



**VALLEY COMMUNITY SERVICES BOARD**

**FINANCIAL REPORT**

**June 30, 2021**

# VALLEY COMMUNITY SERVICES BOARD

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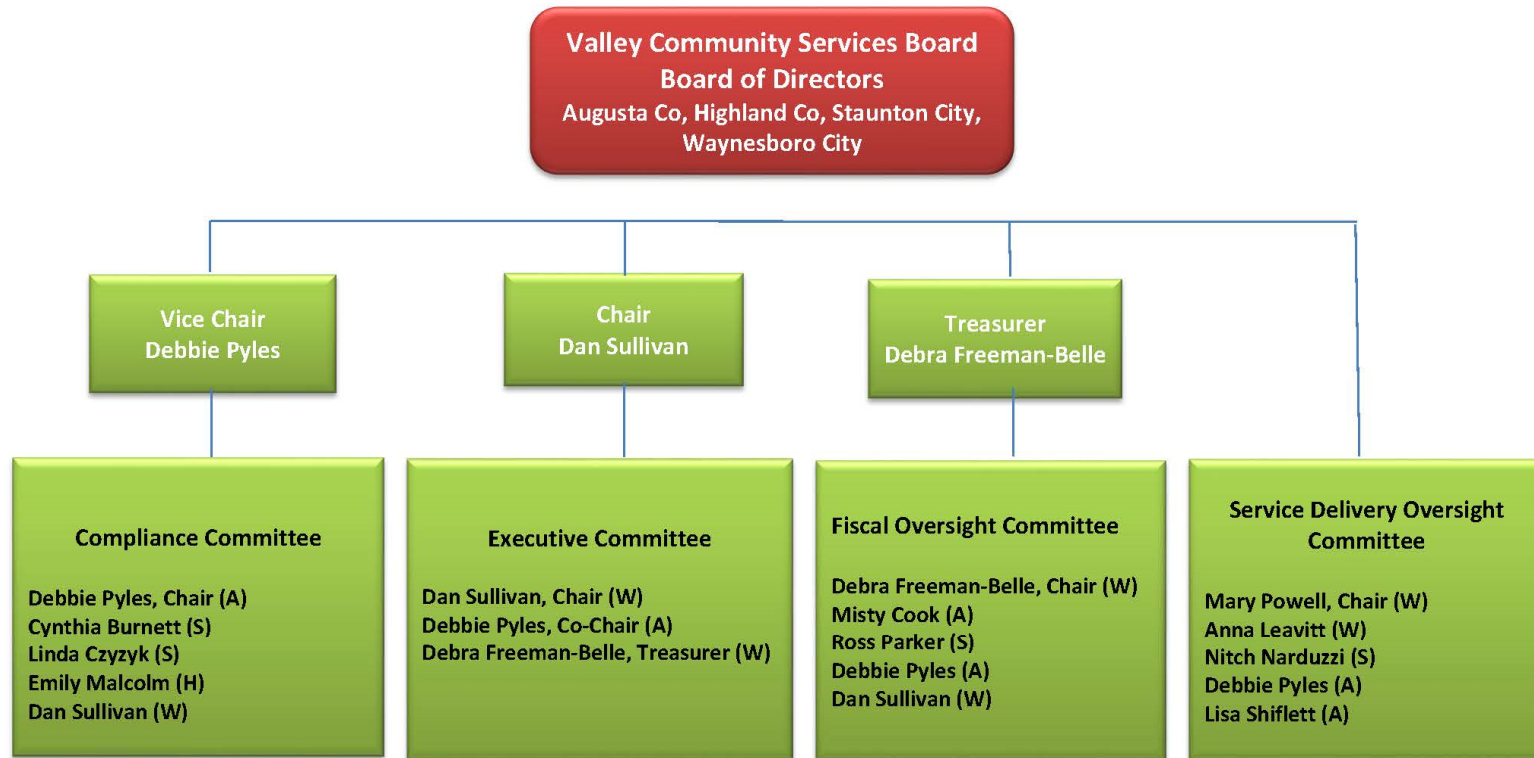
# INTRODUCTORY SECTION

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# VALLEY COMMUNITY SERVICES BOARD

## ORGANIZATIONAL CHART

June 30, 2021



Lt. Leslie Snyder (A) – Committee Unassigned

A = Augusta County  
H = Highland County  
S = Staunton City  
W = Waynesboro City

- Community Members

## **VALLEY COMMUNITY SERVICES BOARD**

### **ORGANIZATIONAL INFORMATION**

The mission of the Valley Community Services Board (Valley CSB) is to provide community-based behavioral health, developmental disability, and substance use disorder services to the citizens of Augusta County, Highland County, Staunton, and Waynesboro. In order to carry out this mission, Valley CSB intends to be:

- A person-centered organization whose purpose is to provide support, encouragement, and superior care along a continuum of services.
- A healing community whose practices express competency and compassion, and where there is access to services with a welcoming spirit.
- A resource for educating the public about the nature of mental illness, intellectual disabilities, and substance abuse to dispel stereotypes and to encourage support for those facing these challenges.
- An organization that actively seeks partnerships with other agencies and collaboration with diverse community groups.
- An agency whose staff is committed to quality, innovation, and continuing improvement through evaluation and assessment of programs and performance.
- A good steward of the resources, funds, people, and mission entrusted to its oversight.

### **BOARD OF DIRECTORS**

Dan Sullivan, Chair

Deborah Pyles, Vice-Chair

Debra Freeman-Belle, Treasurer

Mary Powell  
Lisa Shiflett  
Misty Cook  
Linda Czyzyk  
Cynthia Burnett

Nitch Narduzzi  
Ross Parker  
Lt. Leslie Snyder  
Emily Malcolm  
Anna Leavitt

### **EXECUTIVE MANAGEMENT**

Kimberly McClanahan, Ph.D.....Executive Director  
Dereck Criner..... Director of Human Resources/Interim Chief Financial Officer  
Dana Fitzgerald..... Director of Quality & Compliance  
Tammy Dubose..... Director of Administrative Services  
Jack Barber, M.D. ....Medical Director  
Kathy Kristiansen..... Director of Behavioral Health  
Tina Martina.....Director of Development Disability Services

**VALLEY COMMUNITY SERVICES BOARD**  
**ORGANIZATIONAL INFORMATION (Continued)**

**COMPUTER SYSTEM**

Valley CSB's information system is comprised of a heterogeneous mix of hardware and software technologies. The major components are described below:

