
SOUTHSIDE COMMUNITY SERVICES BOARD

CLARKSVILLE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE □ RICHMOND □ FREDERICKSBURG □ STAUNTON □ BLACKSBURG □ LOUISA



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SOUTHSIDE COMMUNITY SERVICES BOARD

BOARD OF DIRECTORS

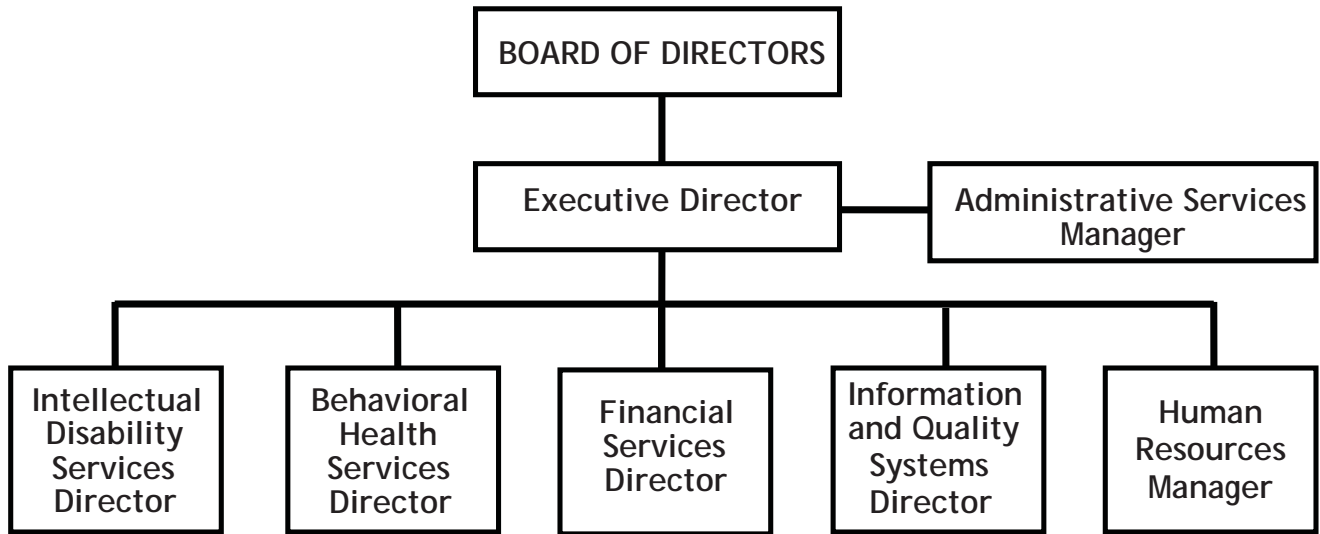
Ronald Thornhill, Chairperson
Novella Moore, Vice-Chairperson
Patricia Taylor, Secretary
Barry Bank, Treasurer

Frances Clark
Elsie Gladding
Jan Hundley
Tom Kluge

PRINCIPAL MANAGEMENT TEAM

Donald A. Burge	Executive Director
Galyna Hightower	Financial Services Director
Vacant	Behavioral Health Services Director
Paul Mandel	Intellectual Disabilities Services Director
Kenneth Schwartz	Information and Quality Systems Director
Christine Watson	Human Resources Manager

SOUTHSIDE COMMUNITY SERVICES BOARD
ORGANIZATIONAL CHART



ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Board of Directors
Southside Community Services Board
Clarksville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Southside Community Services Board as of and for the year ended June 30, 2015, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Southside Community Services Board, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2015, the Southside Community Services Board adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-7 and pages 40-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Southside Community Services Board's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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


Report on Summarized Comparative Information

We have previously audited the Southside Community Services Board's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

As described in Note 15 to the financial statements, GASB Statement Nos. 68 and 71 were implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net pension liability and related items was unavailable. Therefore, the 2014 amounts related to pensions have not been restated to reflect the requirements of GASB Statement Nos. 68 and 71. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the Southside Community Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Southside Community Services Board's internal control over financial reporting and compliance.


Charlottesville, Virginia
November 23, 2015

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Management's Discussion and Analysis
Year Ending June 30, 2015

The operational efficiency and effectiveness of Southside Community Services Board (SCSB) are of paramount interest to the general public in Southside Virginia. While oversight responsibility of Board services rests with the Virginia Department of Behavioral Health and Developmental Services, operational responsibility rests with the Board of Directors of Southside Community Services Board and the Executive Director (including the Board's top management team). Included in the oversight tasks are the Boards of Supervisors of Brunswick, Halifax, and Mecklenburg Counties. All members of the Board of Directors are appointed by the respective county Boards of Supervisors.

A vital part of the overall management responsibility is the issuance of an annual Financial Audit conducted by an independent, certified public accounting firm. This document summarizes the financial operations conducted during the course of a State fiscal year (July 1 - June 30).

Monthly financial statements, prepared by the Board's accounting office, and verified by the Board's Financial Officer, are presented to the Board's Finance Committee and to the full Board of Directors.

Annual budgets and performance contracts reflect operational plans for continuity of services in mental health, intellectual disabilities, and substance abuse. It is management's responsibility to ensure that qualified staff are employed and engaged in the provision of needed services.

Assuming there are various ways in which year ending financial reports are analyzed, this year's Management's Discussion and Analysis has focused on the composition of its capital structure and on changes and trends in revenues. In addition, management finds comparative analysis between fiscal years useful in analyzing areas of potential growth.

Funding Analysis

Over the past year there were several significant increases in Board funding that primarily resulted from the following:

1. Mental Health
 - A. Additional Regional Funding for Children Crisis Stabilization.
 - B. Increase in admissions to MH Day Support Programs.
 - C. Increase in MH Case Management.
2. Intellectual Disabilities
 - A. Increase in admissions to ID Day Treatment Support Programs.
3. Substance Abuse - Increase in Substance Abuse case management services.

