

**DANVILLE-PITTSYLVANIA
COMMUNITY SERVICES**

FINANCIAL REPORT

JUNE 30, 2020

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DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

OFFICERS, DIRECTORS, AND MANAGEMENT

For the Year Ended June 30, 2020

Board of Directors

Officers

Shelby J. Irving - Chairperson

Rufus Fuller III - Member-at-Large

William Allgood - Vice Chairperson

Michael Mondul - Member-at-Large

Kimberly Van DerHyde - Secretary

Directors

Matthew Bailey

Emily Hill

Dr. Julie Brown

Dexter Miller

Daurie Bussell

Jacqueline Satterfield

Lorrie Eanes-Brooks

Robert Warren

Gwendolyn Edwards

Dr. Frank Wickers

Management

Executive Director

James F. Bebeau, LPC

Director of Finance

Mary Beth Clement, CPA

Division Directors

Sandy Irby - Behavioral Health Services

Sara Craddock - Intellectual Disability Services

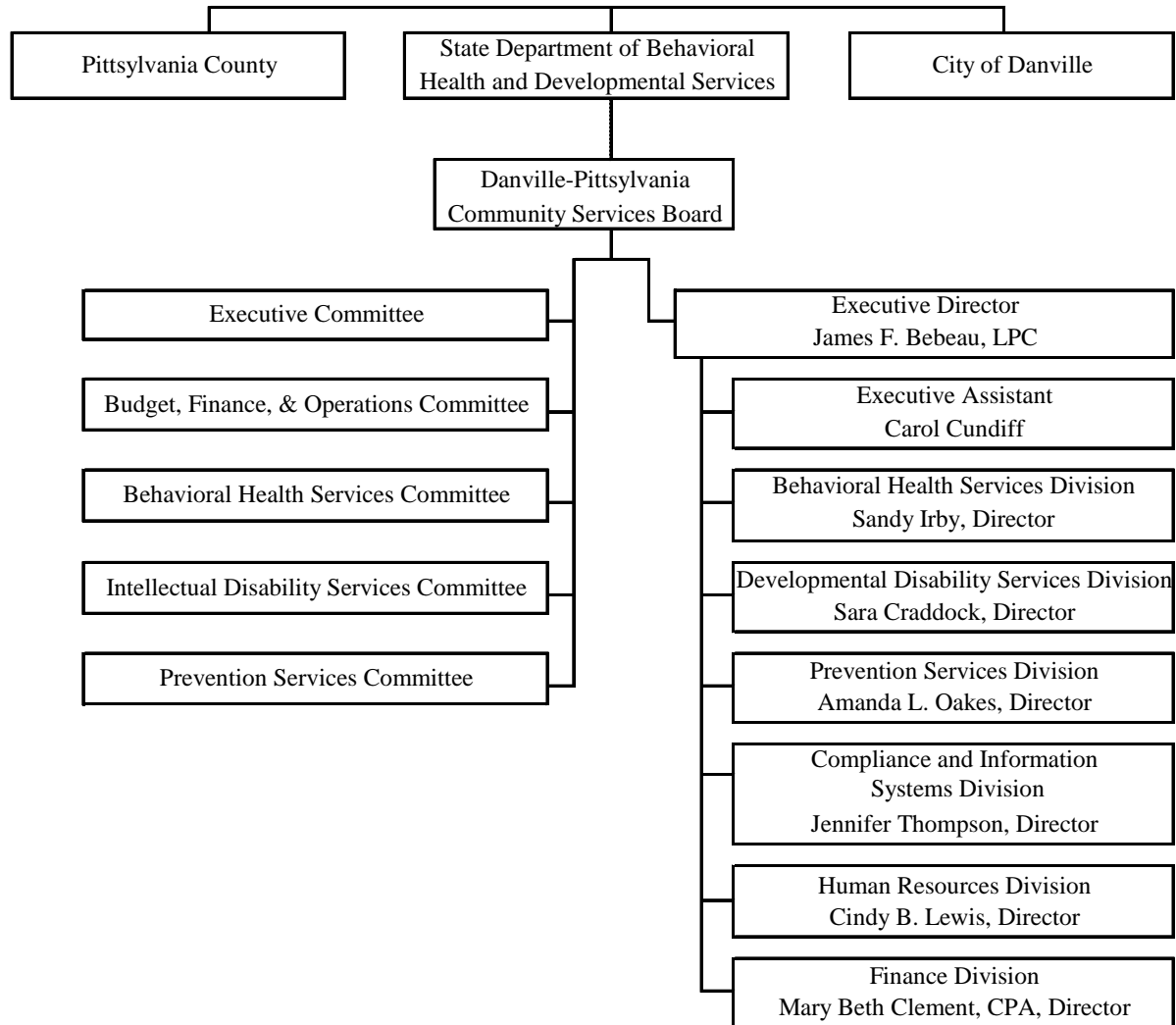
Amanda Oakes - Prevention Services Director

