interest rate of 2.30% and matures at October 1, 2033. The agreement stipulates that the City, County and CSB are each responsible for 1/3 of the debt issuance. The CSB's respective portions are \$1,650,000 and \$1,655,000, respectively. The Board's portion will be withheld from the quarterly support payments from both the City and County and will be reported as due to other governments on the financial statements. At June 30, 2020 the amounts due to the City and County were \$805,462 and \$802,128, respectively.

Note 14. Net Position

The following unrestricted net position has been designated by the Board at June 30, 2020. The Board can change these designations.

Technology Investment	\$ 234,500
Reimbursement Reserve	<u>100,000</u>
Total designated net position	<u><u>\$ 334,500</u></u>

Note 15. Net Client Service Revenue

Net client revenue arose from the following sources:

Medicaid	\$ 5,288,426
Direct client fees	171,516
Third-party	313,665
Other	<u>195,097</u>
Total	<u><u>\$ 5,968,704</u></u>

Note 16. Contributions from Participating Local Governments

Contributions from participating local governments were as follows:

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
County of Rockingham	\$ 965,968	\$ 1,406,963	\$ 2,372,931
City of Harrisonburg	<u>889,970</u>	<u>1,400,296</u>	<u>2,290,266</u>
Total	<u><u>\$ 1,855,938</u></u>	<u><u>\$ 2,807,259</u></u>	<u><u>\$ 4,663,197</u></u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 17. Commitments and Contingencies

Certain state and federal grants and programs are subject to audit to determine compliance with their requirements. In the opinion of management, future disallowances of current grant program expenditures, if any, would be immaterial.

Note 18. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; the health of and injuries to employees; and natural disasters. The Board participates in the Virginia Association of Counties Group Self-Insurance Risk Pool for various liability coverages which have up to \$4,000,000 in coverage limits. The Board participates in the Virginia Municipal League Risk Pool for workers compensation coverage.

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

There are no surety bonds for directors. The Board assumes risks related to co-insurance, policy deductibles, and claims which exceed insurance coverage. There have been no settlements that have exceeded the insurance coverage in the last three years and there has been no reduction in the amount of insurance coverage from the prior year.

Note 19. Donated Inventory

The pharmaceutical suppliers for the Board donated pharmaceutical supplies to be used in the Mental Health Program. At year end, the Board held approximately \$194,925 in prescription medication inventory. This value was determined using the average retail cost method. Since the Board merely acts as agent for the pharmaceutical companies by passing the medication through to its intended beneficiaries, the donation, distribution, and resulting inventories of the pharmaceutical supplies are not reflected in these financial statements.

Note 20. Deferred Compensation Plan

The Board maintains for its employees two deferred compensation plans, each created in accordance with *Internal Revenue Code* Section 457. The plans permit employees to defer a portion of their salary until future years. The deferred compensation plan benefits are not available to employees until termination, retirement, death, or unforeseeable emergency. The respective plans are with the International City Managers Association (ICMA) Retirement Corporation and the Commonwealth of Virginia Deferred Compensation Plan.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 21. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The CSB’s operations are dependent on the ability to maintain service to the public. Due to the outbreak, the CSB began limiting on-site services beginning on April 6, 2020 to only those clinically indicated. All other services were offered either through telehealth for approximately 16 weeks, limiting the CSB’s ability to serve the public. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. As such, the CSB’s financial condition and liquidity impact for the fiscal year 2021 is unknown.

Note 22. Subsequent Events

In September 2020, the Board entered into a contract with PYE INTERIORS for the furniture, signage, and window treatments for the new facility, in the amount of \$647,279.

Note 23. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In January 2017, the GASB issued **Statement No. 84, *Fiduciary Activities***. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, The GASB issued **Statement No. 87, *Leases***. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In March 2018, the GASB issued **Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements***. This Statement improves the information disclosed in the notes to government financial statements related to debt. The requirements of this Statement are effective for fiscal years beginning after June 15, 2019.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 23. New Accounting Standards (continued)

In August 2018, the GASB issued **Statement No. 90, *Majority Equity Interests***, an amendment of *GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary

fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations***. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92, *Omnibus***. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 23. New Accounting Standards (continued)