The Board's three disability programs' total funding is as follows:

	2015	2014	2015 % (decrease) % increase to 2014
Mental Health	\$ 6,302,417	\$ 6,182,022	1.95%
Intellectual Disabilities	6,062,871	5,710,808	6.16%
Substance Abuse	989,081	992,518	-0.35%
Annual Totals	\$ 13,354,369	\$ 12,885,348	3.64%

Financial Analysis

It should be noted that the Board does not carry any long term liabilities on its Balance Sheet except for the net pension liability, which is a result of no outstanding debt incurred from previously borrowed money. Over the past 18 plus years, all capital outlays have been absorbed through either annual operational cost and/or net position.

Net position is an excellent barometer of the Board's current financial position. The following condensed summary of the Board's statement of net position and operations for the years ending June 30, 2015 and 2014 lists net position at \$10,129,694 and \$11,178,833, with respective increases (decreases) of \$268,654 and (\$593,986).

	<u>2015</u>	<u>2014</u>
Assets:		
Current	\$ 3,788,317	\$ 3,157,093
Restricted	99,599	149,219
Capital (net of accumulated depreciation)	<u>8,313,066</u>	<u>8,829,334</u>
Total Assets	<u>\$ 12,200,982</u>	<u>\$ 12,135,646</u>
Deferred outflow of resources:		
Post measurement date employer pension contributions	<u>\$ 584,712</u>	<u>\$ -</u>
Liabilities:		
Current	\$ 1,022,763	\$ 928,468
Restricted	21,332	28,345
Noncurrent	<u>759,432</u>	<u>-</u>
Total Liabilities	<u>\$ 1,803,527</u>	<u>\$ 956,813</u>
Deferred inflow of resources:		
Net difference of actual and expected pension asset earnings	<u>\$ 852,473</u>	<u>\$ -</u>
Net Position	<u>10,129,694</u>	<u>11,178,833</u>

Summary of Operations and Changes in Net Position

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 8,979,294	\$ 8,601,449
Operating expenses	<u>13,298,416</u>	<u>13,594,689</u>
Operating income (loss)	\$ (4,319,122)	\$ (4,993,240)
Nonoperating income	<u>4,587,776</u>	<u>4,399,254</u>
Change in net position	<u>\$ 268,654</u>	<u>\$ (593,986)</u>

Revenue Analysis

If you review the revenue history of SCSB over the past 20 years, you would find a shifting of funds in operational revenue from State to Medicaid. The gradual migration to Medicaid revenues will no longer allow management to provide services based on program funding. Programs that are primarily funded through Medicaid dollars are based on services provided to individuals. Individualized funding has caused management to revise and develop programs that generate adequate revenues to defray operational cost.

Revenue Analysis (Continued)

The following table defines all major revenue sources and their percent of Board total funds:

		<u>2015</u>	<u>% Total</u>		<u>2014</u>	<u>% Total</u>	<u>2015 Increase/ (Decrease) from 2014</u>	<u>2015 % of Increase (Decrease)</u>
Medicaid	\$	8,594,999	63.4%	\$	8,288,026	63.8%	\$ 306,973	3.7%
State		3,427,998	25.3%		3,328,657	25.6%	99,341	3.0%
Federal		544,932	4.0%		543,461	4.2%	1,471	0.3%
Local		261,228	1.9%		239,107	1.8%	22,121	9.3%
Other		737,913	5.4%		601,452	4.7%	136,461	22.7%
Total	\$	<u>13,567,070</u>	<u>100.0%</u>	\$	<u>13,000,703</u>	<u>100.1%</u>	<u>\$ 566,367</u>	<u>4.4%</u>

Expense Analysis

The following table shows the expenses by categories for the years ended June 30, 2015 and 2014 and the amount and percentage change in 2015 in relation to 2014. The contributing factors for the decreases in expenses for 2015 relate to the lower pension cost related to the adoption of GASB 68 and to outsourcing psychiatrist services which is reflected in contractual services cost.

		<u>2015</u>	<u>% Total</u>		<u>2014</u>		<u>2015 Increase/ (Decrease) from 2014</u>	<u>2015 % of Increase (Decrease)</u>
Salaries/Benefits	\$	9,707,073	73.0%	\$	9,940,303	\$	(233,230)	-2.35%
Staff Development		21,020	0.2%		17,552		3,468	19.76%
Facility		862,049	6.5%		805,189		56,860	7.06%
Supplies		514,215	3.9%		533,349		(19,134)	-3.59%
Travel		150,610	1.1%		131,389		19,221	14.63%
Contractual/Consulting		1,541,707	11.7%		1,646,358		(104,651)	-6.36%
Depreciation		520,943	3.9%		535,889		(14,946)	-2.79%
Other		(19,201)	-0.1%		(15,340)		(3,861)	25.17%
Total Expenses	\$	<u>13,298,416</u>	<u>100.0%</u>	\$	<u>13,594,689</u>	\$	<u>(296,273)</u>	<u>-2.18%</u>

Analysis of Cash Flows

There was a net increase of \$409,175 in cash and cash equivalents for the year ending June 30, 2015 compared to a net decrease of \$444,176 for 2014. The cost of capital expenditures of \$4,675 (2015) and \$134,037 (2014) is recorded as a negative cash flow under Financing/Capital Activities.

During fiscal year 2015, interest earned on investments increased from fiscal year 2014. The Board continued to invest in the same sources in 2015 as in 2014. Earnings from these investments paid \$5,782 in 2015 and \$4,057 in 2014.

