VALLEY COMMUNITY SERVICES BOARD

FINANCIAL REPORT

June 30, 2022

BROWN EDWARDS
certified public accountants

VALLEY COMMUNITY SERVICES BOARD

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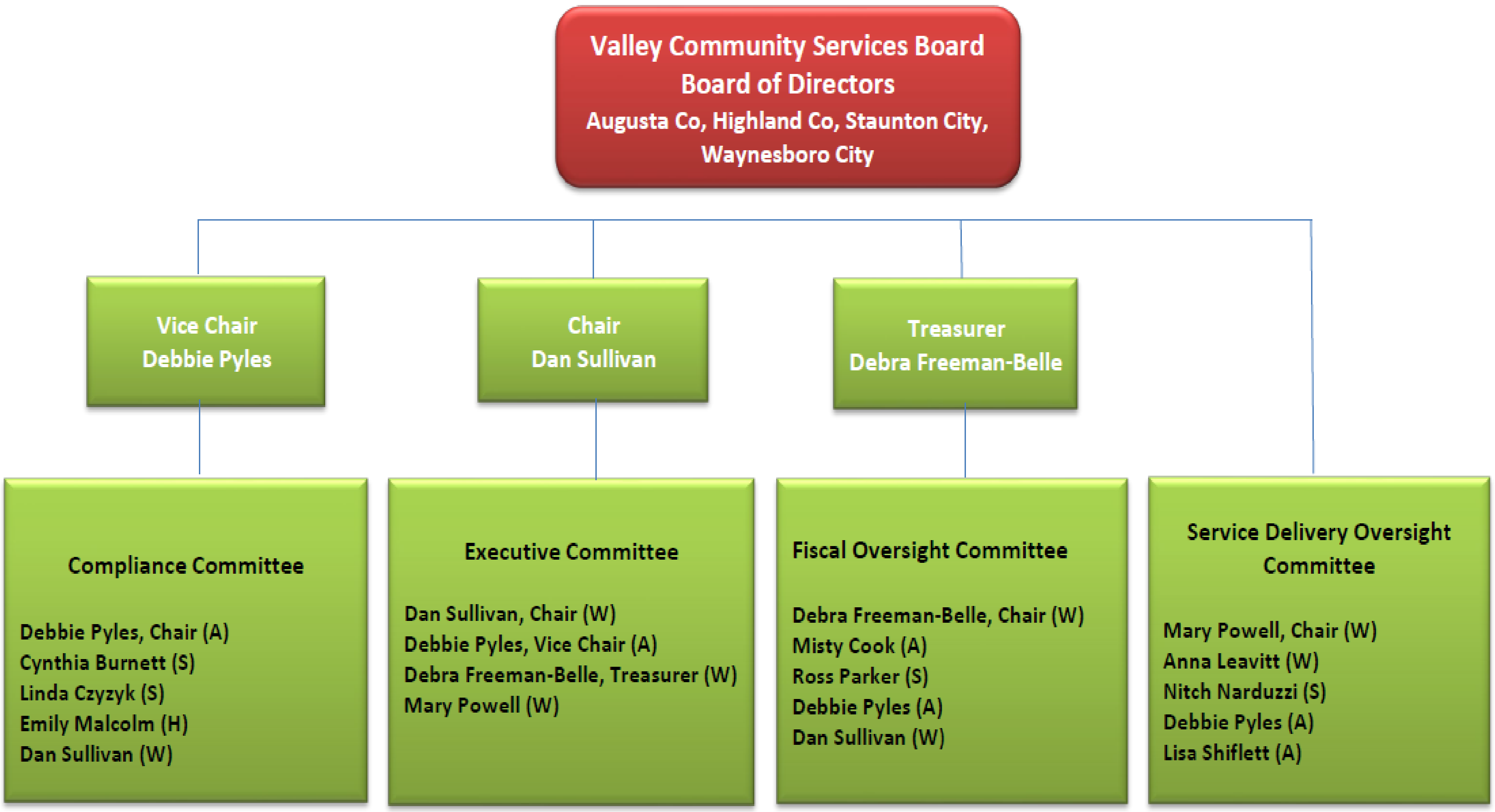
INTRODUCTORY SECTION

VALLEY COMMUNITY SERVICES BOARD

ORGANIZATIONAL CHART
June 30, 2022



Lt. Leslie Snyder (A) – Committee Unassigned
Sonya Pulliam-Payne (W) – Committee Unassigned
Jabriel Tyler (W) – 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

Ross Parker, Chair

Dan Sullivan, Vice-Chair

Debra Freeman-Belle, Treasurer

Mary Powell
Sonya Pulliam-Payne
Misty Cook
Stephanie Huffman
Frank Pyanoe

Lt. Leslie Snyder
Anna Leavitt
Nitch Narduzzi
Emily Malcolm

EXECUTIVE MANAGEMENT

Kimberly McClanahan, Ph.D. .... Executive Director
Dereck Criner .... Director of Human Resources
Devin Foster, DHA, MHS .... Director of Finance
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

The Financial Section contains the Basic Financial Statements.