- Great Plains Accounting continues to be used for all accounting functions, including the Representative Payee Program.
- Credible is used as the electronic health record (EHR) and billing software.
- Milner, and to a lesser extent, DocuSign, provide cloud-based document storage and invoice tracking/approval services.
- Approximately 286 desktop and notebook computers are running Microsoft Windows.
- Microsoft Office and other desktop applications, as well as the Credible software, are provided through a cloud environment.
- Additional Windows services are provided through Dell and HP servers.
- Desktop and notebook computers are protected by Sophos Endpoint Anti-Virus software.
- Primary network storage is provided through an EMC storage area network (SAN).
- Primary data backup is provided through an EMC Data Domain compressed storage unit and VEEAM Backup & Replication Software backup procedures utilize local and cloud storage servers.
- Barracuda Networks filters web content and emails as well as malware filtering at the firewall.
- SonicWall firewall provides protection and virtual private network (VPN) connectivity for remote facilities and users.
- HP, Avaya, and SonicWall routers and switches provide local area network (LAN) connectivity.
- Secured and climate-controlled data center (server room) at the Sanger's Lane facility with uninterruptible power supply (UPS) and external power generator.
- Internet connectivity at the primary Sanger's Lane facility is through a fiber optic circuit provided by Lumos Networks with a backup circuit provided by Comcast. Connectivity at remote facilities is achieved through cable internet circuits from Lumos Networks or Comcast Communications.
- Microsoft Windows Servers provide authentication, directory services, and terminal services.
- Office 365 provides e-mail services.
- Encryption technologies are used to maintain HIPAA compliance as needed.

**VALLEY COMMUNITY SERVICES BOARD**  
**ORGANIZATIONAL INFORMATION (Continued)**

**FACILITIES**

- |   |  |
|---|--|
| • 85 Sanger's Lane, Staunton            | Behavioral Health, Developmental Disabilities & Substance Abuse Services |
| • 61 First Street, Staunton             | ID Day Program – Orchard Lane  |
| • 32 Angus Drive, Waynesboro            | DS/Intermediate Care Facility – Greenstone                               |
| • 1206 Red Top Orchard Road, Waynesboro | DS/Intermediate Care Facility – Grandview                                |

**CONTACT INFORMATION**

You may contact Valley Community Services Board by:

Telephone:	(540) 887-3200
Toll Free:	(866) 274-7475
TDD:	(540) 416-0115
FAX:	(540) 887-3245
Mail:	85 Sanger's Lane Staunton, Virginia 24401

## **FINANCIAL SECTION**

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





## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Valley Community Services Board

### Report on the Financial Statements

We have audited the accompanying financial statements of Valley Community Services Board (the "Board"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board, as of June 30, 2021, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

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

The schedule of expenditure of federal awards is the responsibility of management and was 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 from 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 schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

**Other Matters (Continued)***Other Information (Continued)*

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

*Prior Period Financial Statements*

The financial statements of the Board as of June 30, 2020, were audited by other auditors whose report dated December 14, 2020, expressed an unmodified opinion on those statements.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2022 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
March 23, 2022

## **BASIC FINANCIAL STATEMENTS**

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**EXHIBIT 1****VALLEY COMMUNITY SERVICES BOARD****STATEMENT OF NET POSITION****June 30, 2021**

		(For Comparative Purposes Only)
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 6,382,449	\$ 2,675,993
Restricted cash and cash equivalents (Note 2)	78,840	78,840
Accounts receivable, net (Note 3)	1,452,464	973,727
Due from other governments (Note 4)	37,646	81,164
Prepaid items	129,712	125,800
Total current assets	8,081,111	3,935,524
<b>NONCURRENT ASSETS</b>		
Capital assets (Note 5)		
Non-depreciable	439,171	439,171
Depreciable, net and amortization	2,725,850	3,041,186
Total capital assets	3,165,021	3,480,357
Net pension asset (Note 8)	1,243,064	3,336,354
Total noncurrent assets	4,408,085	6,816,711
Total assets	12,489,196	10,752,235
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension plan (Note 8)	1,648,654	783,294
Other postemployment benefits (Note 9)	174,904	173,684
Total deferred outflows of resources	1,823,558	956,978
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	300,148	385,117
Accrued payroll and benefits	611,889	1,076,261
Amounts held for others	435,747	384,245
Due to other governmental units (Note 4)	971,846	169,702
Unearned revenue (Note 6)	1,751,798	1,177,134
Notes payable, current portion (Note 7)	211,216	154,817
Compensated absences (Note 7)	537,137	613,527
Total current liabilities	4,819,781	3,960,803

(Continued)

The Notes to Financial Statements are an integral part of this statement.

## VALLEY COMMUNITY SERVICES BOARD

## STATEMENT OF NET POSITION (Continued)

June 30, 2021

	<b>2021</b>	<b>(For Comparative Purposes Only) 2020</b>
<b>LIABILITIES (Continued)</b>		
<b>NONCURRENT LIABILITIES</b>		
Notes payable, less current portion (Note 7)	\$ 1,731,144	\$ 1,942,251
Compensated absences (Note 7)	268,568	261,380
Other postemployment benefits (Note 9)	879,810	881,653
Total noncurrent liabilities	<u>2,879,522</u>	<u>3,085,284</u>
Total liabilities	<u>7,699,303</u>	<u>7,046,087</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension plan (Note 8)	-	396,569
Other postemployment benefits (Note 9)	50,409	63,883
Total deferred inflows of resources	<u>50,409</u>	<u>460,452</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,222,661	1,383,289
Restricted for debt service	78,840	78,840
Restricted for net pension asset	1,243,064	3,336,354
Unrestricted	4,018,477	(595,809)
Total net position	<u>\$ 6,563,042</u>	<u>\$ 4,202,674</u>

The Notes to Financial Statements are an integral part of this statement.

## VALLEY COMMUNITY SERVICES BOARD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
Year Ended June 30, 2021

	2021	(For Comparative Purposes Only) 2020
OPERATING REVENUES		
Net client service revenue	\$ 12,194,121	\$ 12,285,739
Total operating revenues	12,194,121	12,285,739
OPERATING EXPENSES		
Salaries and wages	10,243,297	12,901,439
Fringe benefits	2,810,555	2,414,254
Contractual services	1,002,711	911,183
Leases and rentals	278,157	404,669
Depreciation and amortization	315,336	408,899
Other charges and supplies	5,455,389	4,377,240
Total operating expenses	20,105,445	21,417,684
Operating loss	(7,911,324)	(9,131,945)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenues:		
Commonwealth of Virginia	6,684,820	6,384,292
Federal government	2,688,349	1,450,523
Participating localities (Note 10)	549,010	548,538
Interest income	2,728	4,765
Miscellaneous income	358,329	445,569
Gain on disposal of property and equipment	77,719	76,482
Interest expense	(89,263)	(94,295)
Net nonoperating revenues	10,271,692	8,815,874
Change in net position	2,360,368	(316,071)
NET POSITION, beginning of year	4,202,674	4,518,745
NET POSITION, end of year	\$ 6,563,042	\$ 4,202,674

The Notes to Financial Statements are an integral part of this statement.