	<u>2015</u>	<u>2014</u>
Cash flow from operating activities and noncapital financing activities	\$ 408,068	\$ (314,196)
Cash flow from capital and related financing activities	(4,675)	(134,037)
Cash flow from investing activities	<u>5,782</u>	<u>4,057</u>
Net increase (decrease) in cash and cash equivalents	\$ <u>409,175</u>	\$ <u>(444,176)</u>

Capital Assets

The Board's net capital assets decreased by \$516,268 in 2015 from 2014 and decreased by \$416,975 in 2014 from 2013. Actual capital asset expenditures were \$4,675 (2015) and \$134,037 (2014). The capital asset purchases in 2015 were for new building equipment.

The Board has long-term debt comprised of the net pension obligation of \$759,432.

As stated above, the financial position of Southside Community Services Board is measured in terms of resources (assets) it owns and obligations (liabilities) it owes on a given date. This strong liquidity and lack of debt shows our financial position to be strong and secure.

- Basic Financial Statements -

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SOUTHSIDE COMMUNITY SERVICES BOARD

Statement of Net Position
At June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,635,343	\$ 2,176,548
Accounts receivable, less allowance for uncollectibles	1,044,761	888,410
Advances to HUD Component Units	92,330	79,677
Prepaid items	15,883	12,458
Total current assets	\$ 3,788,317	\$ 3,157,093
Restricted Assets:		
Cash and cash equivalents	\$ 84,512	\$ 126,971
Funds held for individuals	15,087	22,248
Total restricted assets	\$ 99,599	\$ 149,219
Capital Assets:		
Capital assets not being depreciated	\$ 777,089	\$ 777,089
Capital assets being depreciated, net of accumulated depreciation	7,535,977	8,052,245
Total capital assets	\$ 8,313,066	\$ 8,829,334
Total assets	\$ 12,200,982	\$ 12,135,646
DEFERRED OUTFLOWS OF RESOURCES		
Post measurement date employer pension contributions	\$ 584,712	\$ -
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 260,363	\$ 256,844
Accrued expenses	362,980	255,750
Unearned revenue	67,701	7,979
Compensated absences	331,719	407,895
Total current liabilities	\$ 1,022,763	\$ 928,468
Liabilities Payable from Restricted Assets:		
Security deposits	\$ 6,245	\$ 6,097
Amounts held for individuals	15,087	22,248
Total liabilities payable from restricted assets	\$ 21,332	\$ 28,345
Noncurrent Liabilities:		
Net pension liability	\$ 759,432	\$ -
Total liabilities	\$ 1,803,527	\$ 956,813
DEFERRED INFLOWS OF RESOURCES		
Net difference of actual and expected pension plan earnings	\$ 852,473	\$ -
NET POSITION		
Investment in capital assets	\$ 8,313,066	\$ 8,829,334
Restricted	93,354	120,874
Unrestricted	1,723,274	2,228,625
Total net position	\$ 10,129,694	\$ 11,178,833

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Net patient service revenue	\$ 8,979,294	\$ 8,601,449
Operating expenses:		
Salaries and benefits	\$ 9,707,073	\$ 9,940,303
Staff development	21,020	17,552
Facility	862,049	805,189
Supplies	514,215	533,349
Travel	150,610	131,389
Contractual and consulting	1,541,707	1,646,358
Depreciation	520,943	535,889
Other	(19,201)	(15,340)
Total operating expenses	\$ 13,298,416	\$ 13,594,689
Operating income (loss)	\$ (4,319,122)	\$ (4,993,240)
Nonoperating income:		
Appropriations:		
Commonwealth of Virginia	\$ 3,427,998	\$ 3,328,657
Federal government	544,932	543,461
Local governments	261,228	239,107
Interest income	5,782	4,057
Contributions and other	216,918	188,849
Rentals	130,918	95,123
Net nonoperating income	\$ 4,587,776	\$ 4,399,254
Change in net position	\$ 268,654	\$ (593,986)
Net position, beginning of year, as restated	9,861,040	11,772,819
Net position, end of year	\$ 10,129,694	\$ 11,178,833

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities:		
Receipts from customers	\$ 8,861,687	\$ 8,479,439
Payments to suppliers	(3,068,993)	(3,273,066)
Payments to and for employees	(9,966,619)	(9,915,766)
Net cash flows provided by (used for) operating activities	\$ (4,173,925)	\$ (4,709,393)
Cash flows from noncapital financing activities:		
Government grants	\$ 4,234,158	\$ 4,111,225
Other	347,836	283,972
Net cash flows provided by (used for) noncapital financing activities	\$ 4,581,994	\$ 4,395,197
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (4,675)	\$ (134,037)
Cash flows from investing activities:		
Interest income	\$ 5,782	\$ 4,057
Net increase (decrease) in cash and cash equivalents	\$ 409,175	\$ (444,176)
Cash and cash equivalents, beginning of year	2,325,767	2,769,943
Cash and cash equivalents, end of year	\$ 2,734,942	\$ 2,325,767
Cash and Cash Equivalents:		
Unrestricted	\$ 2,635,343	\$ 2,176,548
Restricted	99,599	149,219
Total cash and cash equivalents	\$ 2,734,942	\$ 2,325,767
Cash flows from operating activities:		
Operating income (loss)	\$ (4,319,122)	\$ (4,993,240)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	520,943	535,889
Changes in assets and liabilities:		
Accounts receivable	(156,351)	(76,812)
Interest receivable	-	1,530
Advances	(12,653)	(54,144)
Prepaid items	(3,425)	(882)
Accounts payable	3,520	(157,435)
Accrued expenses	107,230	39,502
Unearned revenue	59,722	7,979
Compensated absences	(76,176)	(14,965)
Net pension liability and related deferred inflows and outflows	(290,600)	-
Amounts held for individuals	(7,161)	3,015
Security deposits	148	170
Net cash flows provided by (used for) operating activities	\$ (4,173,925)	\$ (4,709,393)

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

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SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Agency

The Board operates as an agent for the Counties of Brunswick, Halifax and Mecklenburg in the establishment and operation of community mental health, intellectual disabilities 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 mental health and intellectual disabilities and substance abuse services which relate to and are integrated with existing and planned programs.