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Valley Community Services Board

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Valley Community Services Board (the "Board"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our ethical requirements, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Notes 5, 7, and 11 to the financial statements, in 2022, the Board adopted new accounting guidance, *GASB Statement No. 87, Leases.* Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

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Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited the Board's 2021 financial statements, and our report dated March 23, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented therein for the year ended June 30, 2021 is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 14, 2022

BASIC FINANCIAL STATEMENTS

EXHIBIT 1

VALLEY COMMUNITY SERVICES BOARD

STATEMENT OF NET POSITION
June 30, 2022

	2022	(For Comparative Purposes Only) 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	$ 10,508,062	$ 6,382,449
Restricted cash and cash equivalents (Note 2)	78,840	78,840
Accounts receivable, net (Note 3)	2,205,683	1,452,464
Due from other governments (Note 4)	77,866	37,646
Prepaid items	148,506	129,712
Total current assets	13,018,957	8,081,111
NONCURRENT ASSETS		
Capital assets (Note 5)		
Non-depreciable	439,171	439,171
Depreciable, net of depreciation and amortization	2,650,365	2,948,155
Total capital assets	3,089,536	3,387,326
Net pension asset (Note 8)	7,364,972	1,243,064
Total noncurrent assets	10,454,508	4,630,390
Total assets	23,473,465	12,711,501
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan (Note 8)	738,045	1,648,654
Other postemployment benefits (Note 9)	130,231	174,904
Total deferred outflows of resources	868,276	1,823,558
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	380,466	300,148
Accrued payroll and benfits	688,978	611,889
Amounts held for others	336,691	435,747
Due to other governmental units (Note 4)	946,463	971,846
Unearned revenue (Note 6)	3,038,979	1,751,798
Notes payable, current portion (Note 7)	220,370	211,216
Lease liability (Note 7)	87,323	81,956
Compensated absences (Note 7)	517,532	537,137
Total current liabilities	6,216,802	4,901,737

(Continued)

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

EXHIBIT 1

VALLEY COMMUNITY SERVICES BOARD

STATEMENT OF NET POSITION (Continued)
June 30, 2022

	2022	(For Comparative Purposes Only) 2021
LIABILITIES (Continued)		
NONCURRENT LIABILITIES		
Notes payable, less current portion (Note 7)	$ 1,518,324	$ 1,731,144
Lease liability, less current portion (Note 7)	61,257	145,604
Compensated absenses (Note 7)	258,766	268,568
Other postemployment benefits (Note 9)	480,145	879,810
Total noncurrent liabilities	2,318,492	3,025,126
Total liabilities	8,535,294	7,926,863
DEFERRED INFLOWS OF RESOURCES		
Pension plan (Note 8)	4,710,475	-
Other postemployment benefits (Note 9)	343,629	50,409
Total deferred inflows of resources	5,054,104	50,409
NET POSITION		
Net investment in capital assets	1,202,262	1,217,406
Restricted for net pension asset	7,364,972	1,243,064
Unrestricted	2,185,109	4,097,317
Total net position	$ 10,752,343	$ 6,557,787

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

EXHIBIT 2

VALLEY COMMUNITY SERVICES BOARD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2022

	2022	(For Comparative Purposes Only) 2021
OPERATING REVENUES		
Net client service revenue	$ 12,656,846	$ 12,194,121
Total operating revenues	12,656,846	12,194,121
OPERATING EXPENSES		
Salaries and wages	11,217,481	10,243,297
Fringe benefits	1,545,332	2,810,555
Contractual services	1,870,898	1,002,711
Depreciation and amortization	331,454	395,719
Other charges and supplies	5,860,312	5,643,541
Total operating expenses	20,825,477	20,095,823
Operating loss	(8,168,631)	(7,901,702)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenues:		
Commonwealth of Virginia	8,250,041	6,684,820
Federal government	3,277,911	2,688,349
Participating localities (Note 10)	563,478	549,010
Interest income	4,183	2,728
Miscellaneous income	345,949	358,329
Gain on disposal of property and equipment	11,839	77,719
Interest expense	(90,214)	(104,140)
Net nonoperating revenues	12,363,187	10,256,815
Change in net position	4,194,556	2,355,113
NET POSITION, beginning of year, as restated (Note 11)	6,557,787	4,202,674
NET POSITION, end of year	$ 10,752,343	$ 6,557,787