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS June 30, 2020

	Plan Year					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 587,113	\$ 545,464	\$ 555,155	\$ 557,286	\$ 572,318	\$ 557,796
Interest on total pension liability	1,329,228	1,274,178	1,204,256	1,133,937	1,061,809	983,105
Changes in assumptions	632,598	-	(9,194)	-	-	-
Difference between expected and actual experience	241,503	(244,583)	(28,849)	(53,250)	(87,811)	-
Benefit payments, including refunds of employee contributions	(811,996)	(765,248)	(679,711)	(587,144)	(444,682)	(388,420)
Net change in total pension liability	\$ 1,978,446	\$ 809,811	\$ 1,041,657	\$ 1,050,829	\$ 1,101,634	\$ 1,152,481
Total pension liability – beginning	\$ 19,394,974	\$ 18,585,163	\$ 17,543,506	\$ 16,492,677	\$ 15,391,043	\$ 14,238,562
Total pension liability – ending	\$ 21,373,420	\$ 19,394,974	\$ 18,585,163	\$ 17,543,506	\$ 16,492,677	\$ 15,391,043
Plan Fiduciary Net Position						
Contributions – employer	\$ 319,112	\$ 313,921	\$ 296,164	\$ 339,426	\$ 494,311	\$ 392,818
Contributions – employee	311,555	306,051	290,527	277,460	274,749	269,140
Net investment income	1,409,101	1,460,844	2,162,891	308,077	764,229	2,216,981
Benefit payments, including refunds of employee contributions	(811,996)	(765,248)	(679,711)	(587,144)	(444,682)	(388,420)
Administrative expenses	(13,753)	(12,504)	(12,339)	(10,670)	(9,989)	(11,592)
Other	(889)	(1,308)	(1,932)	(130)	(161)	117
Net change in plan fiduciary net position	\$ 1,213,130	\$ 1,301,756	\$ 2,055,600	\$ 327,019	\$ 1,078,457	\$ 2,479,044
Plan fiduciary net position – beginning	\$ 21,068,280	\$ 19,766,524	\$ 17,710,924	\$ 17,383,905	\$ 16,305,448	\$ 13,826,404
Plan fiduciary net position – ending	\$ 22,281,410	\$ 21,068,280	\$ 19,766,524	\$ 17,710,924	\$ 17,383,905	\$ 16,305,448
Net pension asset – ending	\$ (907,990)	\$ (1,673,306)	\$ (1,181,361)	\$ (167,418)	\$ (891,228)	\$ (914,405)
Plan fiduciary net position as a percentage of total pension liability	104%	109%	106%	101%	105%	106%
Covered employee payroll	\$ 6,820,554	\$ 6,502,713	\$ 6,006,285	\$ 5,549,286	\$ 5,323,806	\$ 5,362,027
Net pension asset as a percentage of covered employee payroll	-13%	-26%	-20%	-3%	-17%	-17%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2020**

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 373,862	\$ 373,862	\$ -	\$ 7,239,718	5.16 %
2019	319,748	319,748	-	6,820,554	4.69
2018	315,938	315,938	-	6,502,713	4.86
2017	296,164	296,164	-	6,006,285	4.93
2016	339,426	339,426	-	5,549,286	6.12
2015	344,311	494,311	(150,000)	5,323,806	9.28