B. Financial Reporting Entity

For financial reporting purposes, in conformance with GASB Statement 39, *Determining Whether Certain Organizations are Component Units*, the Board includes all organizations for which it is considered financially accountable and which exclusively benefit the Board operations. All component units included in these financial statements have years which end on June 30.

C. Individual Component Unit Disclosures

Blended Component Units: Blended component units, although legally separate entities are, in substance, part of the Board's operations, and so data from these units are combined with data of the Board. These organizations exclusively benefit the Board by holding properties for the Board's programs. The Board has the following blended component units.

Alberta Manor, Inc.: Alberta Manor, Inc. operates a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Gateway-Halifax Apartments, Inc.: Gateway-Halifax Apartments, Inc. operates a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Brandon Home, Inc.: Brandon Home, Inc. operates a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Marc of Virginia, Inc.: Marc of Virginia, Inc. owns Ashley Manor, a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

D. Basis of Accounting

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

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

E. Financial Statement Presentation

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

F. Enterprise Fund Accounting

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

G. Use of Estimates

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

H. Cash and Cash Equivalents

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

For the purposes of the Statement of Cash Flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

I. Investments

Investments are reported at fair value.

J. Accounts Receivable

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

An allowance for doubtful client accounts has been estimated by management to approximate \$242,618 at June 30, 2015 and \$263,594 at June 30, 2014.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

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

K. Capital Assets

Capital assets purchased are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 31 years and is computed using the straight-line method. Donated capital assets are recorded at their estimated fair market value at the time of the gift. All capital asset acquisitions of \$5,000 or more and a useful life of over 1 year are capitalized.

L. Compensated Absences

The Board's employees earn paid time off (PTO) in varying amounts and can accumulate PTO based on length of service.

Employees terminating their employment are paid by the Board their accumulated PTO up to the maximum limit.

The liability for PTO has been recorded in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Accordingly, the amount of PTO recognized as expense is the amount earned during the year. The balance at June 30, 2015 and 2014 was \$331,719 and \$407,895, respectively. All of the liability for PTO has been reported as a current liability because the non-current portion is not estimable.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Board's Retirement Plan and the additions to/deductions from the Board's Retirement Plan's 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.

N. Operating and Nonoperating Revenues and Expenses

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

O. Net Client Service Revenue

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

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

P. Budgetary Accounting

The Board follows these procedures in establishing its budgets:

1. In response to Letters of Notification received from the Virginia Department of Behavioral Health and Developmental Services (the Department), the Board submits a Performance Contract to the Department. This application contains complete budgets for all Core Services.
2. The Board's Performance reports are filed with the Department during the fiscal year, 30 working days after the end of the second quarter. The final quarterly report is generally due by August 31 following the end of the fiscal year unless extended.
3. If any changes are made during the fiscal year in state or federal block grants, or local match funds the Board submits Performance Contract revisions which reflect these changes in time to be received by the Department by required deadlines.

Q. Restricted Assets

Restricted assets consists of cash funds held for individuals. The accounts are in the name of the individual.

R. Comparative Amounts

Comparative amounts for the prior year are presented on the combined statements for informational purposes only. Certain prior year amounts have been reclassified to conform with the current year presentation.

S. Net Position

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

T. Net Position Flow Assumption

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

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

U. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

The Board has no formal investment policies. However, it does follow state law with regard to its investments.

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

The Board's rated debt investments as of June 30, 2015 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

Rated Debt Investments	
Rated Debt Investments Value	Fair Quality Ratings
	AAAm
Virginia Local Government Investment Pool	\$ 1,352,437

External Investment Pools:

The fair value of the position in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with Sec. Rule 2a-7.

	Southside CSB	Component Units	Total
Summary:			
Cash and cash equivalents consists of the following at June 30, 2015:			
Petty cash and cash on hand	\$ 1,775	\$ -	\$ 1,775
Cash in banks	1,281,131	84,512	1,365,643
Investments	1,352,437	-	1,352,437
Total	\$ 2,635,343	\$ 84,512	\$ 2,719,855

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2015 and 2014 the Board had accounts receivable due from the following primary sources. The amounts are net of estimated uncollectible amounts:

	2015	2014
Virginia Dept. of Medical Assistance Services (Medicaid)	\$ 903,610	\$ 456,908
Direct client and third party	46,384	304,925
Other	94,767	126,577
Total	\$ 1,044,761	\$ 888,410

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

NOTE 4 - CAPITAL ASSETS:

Capital assets consist of the following:

Southside Community Services Board

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 696,212	\$ -	\$ -	\$ 696,212
Total capital assets not being depreciated	\$ 696,212	\$ -	\$ -	\$ 696,212
Capital assets being depreciated:				
Building and improvements	\$ 11,424,704	\$ -	\$ -	\$ 11,424,704
Furnishings and equipment	975,572	-	-	975,572
Vehicles	1,478,393	-	-	1,478,393
Total capital assets being depreciated	\$ 13,878,669	\$ -	\$ -	\$ 13,878,669
Accumulated depreciation:				
Building and improvements	\$ 4,273,510	\$ 382,556	\$ -	\$ 4,656,066
Furnishings and equipment	876,463	38,962	-	915,425
Vehicles	1,401,558	31,453	-	1,433,011
Total accumulated depreciation	\$ 6,551,531	\$ 452,971	\$ -	\$ 7,004,502
Net capital assets being depreciated	\$ 7,327,138	\$ (452,971)	\$ -	\$ 6,874,167
Net capital assets	\$ 8,023,350	\$ (452,971)	\$ -	\$ 7,570,379