## VALLEY COMMUNITY SERVICES BOARD

STATEMENT OF CASH FLOWS  
Year Ended June 30, 2021

	2021	(For Comparative Purposes Only) 2020
<b>OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 11,547,492	\$ 13,669,624
Payments to suppliers	(6,031,080)	(6,026,820)
Payments to and for employees	(12,772,602)	(15,329,189)
Net cash used in operating activities	(7,256,190)	(7,686,385)
<b>NON-CAPITAL FINANCING ACTIVITIES</b>		
Government grants	10,767,841	8,467,286
Other	358,329	445,569
Net cash provided by non-capital financing activities	11,126,170	8,912,855
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	-	(71,199)
Proceeds from the sale of assets	77,719	80,608
Principal payments on long-term debt	(154,708)	(128,086)
Interest expense	(89,263)	(94,295)
Net cash used in capital and related financing activities	(166,252)	(212,972)
<b>INVESTING ACTIVITIES</b>		
Interest income	2,728	4,765
Net cash provided by investing activities	2,728	4,765
Net increase in cash and cash equivalents	3,706,456	1,018,263
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,754,833	1,736,570
End of year	\$ 6,461,289	\$ 2,754,833
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>		
Cash and cash equivalents	\$ 6,382,449	\$ 2,675,993
Restricted cash and cash equivalents	78,840	78,840
	\$ 6,461,289	\$ 2,754,833

The Notes to Financial Statements are an integral part of this statement.



## VALLEY COMMUNITY SERVICES BOARD

STATEMENT OF CASH FLOWS (Continued)  
Year Ended June 30, 2021

	2021	(For Comparative Purposes Only) 2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (7,911,324)	\$ (9,131,945)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	315,336	408,899
Pension expense net of employer contribution	831,361	(46,024)
Other postemployment benefit expense net of employer contribution	(16,537)	(38,917)
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(478,737)	642,466
Prepaid items	(3,912)	55,811
Increase (decrease) in:		
Accounts payable	(84,969)	(139,470)
Accrued payroll and benefits	(464,372)	23,455
Compensated absences	(69,202)	47,990
Amounts held for others	51,502	(250,069)
Unearned revenue	574,664	741,419
Net cash used in operating activities	<u>\$ (7,256,190)</u>	<u>\$ (7,686,385)</u>

The Notes to Financial Statements are an integral part of this statement.

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 1. Summary of Significant Accounting Policies

##### Organization and Purpose

The Valley Community Services Board (the Board) operates as an agent for the counties of Augusta and Highland and the cities of Staunton and Waynesboro in the establishment and operation of community mental health disorders, developmental disabilities, and substance abuse disorders as provided for in Chapter 5 of Title 37.2 of the *Code of Virginia* (1950), relating to the Department of Behavioral Health and Developmental Services. In addition, the Board provides a system of community mental health and developmental disability and substance abuse services, which relate to and are integrated with existing and planned programs.

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and Guidance issued by the Department of Behavioral Health and Developmental Services. The Board's more significant accounting policies are described herein.

For financial reporting purposes, in conformance with GAAP, the Board includes all organizations for which it is considered financially accountable. Control by or dependence on the Board is determined on the basis of budget adoption, ownership of assets, or the Board's obligation to fund any deficits that may occur.

The Board is not considered a component unit of the localities it serves since none of these entities has oversight responsibility, or is legally obligated to fund any deficit of the Board.

The Board is a member of the Virginia Association of Community Services Boards, a nonprofit corporation, and the Behavioral Health and Developmental Services.

In accordance with 37.2-504 (subsection A.18) of the *Code of Virginia*, the Board acts as its own fiscal agent, as authorized to do so by the counties of Augusta and Highland and the cities of Staunton and Waynesboro.

##### Basic Financial Statements

Financial statement presentation: For entities like the Board that are engaged solely in business-type activities, the basic financial statements include:

1. *Statement of Net Position* – The Statement of Position is designed to display the financial position of the Board. The net position of the Board is broken down into three categories – (1) net investment in capital assets, (2) restricted, and (3) unrestricted.
2. *Statement of Revenues, Expenses and Changes in Net Position* – The Statement of Revenues, Expenses and Changes in Net Position is designed to display the financial activities of the Board for the period.
3. *Statement of Cash Flows* – The statement of Cash Flows is prepared using the direct method and is designed to display the yearly transactions that impact cash and cash equivalents.
4. *Notes to Financial Statements.*

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Measurement Focus and Basis of Accounting

The Board's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, wherein revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Changes in financial position are distinguished between operating revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Board's principal ongoing operations, nonoperating items include nonexchange revenues and interest income and expense.

##### Comparative Totals

Comparative amounts for the prior year are presented for information purposes only.

##### Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less from the date of acquisition.

##### Restricted Cash and Cash Equivalents

The Board is required to maintain \$78,840 in reserve by Rural Development as specified by the loan agreement.

##### Accounts Receivable and Allowance for Uncollectible Accounts

At June 30, 2021, the Board had accounts receivable for service fees due in the amount of \$1,452,464 from Medicaid, third party insurers and direct clients, net of an allowance for doubtful accounts of \$900,067 at June 30, 2021. The allowance was determined based on historical collections.

##### Inventory

The Board expenses all materials and supplies when purchased. Any items on hand at year end are not material in amount and, therefore, are not shown in the financial statements.

##### Capital Assets

Capital assets are recorded at cost. Donated capital assets are recorded at their estimated acquisition value at the time of the gift.

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Capital Assets (Continued)

Depreciation or amortization is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	39 years
Equipment	5 – 10 years
Vehicles	5 years
Software	3 years

Capital assets, which include property and equipment, are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost or group purchase of more than \$5,000 and an estimated useful life in excess of one year. There were no impaired assets at year end.

##### Compensated Absences

The Board's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service. Maximum annual leave accumulation hours are the hours allowable at the time of separation or at the end of any calendar year.

Employees terminating their employment are paid their accumulated annual leave up to the maximum limit. Unused sick leave is not paid at the date of separation.

##### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Deferred Outflows/Inflows of Resources (Continued)

The Board has the following items that qualify for reporting in this category:

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

##### Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position in the financial statements is classified as restricted and unrestricted. Net position is recorded as restricted when there are limitations on its use imposed by creditors, grantors, contributors, or laws or regulations. Net investment in capital assets represents capital assets, less accumulated depreciation and amortization, less any outstanding debt related to the acquisition, construction or improvement of those assets.