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS June 30, 2020

	Fiscal Year 2020		Fiscal Year 2019		Fiscal Year 2018	
	Plan Year 2020 Local Plan	Plan Year 2019 VRS Health Insurance Credit General Employees	Local Plan	Plan Year 2018 VRS Health Insurance Credit General Employees	Local Plan	Plan Year 2017 VRS Health Insurance Credit General Employees
Total OPEB Liability						
Service cost	\$ 24,007	\$ 7,526	\$ 19,756	\$ 6,202	\$ 20,140	\$ 6,882
Interest on total OPEB liability	8,440	15,892	8,475	15,502	7,447	14,957
Difference between expected and actual experience	46,481	2,540	-	(2,791)	-	-
Changes in assumptions	54,276	5,691	5,876	-	(5,373)	(4,446)
Benefit payments	(22,625)	(12,487)	(9,967)	(14,182)	(21,077)	(5,025)
Net change in total OPEB liability	\$ 110,579	\$ 19,162	\$ 24,140	\$ 4,731	\$ 1,137	\$ 12,368
Total OPEB liability – beginning	<u>228,373</u>	<u>233,275</u>	<u>204,233</u>	<u>228,544</u>	<u>203,096</u>	<u>216,176</u>
Total OPEB liability – ending	<u>\$ 338,952</u>	<u>\$ 252,437</u>	<u>\$ 228,373</u>	<u>\$ 233,275</u>	<u>\$ 204,233</u>	<u>\$ 228,544</u>
Plan Fiduciary Net Position						
Contributions – employer	\$ -	\$ 10,800	\$ -	\$ 13,005	\$ -	\$ 12,013
Net investment income	-	12,552	-	13,128	-	18,819
Benefit payments	-	(12,487)	-	(14,182)	-	(5,025)
Administrative expenses	-	(275)	-	(310)	-	(315)
Other	-	(15)	-	(924)	-	924
Net change in plan fiduciary net position	\$ -	\$ 10,575	\$ -	\$ 10,717	\$ -	\$ 26,416
Plan fiduciary net position – beginning	<u>-</u>	<u>196,058</u>	<u>-</u>	<u>185,341</u>	<u>-</u>	<u>158,925</u>
Plan fiduciary net position – ending	<u>-</u>	<u>206,633</u>	<u>-</u>	<u>196,058</u>	<u>-</u>	<u>185,341</u>
Net OPEB liability – ending	<u>\$ 338,952</u>	<u>\$ 45,804</u>	<u>\$ 228,373</u>	<u>\$ 37,217</u>	<u>\$ 204,233</u>	<u>\$ 43,203</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0%</u>	<u>82%</u>	<u>0%</u>	<u>84%</u>	<u>0%</u>	<u>81%</u>
Covered payroll	<u>\$ 7,239,718</u>	<u>\$ 6,820,554</u>	<u>\$ 6,820,554</u>	<u>\$ 6,502,713</u>	<u>\$ 6,502,713</u>	<u>\$ 6,006,285</u>
Net OPEB liability as a percentage of covered payroll	<u>5%</u>	<u>0.7%</u>	<u>3.35%</u>	<u>0.6%</u>	<u>3.14%</u>	<u>0.7%</u>

The information above for the VRS plan is reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report. The entity's local OPEB uses a plan year which is the same as its fiscal year. This schedule is intended to show information for 10 years. Since fiscal year 2018 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2020**

Entity Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
VRS Health Insurance Credit General Employees					
2020	\$ 11,544	\$ 11,544	\$ -	\$ 7,239,718	0.16 %
2019	10,800	10,800	-	6,820,554	0.16
2018	13,005	13,005	-	6,502,713	0.20
Virginia Retirement System - Group Life Insurance - General Employees					
2020	\$ 34,190	\$ 34,190	\$ -	\$ 7,239,718	0.47 %
2019	35,102	35,102	-	6,820,554	0.51
2018	33,814	33,814	-	6,502,713	0.52

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e. the covered payroll on which required contributions were based for the same year.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2020**

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2020	0.03 %	\$ 560,430	\$ 7,239,718	7.74 %	52.00 %
2019	0.03	520,000	6,820,554	7.62	51.22
2018	0.03	490,000	6,502,713	7.54	48.86

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

Note 1. Changes of Benefit Terms

Pension

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

Other Post-Employment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 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:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Decrease discount rate from 7.00% to 6.75%

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Increased disability rates
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%