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

EXHIBIT 3

VALLEY COMMUNITY SERVICES BOARD

STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

	2022	(For Comparative Purposes Only) 2021
OPERATING ACTIVITIES		
Receipts from customers	$ 12,689,466	$ 11,547,492
Payments to suppliers	(7,267,400)	(6,031,080)
Payments to and for employees	(13,277,727)	(12,682,597)
Net cash used in operating activities	(7,855,661)	(7,166,185)
NON-CAPITAL FINANCING ACTIVITIES		
Government grants	12,025,829	10,767,841
Other	345,949	358,329
Net cash provided by non-capital financing activities	12,371,778	11,126,170
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(30,690)	-
Proceeds from the sale of assets	11,839	77,719
Principal payments on leases	(81,956)	(75,126)
Principal payments on long-term debt	(203,666)	(154,708)
Interest expense	(90,214)	(104,142)
Net cash used in capital and related financing activities	(394,687)	(256,257)
INVESTING ACTIVITIES		
Interest income	4,183	2,728
Net cash provided by investing activities	4,183	2,728
Net increase in cash and cash equivalents	4,125,613	3,706,456
CASH AND CASH EQUIVALENTS		
Beginning of year	6,461,289	2,754,833
End of year	$ 10,586,902	$ 6,461,289
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 10,508,062	$ 6,382,449
Restricted cash and cash equivalents	78,840	78,840
	$ 10,586,902	$ 6,461,289

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

EXHIBIT 3

VALLEY COMMUNITY SERVICES BOARD

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2022

	2022	(For Comparative Purposes Only) 2021
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (8,168,631)	$ (7,901,702)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	331,454	395,719
Pension expense net of employer contribution	(500,824)	831,361
Other postemployment benefit expense net of employer contribution	(61,772)	(16,537)
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(753,219)	(478,737)
Prepaid items	(18,794)	(3,912)
Increase (decrease) in:		
Accounts payable	80,318	(84,969)
Accrued payroll and benefits	77,089	(464,372)
Compensated absences	(29,407)	(69,202)
Amounts held for others	(99,056)	51,502
Unearned revenue	1,287,181	574,664
Net cash used in operating activities	$ (7,855,661)	$ (7,166,185)
SCHEDULE OF NON-CASH ACTIVITIES		
Capital assets financed by lease liabilities	$ 2,974	$ 18,042

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

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 treatment programs for 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 Net 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 Fund Net Position* – The Statement of Revenues, Expenses and Changes in Fund 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)

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, 2022, the Board had accounts receivable for service fees due in the amount of $2,205,683 from Medicaid, third party insurers and direct clients, net of an allowance for doubtful accounts of $1,260,204 at June 30, 2022. 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)

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.

Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight line method. In leases where a purchase option is reasonably certain of being exercised the asset is amortized over the useful life, unless the underlying asset is non-depreciable, in which the leased asset is not amortized.

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 assets 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 assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

(Continued)

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 our 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 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 play 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 lows 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Net Client Service Revenue

Net client 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)

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 $246,692, 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)

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, 2022:

- Money market account of $510,963 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, 2022, 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)	$	1,676,590
Direct client		800,225
Other state funding		768,214
Third-party insurers		210,774
Other		10,084
Total		3,465,887
Allowance for uncollectible accounts		(1,260,204)
Total	$	2,205,683

Note 4. Due To/From Other Governmental Units

Amounts due from local, state, and federal governments totaled $77,866 at June 30, 2022. Amounts due to state governmental units totaled $946,463 at June 30, 2022.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2022 is summarized below:

	Beginning Balance*	Increases	Deletions/ Reclassifications	Ending Balance
Capital assets not being depreciated or amortized:				
Land	$ 439,171	$ -	$ -	$ 439,171
Total capital assets not being depreciated or amortized	$ 439,171	-	-	439,171
Capital assets being depreciated or amortized:				
Buildings and improvements	$ 4,584,369	$ 5,389	$ -	$ 4,589,758
Equipment	162,093	18,483	-	180,576
Vehicles	462,363	-	-	462,363
Software	1,237,442	6,818	-	1,244,260
Total capital assets being depreciated or amortized	6,446,267	30,690	-	6,476,957
Less accumulated depreciation and amortization	3,720,417	247,610	-	3,968,027
Total capital assets being depreciated or amortized	2,725,850	(216,920)	-	2,508,930
Right-of-use leased assets				
Equipment	$ 32,971	$ 2,974	$ -	$ 35,945
Vehicles	269,717	-	-	269,717
Less accumulated amortization	(80,383)	(83,844)	-	(164,227)
Total leased assets, net	222,305	(80,870)	-	141,435
Total capital assets, net	$ 3,387,326	$ (297,790)	$ -	$ 3,089,536

*As restated.