Component Unit Organizations

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 80,877	\$ -	\$ -	\$ 80,877
Capital assets being depreciated:				
Building and improvements	\$ 1,845,878	\$ 4,675	\$ -	\$ 1,850,553
Furnishings and equipment	53,712	-	-	53,712
Total capital assets being depreciated	\$ 1,899,590	\$ 4,675	\$ -	\$ 1,904,265
Accumulated depreciation:				
Building and improvements	\$ 1,125,831	\$ 63,501	\$ -	\$ 1,189,332
Furnishings and equipment	48,652	4,471	-	53,123
Total accumulated depreciation	\$ 1,174,483	\$ 67,972	\$ -	\$ 1,242,455
Net capital assets being depreciated	\$ 725,107	\$ (63,297)	\$ -	\$ 661,810
Net capital assets	\$ 805,984	\$ (63,297)	\$ -	\$ 742,687
Total reporting entity capital assets	\$ 8,829,334	\$ (516,268)	\$ -	\$ 8,313,066

Total depreciation expense was \$520,943 for 2015 and \$535,889 for 2014.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

NOTE 5 - OPERATING LEASE COMMITMENTS:

The Board leased office space and other facilities from various lessors. The lease terms generally ranged from monthly to one year. The Board constructed a new facility in fiscal year 2013 and no longer leases office space.

NOTE 6 - PENSION PLAN:

Plan Description

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2013 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	32
Inactive members:	
Vested inactive members	10
Non-vested inactive members	30
Inactive members active elsewhere in VRS	<u>23</u>
Total inactive members	63
Active members	<u>168</u>
Total covered employees	<u><u>263</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Board's contractually required contribution rate for the year ended June 30, 2015 was 8.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. However, during 2015, the Board paid an increased, certified rate approved by the VRS of 7.85% of covered employee compensation.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$584,712 and \$602,462 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Board's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Board's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

- All Others (Non 10 Largest) - Non-LEOS:
- Update mortality table
 - Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Southside Community Services Board Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 13,732,935	\$ 11,812,680	\$ 1,920,255
Changes for the year:			
Service cost	\$ 710,187	\$ -	\$ 710,187
Interest	945,168	-	945,168
Contributions - employer	-	602,462	(602,462)
Contributions - employee	-	315,288	(315,288)
Net investment income	-	1,908,123	(1,908,123)
Benefit payments, including refunds of employee contributions	(461,083)	(461,083)	-
Administrative expenses	-	(9,795)	9,795
Other changes	-	100	(100)
Net changes	\$ 1,194,272	\$ 2,355,095	\$ (1,160,823)
Balances at June 30, 2014	\$ 14,927,207	\$ 14,167,775	\$ 759,432

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability (asset) of the Board using the discount rate of 7.00%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Southside Community Services Board			
Net Pension Liability (Asset)	\$ 2,841,301	\$ 759,432	\$ (959,346)

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

For the year ended June 30, 2015, the Board recognized pension expense of \$294,112. At June 30, 2015, the Board 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 852,473
Employer contributions subsequent to the measurement date	584,712	-
Total	\$ 584,712	\$ 852,473

\$584,712 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. 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 ended June 30	
2016	\$ (213,118)
2017	(213,118)
2018	(213,118)
2019	(213,119)
Thereafter	-

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

NOTE 7 - FISCAL AGENT:

The County of Halifax, Virginia serves as fiscal agent for the Board pursuant to the requirements of Section 37.1-195 of the Code of Virginia (1950), as amended.

NOTE 8 - RELATED PARTY TRANSACTIONS:

The Board provides management services to its component units. The total charges to these organizations were \$16,932.

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

The Board operates programs which are funded by grants received from federal, state or local sources. Expenditures financed by grants are subject to audit by the grantor. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor. The Board believes that the likelihood of disallowance of expenditures and subsequent reimbursements is remote and would not have a material effect on the overall financial position of the Board.

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

NOTE 10 - RISK MANAGEMENT:

The Board has contracted with insurance carriers for property damage and liability, workers compensation, directors and officer liability and professional liability coverages. Coverages are \$14,827,938 for property, \$1,000,000 for directors and officers liability, and \$2,150,000 for professional liability policies. Workers compensation coverages are for \$1,000,000. There are no surety bond coverages required or purchased for members of the Board of Directors. The policy deductibles range from \$500 to \$1,000 and property coverages include an 80% co-insurance requirement. Management believes its insurance coverages are sufficient to preclude any significant uninsured losses to the Board. There have been no settlements that exceeded insurance coverages in the past three years.

NOTE 11 - CONTRIBUTIONS BY PARTICIPANT LOCAL GOVERNMENTS:

Funds contributed by participant local governments are as follows:

	2015	2014
County of Halifax	\$ 87,450	\$ 67,450
County of Mecklenburg	130,290	128,169
County of Brunswick	43,488	43,488
Total	<u>\$ 261,228</u>	<u>\$ 239,107</u>

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 12 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient revenue sources are as follows:

	2015	2014
Medicaid	\$ 8,594,999	\$ 8,288,026
Direct client and third party	361,029	285,732
Other	23,267	27,691
Total	<u>\$ 8,979,295</u>	<u>\$ 8,601,449</u>

NOTE 13 - RESTRICTED NET POSITION:

Restricted net position consists of net position of the Board and component units which own group homes for the Board and unexpended federal grant funds. These balances are restricted for the operation and maintenance of the respective properties, and for subsequent years' federal programs. A summary of these items is detailed below.

	2015	2014
HUD group homes	\$ 93,354	\$ 120,874
Total	<u>\$ 93,354</u>	<u>\$ 120,874</u>

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE CREDITS:

Employees, upon retirement with 20 years of service with the Board and meeting certain other criteria, are eligible to receive a monthly health insurance supplement. For the year ended June 30, 2015 there were five persons covered under this plan and benefits totaling \$5,286 were paid during the year. The health insurance credit for retirees is no longer offered to new retirees effective January 1, 2014.