**OTHER
SUPPLEMENTARY INFORMATION**

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF NET POSITION

June 30, 2020

	Harrisonburg-Rockingham Community Services Board	Rockingham-Harrisonburg Halfway House, Inc.	Inter- Company Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 8,551,347	\$ 1,138,340	\$ -	\$ 9,689,687
Accounts receivable, net	857,821	-	-	857,821
Miscellaneous accounts receivable	146,604	-	-	146,604
Due from other governments	2,586,484	-	-	2,586,484
Due from HRCSB	-	326,258	(326,258)	-
Prepaid expenses	136,346	-	-	136,346
Cash and cash equivalents, restricted for representative payee beneficiaries	152,761	-	-	152,761
Total current assets	<u>\$ 12,431,363</u>	<u>\$ 1,464,598</u>	<u>\$ (326,258)</u>	<u>\$ 13,569,703</u>
NONCURRENT ASSETS				
Net pension asset	\$ 907,990	\$ -	\$ -	\$ 907,990
Capital assets, net	7,348,772	480,622	-	7,829,394
Total noncurrent assets	<u>\$ 8,256,762</u>	<u>\$ 480,622</u>	<u>\$ -</u>	<u>\$ 8,737,384</u>
Total assets	<u>\$ 20,688,125</u>	<u>\$ 1,945,220</u>	<u>\$ (326,258)</u>	<u>\$ 22,307,087</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	\$ 988,585	\$ -	\$ -	\$ 988,585
Deferred outflows related to other postemployment benefits	253,180	-	-	253,180
Total deferred outflows of resources	<u>\$ 1,241,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,241,765</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and other current liabilities	\$ 450,684	\$ -	\$ -	\$ 450,684
Accrued payroll and related liabilities	505,604	-	-	505,604
Accrued interest	40,779	-	-	40,779
Due to Halfway House	326,258	-	(326,258)	-
Amounts held for representative payee beneficiaries, payable from restricted assets	152,761	-	-	152,761
Unearned revenues	2,437,447	-	-	2,437,447
Compensated absences	407,115	-	-	407,115
Total current liabilities	<u>\$ 4,320,648</u>	<u>\$ -</u>	<u>\$ (326,258)</u>	<u>\$ 3,994,390</u>
LONG-TERM LIABILITIES				
Due to other governments	\$ 1,607,590	\$ -	\$ -	\$ 1,607,590
Other postemployment benefits liability	945,186	-	-	945,186
Total long-term liabilities	<u>\$ 2,552,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,552,776</u>
Total liabilities	<u>\$ 6,873,424</u>	<u>\$ -</u>	<u>\$ (326,258)</u>	<u>\$ 6,547,166</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	\$ 291,951	\$ -	\$ -	\$ 291,951
Deferred inflows related to other postemployment benefits	45,041	-	-	45,041
Total deferred inflows of resources	<u>\$ 336,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,992</u>
NET POSITION				
Net investment in capital assets	\$ 7,348,772	\$ 480,622	\$ -	\$ 7,829,394
Unrestricted	7,370,702	1,464,598	-	8,835,300
Total net position	<u>\$ 14,719,474</u>	<u>\$ 1,945,220</u>	<u>\$ -</u>	<u>\$ 16,664,694</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
June 30, 2020

	Harrisonburg- Rockingham Community Services Board	Rockingham- Harrisonburg Halfway House, Inc.	Inter- Company Eliminations	Total
OPERATING REVENUES				
Net client service revenue	\$ 5,968,704	\$ -	\$ -	\$ 5,968,704
OPERATING EXPENSES				
Salaries	\$ 8,558,285	\$ -	\$ -	\$ 8,558,285
Benefits	2,231,063	-	-	2,231,063
Facility, equipment, and vehicle	458,488	-	(91,680)	366,808
Contractual and professional services	1,358,868	50	-	1,358,918
Depreciation and amortization	201,658	31,956	-	233,614
Other	1,390,958	118	-	1,391,076
Total operating expenses	\$ 14,199,320	\$ 32,124	\$ (91,680)	\$ 14,139,764
Operating loss	\$ (8,230,616)	\$ (32,124)	\$ 91,680	\$ (8,171,060)
NONOPERATING REVENUES (EXPENSES)				
Commonwealth of Virginia grants	\$ 5,419,936	\$ -	\$ -	\$ 5,419,936
Federal grants	1,034,616	-	-	1,034,616
Contributions from participating local governments	4,663,197	-	-	4,663,197
Interest income	59,303	6,090	-	65,393
Interest expense	(145,331)	-	-	(145,331)
Other income	784,542	91,680	(91,680)	784,542
Net nonoperating revenues	\$ 11,816,263	\$ 97,770	\$ (91,680)	\$ 11,822,353
Change in net position	\$ 3,585,647	\$ 65,646	\$ -	\$ 3,651,293
NET POSITION, at July 1	11,133,827	1,879,574	-	13,013,401
NET POSITION, at June 30	\$ 14,719,474	\$ 1,945,220	\$ -	\$ 16,664,694