##### Net Position Flow Assumption

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

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from clients, third-party payers, and others for services rendered. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement. The 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 patients. Because the Board does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

##### Operating and Nonoperating Revenues and Expenses

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

##### Pensions and Other Postemployment Benefits (OPEB)

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

##### Budget Process

It is the policy of the Board that the Board of Directors annually adopts an operating budget which identifies anticipated revenues and expenditures. The Board's Finance Committee oversees the budget development process, which includes submitting budget requests to local governments and soliciting public comments on the proposed budget. The operating budget subsequently adopted by the Board of Directors serves as the basis for the Performance Contract with the Virginia Department of Behavioral Health and Developmental Services. Throughout the year, the Finance Committee may authorize budget revisions and make quarterly reports to the full Board.

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

#### 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:** Statutes authorize the Board to invest in obligations of the United States or its 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, bankers’ acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

The Board has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Board’s investments in the LGIP, totaling \$161,613, are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of the LGIP is less than one year.

**Custodial credit risk (deposits):** The Board’s investment policy for credit risk is consistent with the investments allowed by statute as detailed above.

**Interest rate risk:** Interest rate risk is defined as the risk that changes of interest rates will adversely affect the fair value of an investment. The Board does not have a formal policy related to the interest rate risk. Interest rate risk does not apply to LGIP since it is an external investment pool classified in accordance with GASB Statement No. 79.

(Continued)

**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 2. Deposits and Investments (Continued)**

The Board categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Board has the following recurring fair value measurement as of June 30, 2021:

- Money market account of \$509,814 is valued using quoted market prices (Level 1 inputs).

**Concentrations of credit risk:** Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. If certain investments in any one issuer represents 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2021, 100% of the Board's investments, excluding LGIP, were in money market funds.

**Note 3. Accounts Receivable**

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	\$ 1,066,005
Direct client	612,660
Other state funding	354,482
Third-party insurers	186,785
Other	132,599
Total	<u>2,352,531</u>
Allowance for uncollectible accounts	<u>(900,067)</u>
Total	<u>\$ 1,452,464</u>

**Note 4. Due To/From Other Governmental Units**

Amounts due from local, state, and federal governments totaled \$37,646 at June 30, 2021.

Amounts due to state governmental units totaled \$971,846 at June 30, 2021.

(Continued)



**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2021 is summarized below:

	<u>Beginning</u>	<u>Increases</u>	<u>Deletions/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets not being depreciated or amortized:				
Land	\$ 439,171	\$ -	\$ -	\$ 439,171
<b>Total capital assets not being depreciated or amortized</b>	<u>\$ 439,171</u>	<u>-</u>	<u>-</u>	<u>439,171</u>
Capital assets being depreciated or amortized:				
Buildings and improvements	\$ 4,584,369	\$ -	\$ -	\$ 4,584,369
Equipment	162,093	-	-	162,093
Vehicles	462,363	-	-	462,363
Software	1,237,442	-	-	1,237,442
<b>Total capital assets being Depreciated or amortized</b>	<u>6,446,267</u>	<u>-</u>	<u>-</u>	<u>6,446,267</u>
Less accumulated depreciation and amortization	<u>3,405,081</u>	<u>315,336</u>	<u>-</u>	<u>3,720,417</u>
<b>Total capital assets being Depreciated or amortized</b>	<u>3,041,186</u>	<u>315,336</u>	<u>-</u>	<u>2,725,850</u>
Capital assets, net	<u>\$ 3,480,357</u>	<u>\$ 315,336</u>	<u>\$ -</u>	<u>\$ 3,165,021</u>

Depreciation and amortization expense amounted to \$315,336 for the year ended June 30, 2021.

**Note 6. Unearned Revenue**

Unearned revenue represents amounts for which asset recognition criteria have been met, but the revenue recognition criteria have not been met. At June 30, 2021, there was \$1,751,798 in unearned revenue as a result of the receipt of grant funding.

(Continued)

**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 7. Long-Term Obligations**

The following is a summary of long-term obligations transactions of the Board for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Ending Balance</u>
Rural development loan	\$ 1,179,393	\$ -	\$ 29,271	\$ 1,150,122
Note payable	917,675	-	125,437	\$ 792,238
Compensated absences	<u>784,140</u>	<u>687,126</u>	<u>665,561</u>	<u>805,705</u>
Total	<u>\$ 2,881,208</u>	<u>\$ 687,126</u>	<u>\$ 820,269</u>	<u>\$ 2,748,065</u>

Detail of long-term obligations at June 30, 2021 follows:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$1,500,000 rural development loan dated April 26, 2004, maturing April 26, 2044, monthly payments of \$6,570, interest at 4.25%, collateralized by a deed of trust of buildings and property at 85 Sanger's Lane, Staunton, Virginia.	\$ 1,150,122	\$ 30,542
\$1,713,138 note payable dated December 4, 2014 to First Bank & Trust Company, maturing ten years from date of final drawdown, monthly payments of \$17,571, interest at 4.25%, collateralized by a deed of trust of buildings and property at 85 Sanger's Lane, Staunton, Virginia.	<u>792,238</u>	<u>180,674</u>
Total loan and note payable	1,942,360	211,216
Compensated absences	<u>805,705</u>	<u>537,137</u>
Total long-term obligations	<u>\$ 2,748,065</u>	<u>\$ 748,353</u>

The Board's rural development loan and note payable contain a provision that in the event of default, the timing of repayment of outstanding amounts immediately become due, in the amount of proportionate net proceeds from sale of collateral.

(Continued)

# VALLEY COMMUNITY SERVICES BOARD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 7. Long-Term Obligations (Continued)

Annual requirements to amortize notes payable and related interest are as follows:

Year(s) Ending June 30,	Rural Development Loan		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 30,542	\$ 48,298	\$ 180,674	\$ 30,178	\$ 211,216	\$ 78,476
2023	31,866	46,974	188,504	22,348	220,370	69,322
2024	33,247	45,593	196,674	14,178	229,921	59,771
2025	34,688	44,152	205,197	5,655	239,885	49,807
2026	36,191	42,649	21,189	88	57,380	42,737
2027-2031	205,885	188,315	-	-	205,885	188,315
2032-2036	254,536	139,664	-	-	254,536	139,664
2037-2041	314,683	79,517	-	-	314,683	79,517
2042-2046	208,484	13,093	-	-	208,484	13,093
Total	<u>\$ 1,150,122</u>	<u>\$ 648,255</u>	<u>\$ 792,238</u>	<u>\$ 69,641</u>	<u>\$ 1,942,360</u>	<u>\$ 720,702</u>

### Note 8. Pension Plan

#### Plan Description

All full-time, salaried permanent employees of the Board are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent 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 available at

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

(Continued)

**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 8. Pension Plan (continued)**

**Employees Covered by Benefit Terms**

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u><b>Members</b></u>
Inactive members or their beneficiaries currently receiving benefits	150
Inactive members:	
Vested inactive members	94
Non-vested inactive members	155
Inactive members active elsewhere in VRS	156
	<hr/>
Total inactive members	405
Active members	245
	<hr/>
Total covered employees	800
	<hr/>

**Contributions**

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

The Board's contractually required contribution rate for the year ended June 30, 2021 was 2.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$196,475 and \$157,730 for the years ended June 30, 2021 and June 30, 2020, respectively.