In addition to the benefits above, the Board participates in the Health Insurance Credit Program administered by the Virginia Retirement System.

A. Plan Description

The Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE CREDITS: (CONTINUED)

A. Plan Description (Continued)

An employee of the Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 6.

B. Funding Policy

As a participating local political subdivision, the Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The Board's contribution rate for the fiscal year ended 2014 was .20% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2014, the Board's contribution of \$13,067 was equal to the ARC and OPEB cost. The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years are as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2015	\$ 13,067	100.00%	\$ -
June 30, 2014	15,486	100.00%	-
June 30, 2013	14,247	100.00%	-

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE CREDITS: (CONTINUED)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	222,215
Actuarial value of plan assets	\$	144,799
Unfunded actuarial accrued liability (UAAL)	\$	77,416
Funded ratio (actuarial value of plan assets/AAL)		65.16%
Covered payroll (active plan members)	\$	6,468,870
UAAL as a percentage of covered payroll		1.20%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining open amortization period at June 30, 2014 was 20-29 years.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2015 (Continued)

NOTE 15 - ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The Board implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

Net Position as reported at June 30, 2014	\$ 11,178,833
Implementation of GASB 68	<u>(1,317,793)</u>
Net Position as restated at June 30, 2014	<u><u>\$ 9,861,040</u></u>

In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirements of GASB 68 and 71.

NOTE 16 - UPCOMING PRONOUNCEMENTS:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

NOTE 16 - UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

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- Required Supplementary Information -

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SOUTHSIDE COMMUNITY SERVICES BOARD

Schedule of Components of and Changes in Net Pension Liability and Related Ratios For the Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 710,187
Interest	945,168
Benefit payments, including refunds of employee contributions	(461,083)
Net change in total pension liability	\$ 1,194,272
Total pension liability - beginning	13,732,935
Total pension liability - ending (a)	<u>\$ 14,927,207</u>
 Plan fiduciary net position	
Contributions - employer	\$ 602,462
Contributions - employee	315,288
Net investment income	1,908,123
Benefit payments, including refunds of employee contributions	(461,083)
Administrative expense	(9,795)
Other	100
Net change in plan fiduciary net position	\$ 2,355,095
Plan fiduciary net position - beginning	11,812,680
Plan fiduciary net position - ending (b)	<u>\$ 14,167,775</u>
 Board's net pension liability - ending (a) - (b)	\$ 759,432
 Plan fiduciary net position as a percentage of the total pension liability	94.91%
 Covered-employee payroll	\$ 6,468,870
 Board's net pension liability as a percentage of covered-employee payroll	11.74%

This schedule is intended to report information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included when available.

SOUTHSIDE COMMUNITY SERVICES BOARD

Schedule of Employer Contributions

For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	\$ 512,848	\$ 584,712	\$ (71,864)	\$ 6,533,095	8.95%

This schedule is intended to report information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included when available.

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

SOUTHSIDE COMMUNITY SERVICES BOARD

Schedule of OPEB Funding Progress

Virginia Retirement System - Health Insurance Credit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Projected Unit Credit (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ 144,799	\$ 222,215	\$ 77,416	65.16%	\$ 6,468,870	1.20%
June 30, 2013	118,662	205,922	87,260	57.62%	6,234,422	1.40%
June 30, 2012	99,045	176,778	77,733	56.03%	5,997,169	1.30%

- Other Supplementary Information -
Combining Financial Statements

SOUTHSIDE COMMUNITY SERVICES BOARD

Combining Statement of Net Position
At June 30, 2015

	Southside Community Services Board	Gateway- Halifax Apartments, Inc.	Alberta Manor, Inc.
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,635,343	\$ -	\$ -
Accounts receivable, less allowance for uncollectibles	1,044,739	-	-
Advances to HUD Component Units	92,330	-	-
Prepaid items	15,883	-	-
Total current assets	<u>\$ 3,788,295</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted Assets:			
Cash and cash equivalents	\$ -	\$ 30,692	\$ 21,410
Funds held for individuals	15,087	-	-
Total restricted assets	<u>\$ 15,087</u>	<u>\$ 30,692</u>	<u>\$ 21,410</u>
Capital Assets:			
Capital assets not being depreciated	\$ 696,212	\$ 20,000	\$ 28,000
Capital assets being depreciated, less accumulated depreciation	6,874,167	152,574	292,805
Total capital assets	<u>\$ 7,570,379</u>	<u>\$ 172,574</u>	<u>\$ 320,805</u>
Total assets	<u>\$ 11,373,761</u>	<u>\$ 203,266</u>	<u>\$ 342,215</u>
DEFERRED OUTFLOWS OF RESOURCES			
Post measurement date employer pension contributions	\$ 584,712	\$ -	\$ -
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 168,036	\$ 19,096	\$ 44,802
Accrued expenses	362,980	-	-
Unearned revenue	67,701	-	-
Compensated absences	331,719	-	-
Total current liabilities	<u>\$ 930,436</u>	<u>\$ 19,096</u>	<u>\$ 44,802</u>
Liabilities Payable from Restricted Assets:			
Security deposits	\$ -	\$ 1,253	\$ 2,471
Amounts held for individuals	15,087	-	-
Total liabilities payable from restricted assets	<u>\$ 15,087</u>	<u>\$ 1,253</u>	<u>\$ 2,471</u>
Total current liabilities	<u>\$ 945,523</u>	<u>\$ 20,349</u>	<u>\$ 47,273</u>
Noncurrent Liabilities:			
Net pension liability	\$ 759,432	\$ -	\$ -
Total liabilities	<u>\$ 1,704,955</u>	<u>\$ 20,349</u>	<u>\$ 47,273</u>
DEFERRED INFLOWS OF RESOURCES			
Net difference of actual and expected pension plan earnings	\$ 852,473	\$ -	\$ -
NET POSITION			
Investment in capital assets	\$ 7,570,379	\$ 172,574	\$ 320,805
Restricted	15,087	29,439	18,939
Unrestricted	1,815,579	(19,096)	(44,802)
Total net position	<u>\$ 9,401,045</u>	<u>\$ 182,917</u>	<u>\$ 294,942</u>