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF CASH FLOWS
June 30, 2020

	Harrisonburg- Rockingham Community Services Board	Rockingham- Harrisonburg Halfway House, Inc.	Inter- Company Eliminations	Total
OPERATING ACTIVITIES				
Receipts from clients, private insurers, Medicaid, and others	\$ 6,194,143	\$ -	\$ -	\$ 6,194,143
Payments to suppliers	(2,944,345)	(168)	91,680	(2,852,833)
Payments to and for employees	(10,856,425)	-	-	(10,856,425)
Net cash used in operating activities	<u>\$ (7,606,627)</u>	<u>\$ (168)</u>	<u>\$ 91,680</u>	<u>\$ (7,515,115)</u>
NON-CAPITAL FINANCING ACTIVITIES				
Contributions from local, state, and federal governments	\$ 11,512,782	\$ -	\$ -	\$ 11,512,782
Other receipts	784,542	91,680	(91,680)	784,542
Net cash provided by (used in) non-capital financing activities	<u>\$ 12,297,324</u>	<u>\$ 91,680</u>	<u>\$ (91,680)</u>	<u>\$ 12,297,324</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (4,259,088)	\$ -	\$ -	\$ (4,259,088)
Contribution from local governments	(2,163,164)	-	-	(2,163,164)
Borrowed from local governments	1,607,590	-	-	1,607,590
Interest paid on debt	(104,552)	-	-	(104,552)
Net cash used in capital and related financing activities	<u>\$ (4,919,214)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,919,214)</u>
INVESTING ACTIVITIES				
Interest received	<u>\$ 59,303</u>	<u>\$ 6,090</u>	<u>\$ -</u>	<u>\$ 65,393</u>
Net increase in cash and cash equivalents	\$ (169,214)	\$ 97,602	\$ -	\$ (71,612)
CASH AND CASH EQUIVALENTS				
Beginning at July 1	<u>\$ 8,873,322</u>	<u>\$ 1,040,738</u>	<u>\$ -</u>	<u>\$ 9,914,060</u>
Ending at June 30	<u>\$ 8,704,108</u>	<u>\$ 1,138,340</u>	<u>\$ -</u>	<u>\$ 9,842,448</u>
RECONCILIATION TO STATEMENT OF NET POSITION				
Cash and cash equivalents	\$ 8,551,347	\$ 1,138,340	\$ -	\$ 9,689,687
Cash and cash equivalents, restricted for representative payee program	152,761	-	-	152,761
	<u>\$ 8,704,108</u>	<u>\$ 1,138,340</u>	<u>\$ -</u>	<u>\$ 9,842,448</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF CASH FLOWS
June 30, 2020

**RECONCILIATION OF OPERATING
LOSS TO NET CASH USED IN
OPERATING ACTIVITIES**

Operating loss	\$ (8,230,616)	\$ (32,124)	\$ 91,680	\$ (8,171,060)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization	201,658	31,956	-	233,614
Pension expense net of employer contributions	12,999	-	-	12,999
Other postemployment expense net of employer contributions	(150,217)	-	-	(150,217)
Decrease (increase) in:				
Accounts receivable, net	225,439	-	-	225,439
Prepaid expenses	(107,982)	-	-	(107,982)
Increase (decrease) in:				
Accounts payable and other current liabilities	327,427	-	-	327,427
Accrued payroll and related liabilities	(91,818)	-	-	(91,818)
Compensated absences	2,363	-	-	2,363
Other post-employment benefits	159,596	-	-	159,596
Amounts held for representative payee beneficiaries, payable from restricted assets	44,524	-	-	44,524
Net cash used in operating activities	<u>\$ (7,606,627)</u>	<u>\$ (168)</u>	<u>\$ 91,680</u>	<u>\$ (7,515,115)</u>

SCHEDULE OF NON-CASH ACTIVITIES

Capital asset additions finance by accounts payable	<u>\$ 204,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,965</u>
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COMPLIANCE SECTION

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

To the Honorable Members of the Board of Directors
Harrisonburg-Rockingham Community Services Board
Harrisonburg, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Harrisonburg-Rockingham Community Services Board (the "Board"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 4, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility 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 the Board's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 4, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Honorable Members of the Board of Directors
Harrisonburg-Rockingham Community Services Board
Harrisonburg, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Harrisonburg-Rockingham 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 Compliance for Each Major Federal Program (Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

The Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion the response.