Depreciation and amortization expense amounted to $331,454 for the year ended June 30, 2022.

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, 2022, there was $3,038,979 in unearned revenue as a result of the receipt of grant funding that will be used in future periods.

Note 7. Long-Term Obligations

The following is a summary of long-term obligations transactions of the Board for the year ended June 30, 2022:

	Beginning Balance*	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Rural development loan	$ 1,150,122	$ -	$ 30,539	$ 1,119,583
Note payable	792,238	-	173,127	619,111
Lease liability	227,560	2,976	81,956	148,580
Compensated absences	805,705	754,684	784,091	776,298
Total	$ 2,975,625	$ 757,660	$ 1,069,713	$ 2,663,572

*As restated.

Detail of long-term obligations at June 30, 2022 follows:

	Total Amount	Amount Due Within One Year
$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.	$ 1,119,583	$ 31,866
$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.	619,111	188,504
Total loan and note payable	1,738,694	220,370
Various lease liabilities	148,580	87,323
Compensated absences	776,298	517,532
Total long-term obligations	$ 2,663,572	$ 825,225

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)

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 Principal	Rural Development Loan Interest	Note Payable Principal	Note Payable Interest	Lease Liabilities Principal	Lease Liabilities Interest
2023	$ 31,866	$ 46,974	$ 188,504	$ 22,348	$ 87,323	$ 6,279
2024	33,247	45,593	196,674	14,178	46,543	2,034
2025	34,688	44,152	205,197	5,655	13,422	299
2026	36,191	42,649	28,736	88	628	61
2027	37,759	41,081	-	-	664	24
2028-2032	214,807	179,393	-	-	-	-
2033-2037	265,567	128,633	-	-	-	-
2038-2042	328,321	65,879	-	-	-	-
2043-2047	137,137	5,603	-	-	-	-
Total	$ 1,119,583	$ 599,957	$ 619,111	$ 42,269	$ 148,580	$ 8,697

In 2022, the Board implemented the guidance of GASBS No. 87, Leases, for accounting and reporting of leases that had previously been reported as operating leases. The Board recognized various leases for vehicles and office equipment leased under long-term contracts.

A summary of recorded leases are below:

Lease Description	Term	Asset Class	Aggregate Payments	Balance
2017 Ford Fusions (Qty: 10, 5.75%)	7/31/2017 - 7/31/2023	Vehicle	$2,629/month	$ 33,059
2019 Dodge Caravans (Qty: 4, 5.75%)	2/28/2019- 2/28/2024	Vehicle	$1,703/month	30,858
2019 Hyundia Sonatas (Qty: 2, 5.75%)	10/31/2019- 10/31/2024	Vehicle	$726/month	18,987
2020 Chrystler Voyagers (Qty: 2, 5.75%)	11/30/2019- 11/30/2024	Vehicle	$945/month	25,529
2020 Hyundia Santa Fe (Qty: 2, 5.75%	1/31/2020- 1/31/2025	Vehicle	$772/month	22,184
Xerox B7035H (Qty: 2, 5.75%)	10/1/2018- 10/1/2023	Equipment	$264/month	3,816
Bizhub 808 (Qty: 1, 5.75%)	12/30/2020- 12/30/2023	Equipment	$351/month	5,772
Canon Scanner (Qty: 1, 5.75%)	9/16/2019- 9/15/2023	Equipment	$160/month	2,162
Sendpro C200 (Qty: various equipment, 5.75%)	12/11/2020- 12/11/2023	Equipment	$576/month	3,287
Sendpro C200 (Qty: various equipment, 5.75%)	6/21/2022- 6/21/2027	Equipment	$172/month	2,974
				$ 148,580

Note 8. Defined Benefit 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)

Note 8. Defined Benefit Pension Plan (continued)

Employees Covered by Benefit Terms

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

	Members
Inactive members or their beneficiaries currently receiving benefits	164
Inactive members:	
Vested inactive members	113
Non-vested inactive members	191
Inactive members active elsewhere in VRS	163
Total inactive members	467
Active members	175
Total covered employees	806

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, 2022 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 $198,995 and $196,475 for the years ended June 30, 2022 and June 30, 2021, 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, 2021. The total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

(Continued)

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, 2020, 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, 2021.