**Net Pension Liability (Asset)**

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability (asset) was measured as of June 30, 2020. The total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 8. Defined Benefit Pension Plan (Continued)

##### Actuarial Assumptions

The total pension liability for General Employees, in the Board's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

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

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

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

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

(Continued)

# **VALLEY COMMUNITY SERVICES BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

### **Note 8. Defined Benefit Pension Plan (Continued)**

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

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

<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>
Public Equity	34.00 %	4.65 %	1.58 %
Fixed Income	15.00	0.46	0.07
Credit Strategies	14.00	5.38	0.75
Real Assets	14.00	5.01	0.70
Private Equity	14.00	8.34	1.17
MAPS – Multi-Asset Public Strategies	6.00	3.04	0.18
PIP – Private Investment Partnership	3.00	6.49	0.19
Total	100.00 %		<u>4.64 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.14 %</u>

- \* The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

(Continued)

# VALLEY COMMUNITY SERVICES BOARD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 8. Defined Benefit Pension Plan (Continued)

#### Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in Net Pension Liability (asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a) – (b)
Balances at June 30, 2019	\$ 29,778,291	\$ 33,114,645	\$ (3,336,354)
Changes for the year:			
Service cost	974,544	-	974,544
Interest	1,963,990	-	1,963,990
Differences between expected and actual experience	414,713	-	414,713
Contributions – employer	-	157,730	(157,730)
Contributions – employee	-	494,611	(494,611)
Net investment income	-	631,113	(631,113)
Benefit payments, including refunds of employee contributions	(1,364,275)	(1,364,275)	-
Administrative expenses	-	(21,737)	21,737
Other changes	-	(1,760)	1,760
Net changes	1,988,972	(104,318)	2,093,290
Balances at June 30, 2020	\$ 31,767,263	\$ 33,010,327	\$ (1,243,064)

(Continued)

**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 8. Defined Benefit Pension Plan (Continued)**

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

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

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
Political subdivision's net pension liability (asset)	\$ 3,127,751	\$ (1,243,064)	\$ (4,807,528)

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

For the year ended June 30, 2021, the Board recognized pension expense of \$1,025,762. At June 30, 2021, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 264,329	\$ -
Change in assumptions	199,543	-
Net difference between projected and actual earnings on pension plan investments	988,307	-
Employer contributions subsequent to the measurement date	196,475	-
Total	\$ 1,648,654	\$ -

(Continued)



**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 8. Defined Benefit Pension Plan (Continued)**

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

The \$196,457 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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Reduction to Pension Expense</b>
2022	\$ 422,116
2023	379,413
2024	334,789
2025	315,861
2026	-
Thereafter	-

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans

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

##### Plan Descriptions

###### Group Life Insurance Program

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

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

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

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan are considered a multiple employer, cost sharing plan.

##### Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

###### Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution	\$45,981
June 30, 2020 Contribution	\$56,852

(Continued)

# **VALLEY COMMUNITY SERVICES BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

### **Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

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

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

#### **Group Life Insurance Program**

June 30, 2021 proportionate share of liability	\$879,810
June 30, 2020 proportion	0.05272 %
June 30, 2019 proportion	0.05418 %
June 30, 2021 expense	\$29,136

At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

#### **Group Life Insurance Program**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 56,432	\$ 7,903
Change in assumptions	44,001	18,371
Net difference between projected and actual earnings on OPEB plan investments	26,429	-
Changes in proportion	2,061	24,135
Employer contributions subsequent to the measurement date	45,981	-
Total	<u>\$ 174,904</u>	<u>\$ 50,409</u>

(Continued)

**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

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

The deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

**Group Life Insurance Program**

<b>Year Ended June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2022	\$ 8,837
2023	16,301
2024	24,348
2025	25,663
2026	3,681
Thereafter	(318)

(Continued)

# VALLEY COMMUNITY SERVICES BOARD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

#### Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return, net of expenses, including inflation*	6.75%

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

(Continued)

**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Actuarial Assumptions and Other Inputs (Continued)**

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 8.

**Net OPEB Liabilities**

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>
Total OPEB liability	\$ 3,523,937
Plan fiduciary net position	1,855,102
Employers' net OPEB liability (asset)	\$ 1,668,835
Plan fiduciary net position as a percentage of total OPEB liability	52.64%

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

(Continued)

**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Long-Term Expected Rate of Return**

Group Life Insurance

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

<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>
Public Equity	34.00 %	4.65 %	1.58 %
Fixed Income	15.00	0.46	0.07
Credit Strategies	14.00	5.38	0.75
Real Assets	14.00	5.01	0.70
Private Equity	14.00	8.34	1.17
MAPS – Multi-Asset Public Strategies	6.00	3.04	0.18
PIP – Private Investment Partnership	3.00	6.49	0.19
Total	100.00 %		4.64 %
Inflation		2.50 %	
*Expected arithmetic nominal return		7.14 %	

\* The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

(Continued)

**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Discount Rate**

The discount rate used to measure the GLI OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
GLI Net OPEB liability	<u>\$ 1,156,578</u>	<u>\$ 879,810</u>	<u>\$ 655,049</u>

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)



**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 10. Participating Localities' Contributions**

Contributions from localities for the year ended June 30, 2021 were as follows:

County of Augusta	\$	197,000
County of Highland		10,038
City of Staunton		184,139
City of Waynesboro		157,833
		<hr/>
	\$	549,010

**Note 11. Operating Leases**

The Board leases offices, clinics, facilities, vehicles, and equipment for residential services under various lease agreements. Lease expense for the year ended June 30, 2021 amounted to \$278,157.

At June 30, 2021, the approximate future minimum annual operating lease commitments (exclusive of projected increases for Consumer Price Index amounts) are as follows:

Year Ending June 30,	Amount
2022	\$ 134,525
2023	81,147
2024	45,040
2025	13,887
	<hr/>
	\$ 274,599

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 12. Risk Management

##### Liability Insurance

The Board is a member of the VACo for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each member of these risk pools jointly and severally agrees to assume, pay and discharge any liability. The Board pays contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Board and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Board may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Board continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage for each of the past three fiscal years.