Report on Internal Control over Compliance

Management of Harrisonburg-Rockingham 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 the 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 the 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 4, 2020

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

SUMMARY OF COMPLIANCE MATTERS

June 30, 2020

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Board's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **two audit findings relating to the major programs**.
7. The programs tested as major were:

Name of Program	CFDA #
Opioid State Targeted Response	93.778
Block Grants for the Prevention and Treatment of Substance Abuse	93.959

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Board was **not** determined to be a **low-risk auditee**.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

2020-001: Opioid STR Grant-CFDA #93.788, Procurement-Document Retention

Condition:

Submitted proposals were not retained to support the selection of the vendor chosen to provide services. The lack of documentation did not allow for review of procurement decisions to support proper procedures were followed.

Criteria:

Documentation is required to be maintained supporting the contract price and evaluation of all vendors responding to requests for proposals (RFP) or invitations to bid (ITB).

Cause:

Documentation was disposed of after vendor selection was completed.

Effect:

Insufficient documentation to determine if the contract amount agrees to the submitted proposal. Also, insufficient documentation to support that all procurement procedures were followed.

Recommendation:

Procurement documentation should contain the original RFP or ITB, scoring criteria, individual vendor scoring, and the completed contract for the selected vendor.

Views of Responsible Officials and Planned Corrective Action:

Management agrees with this finding. In response, Management is planning to provide additional training to all staff involved in the procurement policy and process, especially those whose position would require engagement in the RFP process. Additionally, the Board will implement a new digital documentation storage process wherein all documentation related to procurement will be maintained in a shared file which is backed up nightly. This digital file will be in addition to the paper files that are currently required to be maintained. Currently the position of Administrative Director is designated to train and consult with all personnel on matters regarding procurement requirements; which will now include review and maintenance of the shared procurement folder.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT
(Continued)**

**2020-002: Opioid STR Grant-CFDA #93.788, Procurement-Required Contract Language under
Uniform Guidance**

Condition:

Signed vendor contract selected for testing did not contain all of the required Uniform Guidance clauses.

Criteria:

All vendor contracts must contain the required clauses of specified in Appendix II to the Uniform Guidance.

Cause:

Employee who signed the contract did not have the necessary knowledge of the Uniform Guidance requirements. As a result, the contract was not reviewed for the required Uniform Guidance clauses.

Effect:

Contract did not contain all clauses required by the Uniform Guidance.

Recommendation:

Contracts should be reviewed and signed by a member of management or program director, having appropriate knowledge of the Uniform Guidance requirements.

Views of Responsible Officials and Planned Corrective Action:

Management agrees with this finding. In response, Management will review all current contracts to insure Uniform Guidance language is included. Additionally, Management will be providing training to all staff involved contracting on behalf of the Board regarding the required contract language. Currently the position of Administrative Director is designated to maintain a running list of contracts originating by and for HRCSB; which will now include consultation with HRCSB on required language in federally funded contracts.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2020**

Federal Grantor/State Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Health Resources and Services Administration:			
Substance Abuse and Mental Health Services Administration:			
Block Grants for Community Mental Health Services	93.958	50199-0090	\$ 103,636
Block Grants for the Prevention and Treatment of Substance Abuse	93.959	50169-0090/ 50128- 0090/ 50129-0090	403,804
State Targeted Response to the Opioid Crisis Grants	93.788	53002-0090/ 53022- 0090/ 53032-0090	286,506
Total Department of Health and Human Services Pass Through			<u>\$ 793,946</u>
Direct Payments:			
Health Resources and Services Administration:			
COVID-19 Provider Relief Fund	93.498	HHS-89267411989	<u>113,913</u>
Total Department of Health and Human Services			<u>\$ 907,859</u>
Department of Agriculture:			
Direct Payments			
Child and Adult Care Food Program	10.558	N/A	<u>\$ 15,793</u>
Total Department of Agriculture			<u>\$ 15,793</u>
Department of Education:			
Pass Through Payments:			
Office of Special Education and Rehabilitative Services			
Special Education-Grants for Infants and Families	84.181	43082-0090/ 43083- 0090/ 73083-0090	<u>\$ 110,965</u>
Total Department of Education			<u>\$ 110,965</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,034,617</u></u>

Notes to Schedule of Expenditure of Federal Awards:

Note 1-Basis of Presentation:

This schedule is presented on the accrual basis of accounting.

Note 2-De Minimis Indirect Cost Rate:

The Board has not elected to use the de minimis 10% rate for the allocation of indirect costs.

Note 3-Outstanding Loan Balances:

At June 30, 2020, the Board had no outstanding loan balances requiring continuing disclosure.