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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates, no change to salary scale, and no change to discount rate.

(Continued)

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.00 %	1.70 %
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi-Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00 %		4.89 %
		Inflation	2.50 %
		*Expected arithmetic nominal return	7.39 %

* The above allocation provides for a one-year return of 7.39%. 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 6.94%, 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 40th percentile of expected long-term results of the VRS fund asset allocation at the time, providing a median return of 7.11%, including expected inflation of 2.50%.

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, 2021, 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, 2021 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, 2020	$ 31,767,263	$ 33,010,327	$ (1,243,064)
Changes for the year:			
Service cost	717,578	-	717,578
Interest			
Changes of assumptions	2,091,962	-	2,091,962
Differences between expected	1,305,099	-	1,305,099
and actual experience	(735,637)	-	(735,637)
Contributions – employer	-	182,393	(182,393)
Contributions – employee	-	388,509	(388,509)
Net investment income	-	8,951,789	(8,951,789)
Benefit payments, including refunds of employee contributions	(1,550,473)	(1,550,473)	-
Administrative expenses	-	(22,622)	22,622
Other changes	-	841	(841)
Net changes	1,828,529	7,950,437	(6,121,908)
Balances at June 30, 2021	$ 33,595,792	$ 40,960,764	$ (7,364,972)

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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	$ (2,769,081)	$ (7,364,972)	$ (11,094,596)

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

For the year ended June 30, 2022, the Board recognized pension expense of $(315,911). At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 70,553	$ 264,075
Change in assumptions	468,497	-
Net difference between projected and actual earnings on pension plan investments	-	4,446,400
Employer contributions subsequent to the measurement date	198,995	-
Total	$ 738,045	$ 4,710,475

Note 8. Defined Benefit Pension Plan (Continued)

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

The $198,995 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2023	$ (767,643)
2024	(1,016,689)
2025	(1,035,617)
2026	(1,351,476)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2021 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 a cost-sharing and other postemployment benefit plan, described as follows.

Plan Description

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 is 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:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
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, 2022 Contribution	$47,416
June 30, 2021 Contribution	$45,981

(Continued)

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 liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2022 proportionate share of liability	$480,145
June 30, 2021 proportion	0.04124 %
June 30, 2020 proportion	0.05272 %
June 30, 2022 (income)/expense	$(14,233)

At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 54,762	$ 3,658
Change in assumptions	26,470	65,694
Net difference between projected and actual earnings on OPEB plan investments	-	114,600
Changes in proportion	1,583	159,677
Employer contributions subsequent to the measurement date	47,416	-
Total	$ 130,231	$ 343,629

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 Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program

Year Ended June 30,	(Reduction) to OPEB Expense
2023	$ (57,557)
2024	(50,994)
2025	(49,745)
2026	(67,009)
2027	(35,509)
Thereafter	-

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, 2020, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

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%

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 liability represents 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, 2021, net OPEB liability amount for the VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	$ 3,577,346
Plan fiduciary net position	2,413,074
Employers' net OPEB liability (asset)	$ 1,164,272
Plan fiduciary net position as a percentage of total OPEB liability	67.45%

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.

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.00 %	1.70 %
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi-Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00 %		4.89 %
Inflation		2.50 %	
*Expected arithmetic nominal return		7.39 %	

* The above allocation provides for a one-year return of 7.39%. 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 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11, including inflation of 2.50%.

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

Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	$ 701,510	$ 480,145	$ 301,383

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2021 Comprehensive Annual Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10. Participating Localities' Contributions

Contributions from localities for the year ended June 30, 2022 were as follows:

County of Augusta	$	197,000
County of Highland		6,884
City of Staunton		193,869
City of Waynesboro		165,725
	$	563,478

Note 11. Restatement of Beginning Net Position

For the year ended June 30, 2022, the Board adopted GASB **Statement No. 87**, *Leases*, which requires reporting an intangible right-to-use asset and a lease liability for leases the Board had previously reported as operating leases.

The following is a summary of the restatement to beginning net position, as can be seen in Exhibits 1 and 2.

Net position, June 30, 2021, as previously reported	$	6,563,042
Effect of adopting GASB 87		(5,255)
Net position, June 30, 2021, as restated	$	6,557,787

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.

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 3rd 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 of June 30, 2022 is $200,000.