##### Health Insurance

Prior to January 1, 2021, Board employees, retirees, and employee dependents were eligible for medical benefits from a health self-insurance fund. In accordance with GASB Statement No. 10, the Board recorded estimated liabilities for indemnity healthcare claims. The liability was included in accrued payroll and benefits. Effective January 1, 2021, the Board terminated their health self-insurance fund and entered a full insurance agreement. As of June 30, 2021, the Board accrued for \$1,550 for remaining claims related to the self-health insurance fund.

(Continued)

## **VALLEY COMMUNITY SERVICES BOARD**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 13. Deferred Compensation Plan**

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation plan benefits are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by CitiStreet.

**Note 14. Contingencies**

Federal and State-Assisted Programs

The Board has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any future required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

In 2018, VCSB partnered with the Department of Housing and Community Development to have a 3<sup>rd</sup> party build housing for persons with serious mental issues. There is a \$250,000 penalty if the property is not maintained in this manner for 20 years. VCSB recorded a \$250,000 mortgage receivable in 2020 which is offset with a \$250,000 allowance. Each year, 1/20 of the balance for both accounts is written down. The balance on the mortgage receivable and allowance as at June 30, 2021 is \$212,500.

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 15. COVID-19 Impact

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

The Board’s operations are dependent on the ability to maintain service to the public. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. The Board received \$272,008 in provider relief funds during fiscal year 2021, all of which was recognized as revenue in 2021.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Board’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Board is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

#### Note 16. New Accounting Standards

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

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

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

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

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 16. New Accounting Standards (continued)

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

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

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

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

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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## VALLEY COMMUNITY SERVICES BOARD

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2021**

	Fiscal Year June 30,						
	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 974,544	\$ 871,081	\$ 876,687	\$ 972,724	\$ 988,866	\$ 998,145	\$ 1,043,507
Interest	1,963,990	1,866,485	1,790,977	1,748,785	1,674,708	1,589,609	1,476,016
Changes in assumptions	-	925,151	-	(289,886)	-	-	-
Difference between expected and actual experience	414,713	100,590	(415,946)	(764,266)	(563,294)	(386,702)	-
Benefit payments, including refunds of employee contributions	(1,364,275)	(1,298,173)	(1,047,889)	(1,081,356)	(1,002,695)	(968,032)	(825,486)
Net change in total pension liability	1,988,972	2,465,134	1,203,829	586,001	1,097,585	1,233,020	1,694,037
<b>Total pension liability – beginning</b>	<b>29,778,291</b>	<b>27,313,157</b>	<b>26,109,328</b>	<b>25,523,327</b>	<b>24,425,742</b>	<b>23,192,722</b>	<b>21,498,685</b>
<b>Total pension liability – ending</b>	<b>31,767,263</b>	<b>29,778,291</b>	<b>27,313,157</b>	<b>26,109,328</b>	<b>25,523,327</b>	<b>24,425,742</b>	<b>23,192,722</b>
<b>Plan Fiduciary Net Position</b>							
Contributions – employer	157,730	160,734	354,005	359,948	533,013	520,327	716,594
Contributions – employee	494,611	488,291	491,370	519,536	490,446	474,302	483,856
Net investment income	631,113	2,099,893	2,201,403	3,259,525	466,852	1,156,321	3,405,789
Benefit payments, including refunds of employee contributions	(1,364,275)	(1,298,173)	(1,047,889)	(1,081,356)	(1,002,695)	(968,032)	(825,486)
Administrative expenses	(21,737)	(20,960)	(18,819)	(18,667)	(16,165)	(15,567)	(17,823)
Other	(1,760)	(1,322)	(1,967)	(2,903)	(195)	(247)	179
Net change in plan fiduciary net position	(104,318)	1,428,463	1,978,103	3,036,083	471,256	1,167,104	3,763,109
<b>Plan fiduciary net position – beginning</b>	<b>33,114,645</b>	<b>31,686,182</b>	<b>29,708,079</b>	<b>26,671,996</b>	<b>26,200,740</b>	<b>25,033,636</b>	<b>21,270,527</b>
<b>Plan fiduciary net position – ending</b>	<b>33,010,327</b>	<b>33,114,645</b>	<b>31,686,182</b>	<b>29,708,079</b>	<b>26,671,996</b>	<b>26,200,740</b>	<b>25,033,636</b>
<b>Net pension asset – ending</b>	<b>\$ (1,243,064)</b>	<b>\$ (3,336,354)</b>	<b>\$ (4,373,025)</b>	<b>\$ (3,598,751)</b>	<b>\$ (1,148,669)</b>	<b>\$ (1,774,998)</b>	<b>\$ (1,840,914)</b>
Plan fiduciary net position as a percentage of total pension liability	103.91%	111.20%	116.01%	113.78%	104.50%	107.27%	107.94%
Covered employee payroll	\$10,833,247	\$10,600,684	\$ 9,100,360	\$ 9,253,162	\$ 9,621,173	\$ 9,392,184	\$ 9,598,646
Net pension asset as a percentage of covered employee payroll	11.47%	31.47%	48.05%	38.89%	11.94%	18.90%	19.18%

Note to Schedule:

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

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

The Notes to Required Supplementary Information are an integral part of these statements.

## VALLEY COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2021

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 196,475	\$ 196,475	\$ -	\$ 8,547,983	2.30%
2020	157,730	157,730	-	10,833,247	1.46%
2019	160,734	160,734	-	10,600,684	1.52%
2018	354,005	354,005	-	9,100,360	3.89%
2017	359,948	359,948	-	9,253,162	3.89%
2016	533,013	533,013	-	9,621,173	5.54%
2015	520,327	520,327	-	9,392,184	5.54%
2014	535,462	535,462	-	9,753,406	5.49%

Schedule is intended to show information for 10 years. Since 2014 was the first year for this presentation, only eight years of data is available. Additional years will be included as they become available.



## VALLEY COMMUNITY SERVICES BOARD

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY**  
**June 30, 2021**

<b>Entity Fiscal Year Ended June 30</b>	<b>Employer's Proportion of the Net OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2020	0.05272%	\$ 879,810	\$ 10,872,406	8.09%	52.64%
2019	0.05418%	881,653	10,621,255	8.30%	52.00%
2018	0.05399%	820,000	10,265,209	7.99%	51.22%
2017	0.05421%	816,000	9,999,278	8.16%	48.86%

Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, only four years of data is available. However, additional years will be included as they become available.