Brandon Home, Inc.	Marc of Virginia, Inc.	Total
\$ -	\$ -	\$ 2,635,343
-	22	1,044,761
-	-	92,330
-	-	15,883
<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 3,788,317</u>
\$ 8,407	\$ 24,003	\$ 84,512
<u>-</u>	<u>-</u>	<u>15,087</u>
<u>\$ 8,407</u>	<u>\$ 24,003</u>	<u>\$ 99,599</u>
\$ 7,760	\$ 25,117	\$ 777,089
<u>103,023</u>	<u>113,408</u>	<u>7,535,977</u>
<u>\$ 110,783</u>	<u>\$ 138,525</u>	<u>\$ 8,313,066</u>
<u>\$ 119,190</u>	<u>\$ 162,550</u>	<u>\$ 12,200,982</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584,712</u>
\$ 11,498	\$ 16,931	\$ 260,363
-	-	362,980
-	-	67,701
<u>-</u>	<u>-</u>	<u>331,719</u>
<u>\$ 11,498</u>	<u>\$ 16,931</u>	<u>\$ 1,022,763</u>
\$ 681	\$ 1,840	\$ 6,245
<u>-</u>	<u>-</u>	<u>15,087</u>
<u>\$ 681</u>	<u>\$ 1,840</u>	<u>\$ 21,332</u>
<u>\$ 12,179</u>	<u>\$ 18,771</u>	<u>\$ 1,044,095</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 759,432</u>
<u>\$ 12,179</u>	<u>\$ 18,771</u>	<u>\$ 1,803,527</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 852,473</u>
\$ 110,783	\$ 138,525	\$ 8,313,066
7,726	22,163	93,354
<u>(11,498)</u>	<u>(16,909)</u>	<u>1,723,274</u>
<u>\$ 107,011</u>	<u>\$ 143,779</u>	<u>\$ 10,129,694</u>

SOUTHSIDE COMMUNITY SERVICES BOARD

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

	Southside Community Services Board	Gateway- Halifax Apartments, Inc.	Alberta Manor, Inc.
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Net patient service revenue	\$ 8,979,294	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Operating expenses:			
Salaries and benefits	\$ 9,707,073	\$ -	\$ -
Staff development	21,020	-	-
Facility	680,306	45,043	61,226
Supplies	514,215	-	-
Travel	150,610	-	-
Contractual and consulting	1,541,707	-	-
Depreciation	452,971	18,635	26,906
Other	(19,201)	-	-
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	\$ 13,048,701	\$ 63,678	\$ 88,132
	<u> </u>	<u> </u>	<u> </u>
Operating income (loss)	\$ (4,069,407)	\$ (63,678)	\$ (88,132)
	<u> </u>	<u> </u>	<u> </u>
Nonoperating income:			
Appropriations:			
Commonwealth of Virginia	\$ 3,427,998	\$ -	\$ -
Federal government	544,932	-	-
Local governments	261,228	-	-
Interest income	5,724	14	10
Contributions and other	216,911	7	-
Rentals	-	37,455	28,301
	<u> </u>	<u> </u>	<u> </u>
Net nonoperating income	\$ 4,456,793	\$ 37,476	\$ 28,311
	<u> </u>	<u> </u>	<u> </u>
Change in net position	\$ 387,386	\$ (26,202)	\$ (59,821)
	<u> </u>	<u> </u>	<u> </u>
Net position, beginning of year, as restated	9,013,659	209,119	354,763
	<u> </u>	<u> </u>	<u> </u>
Net position, end of year	\$ 9,401,045	\$ 182,917	\$ 294,942
	<u> </u>	<u> </u>	<u> </u>

<u>Brandon Home, Inc.</u>	<u>Marc of Virginia, Inc.</u>	<u>Total</u>
\$ -	\$ -	\$ 8,979,294
\$ -	\$ -	\$ 9,707,073
-	-	21,020
20,329	55,145	862,049
-	-	514,215
-	-	150,610
-	-	1,541,707
9,044	13,387	520,943
-	-	(19,201)
\$ 29,373	\$ 68,532	\$ 13,298,416
\$ (29,373)	\$ (68,532)	\$ (4,319,122)
\$ -	\$ -	\$ 3,427,998
-	-	544,932
-	-	261,228
13	21	5,782
-	-	216,918
15,942	49,220	130,918
\$ 15,955	\$ 49,241	\$ 4,587,776
\$ (13,418)	\$ (19,291)	\$ 268,654
120,429	163,070	9,861,040
\$ 107,011	\$ 143,779	\$ 10,129,694

SOUTHSIDE COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows
Year Ended June 30, 2015