(Continued)

Note 15. 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 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 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 April 2022, the GASB **issued Statement No. 99**, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

(Continued)

Note 15. New Accounting Standards (continued)

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 4

VALLEY COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2022

	Fiscal Year June 30, 2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	$ 717,578	$ 974,544	$ 871,081	$ 876,687	$ 972,724	$ 988,866	$ 998,145	$ 1,043,507
Interest	2,091,962	1,963,990	1,866,485	1,790,977	1,748,785	1,674,708	1,589,609	1,476,016
Changes in assumptions	1,305,099	-	925,151	-	(289,886)	-	-	-
Difference between expected and actual experience	(735,637)	414,713	100,590	(415,946)	(764,266)	(563,294)	(386,702)	-
Benefit payments, including refunds of employee contributions	(1,550,473)	(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	1,828,529	1,988,972	2,465,134	1,203,829	586,001	1,097,585	1,233,020	1,694,037
Total pension liability – beginning	31,767,263	29,778,291	27,313,157	26,109,328	25,523,327	24,425,742	23,192,722	21,498,685
Total pension liability – ending	33,595,792	31,767,263	29,778,291	27,313,157	26,109,328	25,523,327	24,425,742	23,192,722
Plan Fiduciary Net Position								
Contributions – employer	182,393	157,730	160,734	354,005	359,948	533,013	520,327	716,594
Contributions – employee	388,509	494,611	488,291	491,370	519,536	490,446	474,302	483,856
Net investment income	8,951,789	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	(1,550,473)	(1,364,275)	(1,298,173)	(1,047,889)	(1,081,356)	(1,002,695)	(968,032)	(825,486)
Administrative expenses	(22,622)	(21,737)	(20,960)	(18,819)	(18,667)	(16,165)	(15,567)	(17,823)
Other	841	(1,760)	(1,322)	(1,967)	(2,903)	(195)	(247)	179
Net change in plan fiduciary net position	7,950,437	(104,318)	1,428,463	1,978,103	3,036,083	471,256	1,167,104	3,763,109
Plan fiduciary net position – beginning	33,010,327	33,114,645	31,686,182	29,708,079	26,671,996	26,200,740	25,033,636	21,270,527
Plan fiduciary net position – ending	40,960,764	33,010,327	33,114,645	31,686,182	29,708,079	26,671,996	26,200,740	25,033,636
Net pension asset – ending	$ (7,364,972)	$ (1,243,064)	$ (3,336,354)	$ (4,373,025)	$ (3,598,751)	$ (1,148,669)	$ (1,774,998)	$ (1,840,914)
Plan fiduciary net position as a percentage of total pension liability	121.92%	103.91%	111.20%	116.01%	113.78%	104.50%	107.27%	107.94%
Covered employee payroll	$ 8,547,983	$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	86.16%	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 Reequired Supplementary Information are an integral part of this schedule.

EXHIBIT 5

VALLEY COMMUNITY SERVICES BOARD

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2022

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
2022	$ 198,995	$ 198,995	$ -	$ 9,467,354	2.10%
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.

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

EXHIBIT 6

VALLEY COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2022

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.04124%	$ 480,145	$ 8,559,368	5.61%	67.45%
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, 2022

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
2022	$ 47,416	$ 47,416	$ -	$ 9,105,417	0.52%
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 RETIREMENTMENT SYSTEM
June 30, 2022**

Note 1. Changes of Benefit Terms

<u>Pension</u>

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

<u>Other Post-Employment Benefits (OPEB)</u>

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates
- No changes to salary scale
- No change to discount rate

COMPLIANCE SECTION

BROWNEDWARDS
certified public accountants

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, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 14, 2022.

Report on 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 preceding paragraph 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 and significant deficiencies.

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 of findings and questioned costs, as items 2022-001 through 2022-005, to be material weaknesses.**

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 2022-006, to be a significant deficiency.**

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Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Board's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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
December 14, 2022

BROWN EDWARDS
certified public accountants

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

Opinion on Compliance for Each Major Program

We have audited Valley Community Services Board's (the "Board") compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the 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, 2022.

Basis for Opinion on Each Major Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Valley Community Services Board and to meet our ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Valley Community Service Board's federal program.

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Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Board's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Valley Community Service Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Valley Community Service Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Valley Community Service Board's internal control over compliance Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control or compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. **We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as Items 2022-007 and 2022-008 to be material weaknesses.**

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on 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, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 14, 2022

VALLEY COMMUNITY SERVICES BOARD

SUMMARY OF COMPLIANCE MATTERS
June 30, 2022

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, 2022

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Five 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. Two material weaknesses relating to the audit of the 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 **two audit findings relating to the major program**.
7. The program tested as major was:

Name of Program	Assistance Listing Number
Emergency Solution Grant	14.231

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**.

(Continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001: 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 turnover in accounting positions.

Effect:

Financial statements 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 material audit adjustments were made in the FY22 audit as result of audit procedures. While the Accounting Department was new and learning their individual roles throughout FY22, the team is now more experienced and better understands the specific needs of the agency's finances. The Director of Finance is implementing additional formal review and approval procedures to provide a more rigorous process for FY23 to mitigate this weakness going forward.

(Continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2022-002: Monthly Financial Reporting (Material Weakness)

Condition:

Financial information was not presented to the Board timely for the first quarter of the fiscal year. 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 end of 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:

As a result of this finding in the prior year audit, 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 Accountant and Director of Finance have implemented streamlined efficiencies to allow for timely reporting. As of May 2022, monthly financials were available and considered current for reporting to the Board and have remained current.

(Continued)

VALLEY COMMUNITY SERVICES BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2022-003: 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 turnover in accounting positions.

Effect:

Transactions could be processed by unauthorized employees.

Recommendations:

- The accounting manager (now controller/Director of Finance) and accountant 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 that is documented and includes oversight over these individuals.
- During our review of journal entries, we noted two entries without appropriate approval, one of which related to a bank reconciliation that did not contain evidence of review, and one from a recurring entry created by a prior member of finance. 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:

While VCSB has worked diligently to correct the separation segregation of duties concerns identified in the FY21 audit, the agency acknowledges that sufficient oversight was not present for the month of August 2021 when the Accounting Department did not have sufficient staff in place to provide the required segregation of duties. This was amended in September and subsequent months. There are now multiple reviews and approvals in place.

(Continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2022-003: Segregation of Duties (Material Weakness)

VCSB acknowledges that the bank reconciliations do not undergo a formal, documented review process. This will be amended in FY23. The second transaction referenced was a pre-paid set up by a temporary Accounting employee in 2019 for a communication system necessary for Emergency Services. The entry is valid, necessary, and approved at the time it was created, though it was not receiving a formal, specific review each month in 2022. VCSB will conduct review of all other similar transactions to ensure their appropriateness and make adjustments as needed.

2022-004: Allowance for Doubtful Accounts (Material Weakness)

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 experienced significant turnover in accounting positions and knowledge has not been retained within the organization.

Effect:

Allowance amounts could be incorrect or calculated inconsistently.

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. The Director of Finance and Reimbursement Manager have initiated regular meetings to preview doubtful accounts and potential write-offs and have begun to work on a revised policy to both update our methodology and document the required procedure.

(Continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2022-005: Review of Monthly Reporting (Material Weakness)

Condition:

Documentation of review and approval by management of monthly financials and monthly closing procedures was not always documented. Bank reconciliations should always be prepared by an individual separate from individual(s) who review reconciliations with bank statements received and opened separately from the individual who prepares in order to ensure that staff or management are not misreporting cash transactions on the bank statement. In addition, reconciliations should be prepared accurately and timely for federal and state programs, and recognition of revenue related to these awards should agree to reimbursements or expenditures incurred.

Criteria:

Documented review of closing procedures improves internal controls and increases transparency of accounting between staff and management.

Cause:

Turnover in key management and accounting positions has resulted in a need to re-establish monthly procedures and evaluate and communicate inefficiencies in reviewing monthly close procedures.

Effect:

Reconciliations or monthly closing information could be inaccurate or not prepared timely without proper review.

Recommendation:

We recommend establishing a policy and timeline for preparing and reviewing all reconciliations and monthly closing procedures. Management should review and document all instances of review and indicate date reviewed.

Views of Responsible Officials and Planned Corrective Action:

VCSB acknowledges that it lacks a formal, documented review of the month-end closing procedures. The agency will review the procedure and relevant reconciliation tools (e.g., bank and grant funds) to ensure a more rigorous review and approval in FY23.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2022-006: Lease Accounting (Significant Deficiency)

Condition:

The CSB does not have a formal policy to track and record leases in accordance with GASB 87.

Criteria:

A policy would allow for consistency and accurately reflects lease liabilities.

Cause:

The CSB has experienced significant turnover in accounting positions and management had not yet had time to pursue the financial standard.

Effect:

Lease related transactions could go unrecorded in future fiscal years, and budgets might not accurately reflect lease activity.

Recommendation:

We recommend establishing a policy and implementing controls within monthly financial reporting and purchasing guidelines that establishes a method that records leases in accordance with GASB 87. An effective policy would alert management to any potential leases or new monthly recurring transactions for consideration of financial reporting.