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

## VALLEY COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPEB CONTRIBUTIONS  
 June 30, 2021

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 45,981	\$ 45,981	\$ -	\$ 8,559,368	0.54%
2020	56,852	56,852	-	10,872,406	0.52%
2019	55,231	55,231	-	10,621,255	0.52%
2018	53,790	53,790	-	10,265,209	0.52%
2017	51,996	51,996	-	9,999,278	0.52%

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

**VALLEY COMMUNITY SERVICES BOARD**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
VIRGINIA RETIREMENT SYSTEM  
June 30, 2021**

**Note 1. Pension and Other Postemployment Benefits – Changes of Benefit Terms**

Pension

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

Other Post-Employment Benefits (OPEB)

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

**Note 2. Changes of Assumptions**

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

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Lowered disability rates
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

## **COMPLIANCE SECTION**

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

To the Honorable Members of the Board of Directors  
Valley Community Services Board  
Staunton, 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 Valley Community Services Board (the "Board"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 23, 2022.

**Internal Control over Financial Reporting**

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses or a significant deficiency.

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. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2021-001, 2021-002 and 2021-003, to be material weaknesses.**

## Internal Control over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2021-004, to be a significant deficiency.**

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.**

## Board's Response to Findings

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
March 23, 2022

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

To the Honorable Members of the Board of Directors  
Valley Community Services Board  
Staunton, Virginia

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

We have audited Valley Community Services Board (the "Board") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2021. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditor's Responsibility*

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

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

## Report on Compliance for Each Major Federal Program (Continued)

### *Opinion on Each Major Federal Program*

In our opinion, Valley 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, 2021.

### Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Item 2021-005, that we consider to be a material weakness.**

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
March 23, 2022



## **VALLEY COMMUNITY SERVICES BOARD**

### **SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2021**

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

#### **STATE COMPLIANCE MATTERS**

##### *Code of Virginia*

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

#### **FEDERAL COMPLIANCE MATTERS**

##### Compliance Supplement for Single Audits of State and Local Governments

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

**VALLEY COMMUNITY SERVICES BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2021**

**A. SUMMARY OF AUDITOR'S RESULTS**

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

Name of Program	Assistance Listing Number
Emergency Solution Grant	14.231
State Targeted Response to the Opioid Crisis Grants	93.788

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

**VALLEY COMMUNITY SERVICES BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2021**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2021-001: Material Audit Adjustments (Material Weakness)**

*Condition:*

In order to prepare financial statements in accordance with accounting principle generally accepts in the United States of America (GAAP), accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues and expenditures to ensure an accurate presentation of the financial position and activity of the Valley Community Services Board for the fiscal year ended. The efficient, effective and timely preparation of the financial statements depends heavily on personnel from the Board and includes closing the general ledger, performing appropriate financial analyses and reconciliations of yearly activity, and accumulating the required data for reporting. In order to verify that the transactions are fairly presented, procedures must be in place and functioning effectively to ensure the financial information is complete, accurate and in accordance with GAAP. The year-end financial statement should be final and free of significant misstatements.

*Criteria:*

Procedures are not in place to ensure accurate reporting.

*Cause:*

There's been significant turn over in accounting positions.

*Effect:*

Financial statement could be materially misstated, material errors go undetected.

*Recommendation:*

Document formal year-end close procedures to support existence, completeness, accuracy and valuation of all assets, liabilities, revenues and expenditures reporting in the Board's financial statements.

*Views of Responsible Officials and Planned Corrective Action:*

VCSB acknowledges that the FY20 audit adjustments were not made due to turnover in the Accounting Department. FY21 audit adjustments will be made before June 30, 2022.

**VALLEY COMMUNITY SERVICES BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2021**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**2021-002: Monthly Financial Reporting (Material Weakness)**

*Condition:*

Financial information was not presented to the Board timely. Board oversight is imperative to a properly run government and financial accountability should include review of monthly financials.

*Criteria:*

Financial statements should be provided within 30 days after the month.

*Cause:*

There's been significant turn over in accounting positions.

*Effect:*

Accurate, timely information could impact management decisions.

*Recommendation:*

We recommend preparing monthly financial statements for management and the Board's review. Statements should be provided by the end of the following month.

*Views of Responsible Officials and Planned Corrective Action:*

The Board of Directors' Financial Oversight Committee (formerly the Finance & Executive Committee) has moved their meeting back one week to allow the Accounting Department more time to complete and verify the monthly financial reports. The new Accountant and Interim CFO have revised the closing calendar and introduced certain procedural improvements to streamline the monthly closing process. Monthly reports will be current within 30 days of the Financial Oversight Committee's meeting by May 2022.

**VALLEY COMMUNITY SERVICES BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2021**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**2021-003: Segregation of Duties (Material Weakness)**

*Condition:*

Segregation of duties is one of the most important aspects of internal controls. In an ideal system of internal controls, no individual would perform more than one duty in connection with any transaction or series of transactions. In particular, no one individual should have access to both physical assets and the related accounting records. Such access may allow errors or irregularities to occur and either not be detected or concealed. Most significant finance functions at the Board do not have adequate separation of duties. Mitigating controls exist, but are highly dependent upon the rigor and skepticism with which they are applied.

*Criteria:*

Segregation of duties includes separating the elements of processing, reconciliation and review between individuals

*Cause:*

There has been significant turn over in accounting positions.

*Effect:*

Transactions could be processed by unauthorized employees.

*Recommendations:*

- We recommend assigning Great Plains system administrator access to an individual in the IT department. Formal requests should be made and approval documented prior to changing employee access in the software.
- The payroll administrator has access to the bank account, to process payroll, enter journal entries, perform EFT transfers, and to blank checks including the MICR code for check signatures. We recommend limiting access to payroll processing. Additionally, as much of this access was assigned due to turn-over, we recommend regularly reviewing access for finance employees to ensure they do not have unnecessary permissions.
- The accounting manager, accountant and representative payee administrator all have access to cash receipts before they are recorded, prepare deposits, and post the transactions. We recommend thorough review of these transactions in a timely manner.
- The accounting manager, accountant, CFO, and Executive Director had access to perform wire transfers, however no wire transfers were performed in fiscal year 2021. We recommend the CSB discuss wire transfer access with the bank.

(Continued)

## VALLEY COMMUNITY SERVICES BOARD

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

#### B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

##### 2021-003: Segregation of Duties (Continued)

•During our review of journal entries, we noted two entries without appropriate approval likely due to turnover in management positions. We recommend proper documentation of all journal entries to review for fraud or error. During times of turnover, we encourage management to evaluate controls to ensure mitigating controls are in place.