	Southside Community Services Board	Gateway- Halifax Apartments, Inc.	Alberta Manor, Inc.
Cash flows from operating activities:			
Receipts from customers	\$ 8,861,687	\$ -	\$ -
Payments to suppliers	(2,900,226)	(45,686)	(43,063)
Payments to and for employees	(9,966,619)	-	-
Net cash flows provided by (used for) operating activities	<u>\$ (4,005,158)</u>	<u>\$ (45,686)</u>	<u>\$ (43,063)</u>
Cash flows from noncapital financing activities:			
Government grants	\$ 4,234,158	\$ -	\$ -
Other	216,911	37,462	28,301
Net cash flows provided by (used for) noncapital and related financing activities	<u>\$ 4,451,069</u>	<u>\$ 37,462</u>	<u>\$ 28,301</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ -	\$ -	\$ -
Cash flows from investing activities:			
Interest income	\$ 5,724	\$ 14	\$ 10
Net increase (decrease) in cash and cash equivalents	<u>\$ 451,634</u>	<u>\$ (8,210)</u>	<u>\$ (14,752)</u>
Cash and cash equivalents, beginning of year	<u>2,198,796</u>	<u>38,902</u>	<u>36,162</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,650,430</u></u>	<u><u>\$ 30,692</u></u>	<u><u>\$ 21,410</u></u>
Cash and Cash Equivalents:			
Unrestricted	\$ 2,635,343	\$ -	\$ -
Restricted	15,087	30,692	21,410
Total cash and cash equivalents	<u><u>\$ 2,650,430</u></u>	<u><u>\$ 30,692</u></u>	<u><u>\$ 21,410</u></u>
Cash flows provided by (used for) operating activities:			
Operating income (loss)	\$ (4,069,407)	\$ (63,678)	\$ (88,132)
Adjustments to operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	452,971	18,635	26,906
Changes in assets and liabilities:			
Accounts receivable	(157,515)	1,164	-
Advances	(12,653)	-	-
Prepaid items	(3,425)	-	-
Accounts payable	(8,144)	(1,710)	17,918
Accrued expenses	107,230	-	-
Unearned revenue	59,722	-	-
Compensated absences	(76,176)	-	-
Net pension liability and related deferred inflows and outflows	(290,600)	-	-
Amounts held for individuals	(7,161)	-	-
Security deposits	-	(97)	245
Net cash flows provided by (used for) operating activities	<u><u>\$ (4,005,158)</u></u>	<u><u>\$ (45,686)</u></u>	<u><u>\$ (43,063)</u></u>

<u>Brandon Home, Inc.</u>	<u>Marc of Virginia, Inc.</u>	<u>Total</u>
\$ -	\$ -	\$ 8,861,687
(22,209)	(57,809)	(3,068,994)
<u>-</u>	<u>-</u>	<u>(9,966,619)</u>
\$ <u>(22,209)</u>	\$ <u>(57,809)</u>	\$ <u>(4,173,926)</u>
\$ -	\$ -	\$ 4,234,158
<u>15,942</u>	<u>49,220</u>	<u>347,836</u>
\$ <u>15,942</u>	\$ <u>49,220</u>	\$ <u>4,581,995</u>
\$ <u>-</u>	\$ <u>(4,675)</u>	\$ <u>(4,675)</u>
\$ <u>13</u>	\$ <u>21</u>	\$ <u>5,782</u>
\$ (6,254)	\$ (13,243)	\$ 409,175
<u>14,661</u>	<u>37,246</u>	<u>2,325,767</u>
\$ <u>8,407</u>	\$ <u>24,003</u>	\$ <u>2,734,942</u>
\$ -	\$ -	\$ 2,635,343
<u>8,407</u>	<u>24,003</u>	<u>99,599</u>
\$ <u>8,407</u>	\$ <u>24,003</u>	\$ <u>2,734,942</u>
\$ (29,373)	\$ (68,532)	\$ (4,319,122)
9,044	13,387	520,943
-	-	(156,351)
-	-	(12,653)
-	-	(3,425)
(1,880)	(2,664)	3,519
-	-	107,230
-	-	59,722
-	-	(76,176)
-	-	(290,600)
-	-	(7,161)
<u>-</u>	<u>-</u>	<u>148</u>
\$ <u>(22,209)</u>	\$ <u>(57,809)</u>	\$ <u>(4,173,926)</u>

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- Compliance -

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Board of Directors
Southside Community Services Board
Clarksville, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Southside Community Services Board, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Southside Community Services Board's basic financial statements and have issued our report thereon dated November 23, 2015.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 Southside Community Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 23, 2015

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Directors
Southside Community Services Board
Clarksville, Virginia

Report on Compliance for Each Major Federal Program

We have audited Southside Community Services Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southside Community Services Board's major federal programs for the year ended June 30, 2015. Southside Community Services Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Southside Community Services Board's financial statements include the operations of component unit organizations Alberta Manor, Gateway-Halifax Apartments, Marc of Virginia and Brandon Home, which received, in the aggregate, a total of \$1,281,038 in federal awards which is not included the Schedule of Federal Awards during the year ended June 30, 2015. Our audit, described below, did not include the operations of the above component units because each of the component units issues separate financial statements, and audits in accordance with OMB Circular A-133 are performed at the component unit level, where applicable.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Southside Community Services Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Southside Community Services Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Southside 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, 2015.

Report on Internal Control over Compliance

Management of Southside 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 Southside Community Services Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Southside Community Services Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer Cox Associates

Charlottesville, Virginia

November 23, 2015

SOUTHSIDE COMMUNITY SERVICES BOARD

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Department of Education</u>			
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Special Education - Grants for Infants and Families	84.181	43074	\$ <u>52,904</u>
<u>Department of Health and Human Services</u>			
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Block Grants for Community Mental Health Services	93.958	50120 50139	\$ 37,439
Block Grants for Prevention and Treatment of Substance Abuse	93.959	50160 50190	<u>454,589</u>
Total Department of Health and Human Services			\$ <u>492,028</u>
Total expenditures of federal awards			\$ <u><u>544,932</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Southside Community Services Board under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Southside Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Southside Community Services Board.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available

Note C - Relationship to Financial Statements

Total expenditures of federal awards	\$ <u><u>544,932</u></u>
Federal revenues, per financial statements	\$ <u><u>544,932</u></u>

SOUTHSIDE COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Schedule of Prior Year Findings
Year Ended June 30, 2015

There were no prior year findings.

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