Views of Responsible Officials and Planned Corrective Action:

VCSB has amended its procurement policy and procedures to ensure that leases subject to GASB 87 are subject to our procurement process, including presentation to the Board for discussion if of sufficient cost. Additionally, VCSB will amend its balance sheet to reflect leases in accordance with GASB 87.

(Continued)

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

2022-007: Emergency Solutions Grant Program – AL #14.231, Controls over reimbursements and program monitoring (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. Expenditures used to recognize revenue in accounting should correspond to expenses reimbursed or identified for federal and state award programs.

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. Additionally, Accounting receives a copy of the submitted reimbursement requires and will be including a review of expenses, requests for reimbursement, and reimbursements received as part of the monthly reconciliation.

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

2022-008: Emergency Solutions Grant Program – AL # 14.231, Controls over cash management and reimbursement requests (Material Weakness) (Continued)

Condition:

Requests for reimbursement were not submitted timely, with multiple months submitted 80 days after the expenditure had incurred. Amounts recorded for revenue did not accurately reflect final requested reimbursement.

Criteria:

Reimbursements should be submitted timely and should be provided and reconciled to financial data in general ledger by accounting team. Differences should be resolved, and reimbursement received should ultimately reflect total program revenue in general ledger.

Cause:

With turnover in staff during the year, items were not always available timely. In addition, management was not always aware of reporting requirements or aware of activity under program reimbursements.

Effect:

Errors in reporting could ultimately lead to differences in financial accounting vs program activity. Accurate and timely reporting and requests can improve cash flows and ensure program is able to meet funding needs.

Recommendation:

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 another individual in the finance department. These spreadsheets should ultimately identify amounts that were submitted for request for reimbursement and be recorded in the general ledger. Amounts recorded for revenue in the general ledger should agree between the two, with monthly or quarterly reconciliations performed to ensure financial reporting accurately reflects spending and reimbursement activity.

Views of Responsible Officials and Planned Corrective Action:

VCSB will amend the reconciliations process for CHERP to include a documented review and approval of all expenses, reimbursement requests, and reimbursements received. Additionally, the Accounting Director and Director of Finance are working with the program fund manager to submit requests for reimbursement in a more timely manner.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

VALLEY COMMUNITY SERVICES BOARD

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2022

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2020-001: Material Weakness Due to Material Audit Adjustments (Repeat Finding, includes 2021-001)

Condition:

In order to prepare financial statements in accordance with accounting principle generally accepted 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 2022-001.

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.

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.

Current Status:

Repeat finding, see current year comment 2022-002.

VALLEY COMMUNITY SERVICES BOARD

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2022

A. 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.

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.
- 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.

Current Status:

Repeat finding with progress made in current year. As of end of year, all SOD recommendations had been resolved with exception to access to cash receipts. See comment 2022-003

VALLEY COMMUNITY SERVICES BOARD

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2022

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2021-004: Segregation of Duties (Significant Deficiency)

Condition:

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

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.

Current Year Status:

Repeat finding, see current year comment 2022-004.

B. 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.

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.

Current Year Status:

Repeat finding, see current year comments 2022-006 and 2022-007.

VALLEY COMMUNITY SERVICES BOARD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/State Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
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	$ 42,363
State Targeted Response to the Opioid Crisis Grants	93.788	530230090, 530330090	630,075
Block Grants for Community Mental Health Services	93.958	522000090	151,047
Block Grants for the Prevention and Treatment of Substance Abuse	93.959	5025000090,502700000, 502700090	633,380
Total Department of Health and Human Services Pass Through			$ 1,456,865
Direct Payments:			
Health Resources and Services Administration:			
COVID-19 Provider Relief Fund	93.498	HHS-89267411989	272,008
Total Department of Health and Human Services			$ 1,728,873
Department of Housing and Community Development:			
Pass Through Payments:			
Virginia Department of Housing and Community Development:			
COVID-19 Emergency Solutions Grants Program	14.231	20-CHERP-057	1,523,680
Total Department of Housing and Urban Development			$ 1,523,680
Department of Housing and Urban Development:			
Direct Payments			
Continuum of Care Program	14.267	VA0387L3F211900, VA0388L3F211900	225,796
Total Department of Housing and Urban Development			$ 225,796
Department of Education:			
Pass Through Payments:			
Office of Special Education and Rehabilitative Services:			
Special Education-Grants for Infants and Families	84.181		$ 71,572
Total Department of Education			$ 71,572
Total Expenditures of Federal Awards			$ 3,549,921

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, 2022, 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 2022 reporting to Health and Human Services that covers all amounts received by the Board through June 30, 2021.

(Continued)