##### *Views of Responsible Officials and Planned Corrective Action:*

A new Accountant was hired in November 2021 and a new Controller will begin April 2022 as the head of the department, and recruitment is underway for a Reimbursement Manager. Once the Controller is onboard, an in-depth review of and adjustment to separation of duties will take place. To the specific concerns outlined above, the following actions have been taken:

- GP Administrator access has been given to the IT Network Administrator. Temporary changes to access are managed by email, with CFO approval required prior to implementation. Permanent changes to or new access is managed through the IT Help Desk ticketing system.
- The Payroll Administrator's access to the bank account has been more closely monitored during the time of transition, with all actions monitored, reviewed, and approved by the Interim CFO. In October 2021, account powers were changed to remove the Payroll Administrator as an account signer, removing her access to certain transaction types (e.g., withdrawals), and requiring a second signature on any actions. Her procedural access will be further modified once the Controller is on-board in April 2022.
- Beginning in December 2021, the cash receipts procedure was modified to ensure that deposits are reviewed and approved by the Interim CFO prior to deposit. Deposits are made at least weekly, and no deposit is made without prior approval.
- Wire transfer access was modified in October 2021 to require two signatures from any combination of the Executive Director, CFO, and Board of Directors Treasurer.
- All journal entries are prepared by the Accountant for review and approval by the Interim CFO prior to entry. Effective January 2022, no journal entries are made without formal approval.

(Continued)

**VALLEY COMMUNITY SERVICES BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2021**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**2021-004: Allowance for Doubtful Accounts (Significant Deficiency)**

*Condition:*

The CSB does not have a formal policy to calculate the allowance for doubtful accounts.

*Criteria:*

The policy allows for consistency and shows how the amount is calculated.

*Cause:*

The CSB has experience significant turn over in accounting positions and knowledge has not been retained within the organization.

*Effect:*

Allowance amounts could be incorrect.

*Recommendation:*

We recommend establishing a policy for how the allowance for doubtful accounts is calculated. In addition, we recommend the schedule be maintained monthly supporting the financial statement balance.

*Views of Responsible Officials and Planned Corrective Action:*

VCSB will revise its Bad Debt Policy and ensure that all relevant team members are trained in its application.

**VALLEY COMMUNITY SERVICES BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2021**

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

**2021-005: Emergency Solutions Grant Program (Material Weakness)**

*Condition:*

The Community Based Services Supervisor is the only person involved with submitting reimbursement requests and monitoring the budget and expenditures for the program. A separate review of reimbursement requests is not performed. The accounting department is not involved with managing the program budgets.

*Criteria:*

More than one staff person should be involved for accountability and monitoring of the program.

*Cause:*

With turnover in accounting staff during the year, items were not reviewed or monitored for the program.

*Effect:*

Errors in reporting or misuse of funding could potentially go undetected due to lack of separation of functions and proper oversight.

*Recommendation:*

We recommend implementing internal controls over the reimbursement requests and budget monitoring process by involving another person prior to submitting the request. Additionally, spreadsheets used to track grant awards and program expenditures should be reviewed by someone with an understanding of the program such as the Behavioral Health Director or Assistant Director or accounting.

*Views of Responsible Officials and Planned Corrective Action:*

Effective February 2022, all requests for reimbursement under this program are submitted by the fund manager to the program's Assistant Director prior to submission to Accounting. Reimbursement filings are provided to Accounting in a timely manner and a fund reconciliation spreadsheet will be created to share with the fund manager and Assistant Director on a monthly basis.

**D. FINDINGS – COMMONWEALTH OF VIRGINIA**

None



**VALLEY COMMUNITY SERVICES BOARD**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**June 30, 2021**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2020-001: Material Weakness Due to Material Audit Adjustments**

*Condition:*

In order to prepare financials statement in accordance with accounting principle generally accepts in the United States of America (GAAP), accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues and expenditures to ensure a accurate presentation of the financial position and activity of the Valley Community Services Board for the fiscal year ended. The efficient, effective and timely preparation of the financial statements depends heavily on personnel from the Board and includes closing the general ledger, performing appropriate financial analyses and reconciliations of yearly activity, and accumulating the required data for reporting. In order to verify that the transactions are fairly presented, procedures must be in place and functioning effectively to ensure the financial information is complete, accurate and in accordance with GAAP. The year-end financial statement should be final and free of significant misstatements.

*Recommendation:*

Document formal year-end close procedures to support existence, completeness, accuracy and valuation of all assets, liabilities, revenues and expenditures reporting in the Board's financial statements.

*Current Status:*

Repeat finding, see current year comment 2021-001.

**2020-002: Performance Contract**

*Condition:*

The Board does not have an operating reserve sufficient to cover at least two months of personnel and operating expenses, as required.

*Recommendation:*

Board should continue to monitor operating reserves and implement a plan to meet the Department's requirement.

*Current Status:*

Corrected. Board meets requirement as of June 30, 2021.

**VALLEY COMMUNITY SERVICES BOARD**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021**

<b>Federal Grantor/State Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
Department of Health and Human Services:			
Pass Through Payments:			
Department of Behavioral Health and Developmental Services			
Projects for Assistance in Transition			
from Homelessness	93.150	509990090, 511000090	\$ 42,506
State Targeted Response to the Opioid			
Crisis Grants	93.788	530230090, 530330090	571,431
Block Grants for Community			
Mental Health Services	93.958	522000090	217,577
Block Grants for the Prevention			
and Treatment of Substance Abuse	93.959	5025000090, 502700000, 502700090	517,801
Total Department of Health and Human Services Pass Through			\$ 1,349,315
Direct Payments:			
Health Resources and Services Administration:			
COVID-19 Provider Relief Fund	93.498	HHS-89267411989	24,740
Total Department of Health and Human Services			\$ 1,374,055
Department of Housing and Urban Development:			
Direct Payments			
Continuum of Care Program	14.267	VA0387L3F211900, VA0388L3F211900	\$ 146,051
Pass Through Payments:			
Department of Behavioral Health and Developmental Services			
COVID Emergency Solutions Grants Program	14.231	20-CHERP-057	605,069
Total Department of Housing and Urban Development			\$ 751,120
Department of Treasury:			
Pass Through Payments:			
Department of Housing and Community Development			
City of Waynesboro			
COVID-19 - Coronavirus Relief Fund	21.019	N/A	\$ 245,121
Total Department of Treasury			\$ 245,121

(Continued)

**VALLEY COMMUNITY SERVICES BOARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2021**

<b>Federal Grantor/State Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
Department of Education:			
Pass Through Payments:			
Office of Special Education and Rehabilitative Services:			
Special Education-Grants for Infants and Families	84.181		\$ 70,785
Total Department of Education			\$ 70,785
Total Expenditures of Federal Awards			\$ 2,441,081

**Notes to Schedule of Expenditure of Federal Awards:**

**Note 1-Basis of Presentation:**

This schedule is presented on the accrual basis of accounting.

**Note 2-De Minimis Indirect Cost Rate:**

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

**Note 3-Outstanding Loan Balances:**

At June 30, 2021, the Board had no outstanding loan balances requiring continuing disclosure.

**Note 4-Provider Relief Funds**

The amount reported for Provider Relief Funds on this schedule is based upon the September 2021 reporting to Health and Human Services that Covers all amounts received by the Agency through June 30, 2020.