Cindy Lewis - Human Resources Director

Jennifer Thompson - Compliance and Information Systems Director

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

ORGANIZATIONAL CHART For the Year Ended June 30, 2020



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Danville-Pittsylvania Community Services
Danville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Danville-Pittsylvania Community Services, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Danville-Pittsylvania Community Services, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–16 and certain pension and group life insurance information on pages 49-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Danville-Pittsylvania Community Services' basic financial statements. The schedule of current property and casualty insurance is presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The schedule of current property and casualty insurance has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020, on our consideration of the Danville-Pittsylvania Community Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Danville-Pittsylvania Community Services' 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 Danville-Pittsylvania Community Services' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Harris Harvey Neal & Co. LLP".

Danville, Virginia
November 5, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019**

The following discussion and analysis of Danville-Pittsylvania Community Services' (Agency) financial performance provides an overview of the Agency's financial activities for the fiscal years ended June 30, 2020 (FY2020) and June 30, 2019 (FY2019). The Agency's financial statements are reported on the full accrual basis as required by Governmental Accounting Standards Board (GASB) 34. Due to the requirements of GASB Statements related to the determination of component units and 'The Financial Reporting Entity', the financial statements for Piney Ridge Apartments Corporation, Piney Ridge Apartments Corporation II, Ashlawn View, Inc. and Bellevue, Inc. are blended with the Agency. GASB requires organizations that are legally separate, tax-exempt entities and that meet all of the following criteria to be presented as component units. These criteria include (a) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, (b) the primary government has the ability to otherwise access a majority of the economic resources held by the separate organization, and (c) the economic resources received or held by an individual organization that the specific primary government has the ability to otherwise access are significant to that primary government. Each component unit agency is tax exempt under 501(c)(3) of the Internal Revenue Code. The Piney Ridge Apartments Corporations provide apartments and Ashlawn View, Inc. provides a group home to house individuals receiving services from the Agency. Bellevue, Inc. provides DPCS, as the sole tenant, fixed assets (land, buildings and improvements, and furniture and equipment) totaling \$13,274,186 and \$12,687,035 less accumulated depreciation of \$3,219,667 and \$2,878,362 for a net value of \$10,054,519 and \$9,808,673 at December 31, 2019 and December 31, 2018 respectively. Furthermore, Joplin Street Properties, LLC was formed in FY2017 as a disregarded entity under the sole control of the Agency and as such the financial amounts are blended with the Agency. Joplin LLC was dissolved in October 2019.

Management Discussion and Analysis for the Agency Only- Not Including GASB Statements 68 and 75 for Pension Amounts and Other Post Retirement Benefits (OPEB) for the Virginia Retirement System:

Basic Financial Statements: The basic financial statements for the Agency consist of the Statement of Net Position (Balance Sheet), Statement of Revenues, Expenses, and Changes in Net Assets (Income Statement) and the Statement of Cash Flows. The following are condensed Financial Statements which present the changes in the accounts from FY2019 to FY2020 for analysis purposes:

Summary Statement of Net Position Comparison					
	FY2020	FY2019	Dollar Change	Percent Change	FY2018
<u>Assets:</u>					
Cash and cash equivalents	\$ 11,555,560	\$ 9,478,456	\$ 2,077,104	21.91%	\$ 9,114,077
Prepaid expenses	3,974,909	2,863,508	1,111,401	38.81%	2,461,003
Fees receivable (net)	1,345,180	1,195,986	149,194	12.47%	2,005,270
Due from other governments	154,941	117,729	37,212	31.61%	158,805
Notes receivable- consumers	19,825	19,847	(22)	-0.11%	24,048
Rental deposits	10,325	10,325	-	0.00%	10,325
Restricted cash held for consumers	89,527	59,253	30,274	51.09%	70,804
Equip., Land & Land Improvements (net)	3,426,687	3,542,558	(115,871)	-3.27%	3,566,650
<u>Liabilities:</u>					
Accounts payable	\$ 623,711	\$ 598,413	\$ 25,298	4.23%	\$ 869,257
Accrued payroll & other liabilities	927,722	782,152	145,570	18.61%	851,982
Consumer deposits	89,527	59,253	30,274	51.09%	70,804
Deferred revenue	3,280,165	1,643,336	1,636,829	99.60%	1,711,931
Accrued leave	1,264,231	1,266,954	(2,723)	-0.21%	1,336,461
Accrued postemployment health	584,864	524,750	60,114	11.46%	488,934
<u>Net Position:</u>					
Investments in fixed assets	\$ 3,426,687	\$ 3,542,558	\$ (115,871)	-3.27%	\$ 3,566,650
Unrestricted but designated	32,289	59,915	(27,626)	-46.11%	93,935
Unrestricted net position	10,347,758	8,810,331	1,537,427	17.45%	8,421,028

**Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019**

<i>Summary Statement of Revenues, Expenses and Changes in Net Position Comparison</i>					
	<u>FY2020</u>	<u>FY2019</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>FY2018</u>
<i>Operating Revenues:</i>					
Net consumer services revenue	\$ 11,544,923	\$ 11,275,394	\$ 269,529	2.39%	\$ 10,170,589
Other revenue	292,923	250,137	42,786	17.11%	236,079
<i>Operating Expenses:</i>					
Personnel	15,396,869	15,030,112	366,757	2.44%	14,689,176
Staff development	190,782	146,544	44,238	30.19%	156,709
Facilities	1,678,276	1,767,169	(88,893)	-5.03%	1,473,115
Supplies/equipment maintenance	1,092,104	879,684	212,420	24.15%	852,394
Travel	137,897	183,531	(45,634)	-24.86%	183,215
Consultant/contract	2,399,869	2,538,971	(139,102)	-5.48%	1,814,146
Depreciation	368,981	358,441	10,540	2.94%	339,634
Bad debt expense	207,568	208,441	(873)	-0.42%	211,567
Miscellaneous	25	-	25	0.00%	-
<i>Non-operating Revenues/(Expenses):</i>					
Appropriations from State gov't	7,527,147	7,375,632	151,515	2.05%	7,741,301
Appropriations from Federal gov't	1,618,896	1,524,724	94,172	6.18%	1,457,645
Appropriations from Local sources	1,107,933	1,055,797	52,136	4.94%	982,857
Gain/(Loss) on equipment disposal	-	(102,162)	102,162	100.00%	1,500
Contributions (to)/from Related Organizations	668,548	-	668,548	0.00%	(18,495)
Interest income	105,930	64,562	41,368	64.07%	41,714
Total Change in net position	\$ 1,393,929	\$ 331,191	\$ 1,062,738	320.88%	\$ 893,234

<i>Summary Statement of Cash Flows Comparison</i>					
	<u>FY2020</u>	<u>FY2019</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>FY2018</u>
<i>Cash Flows from Operating Activities:</i>					
Cash received from client services	\$ 11,879,538	\$ 11,879,538	\$ -	0.00%	\$ 9,421,889
Other unrestricted operating revenue	263,834	263,834	-	0.00%	266,090
Cash payments for personnel	(15,102,585)	(15,102,585)	-	0.00%	(13,480,404)
Cash payments for supplies/other operating needs	(6,228,424)	(6,228,424)	-	0.00%	(6,996,908)
<i>Cash Flows from Non-capital Financing Activities:</i>					
Appropriations from State gov't	7,616,891	7,616,891	-	0.00%	7,157,663
Appropriations from Local gov't	681,825	681,825	-	0.00%	686,152
Appropriations from Federal gov't	1,546,489	1,546,489	-	0.00%	1,476,933
<i>Cash Flows from Capital and Related Financing Activities:</i>					
Acquisition of capital assets	(357,751)	(357,751)	-	0.00%	(495,765)
Proceeds from sale of assets	-	-	-	0.00%	1500
<i>Cash Flows from Investing Activities:</i>					
Interest Income	64,562	64,562	-	0.00%	41,714
Net increase (decrease) in cash and cash equivalents	\$ 364,379	\$ 364,379	\$ -	0.00%	\$ (1,921,136)

**Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019**

Financial Analysis

For the fiscal year ended June 30, 2020, the Agency reported total revenue of \$22,197,752 and total expenses of \$21,472,370 for a 'net income' of \$725,382. For the fiscal year ended June 30, 2019, the Agency reported total revenue of \$21,546,246 and total expenses of \$21,215,055 for a 'net income' of \$331,191.

During FY2020 net consumer services revenue experienced an overall increase of 2.39% amounting to \$269,529 while cash received from client services decreased 5.79% due to slightly less fee collections in Medicaid in FY2020 than FY2019. The Developmental Services Division experienced a modest increase in revenue billing from the Day Services program during FY2020 of \$251,359. Fee collections decreased in the Intermediate Care Facility (ICF), River View Place, due to a large balance in receivables at June 30, 2018 collected in FY2019 for this program. The River View Place ICF did not have this event in the receivable balance at June 30, 2019; thus fee collections were steady during FY2020. Note 5 in the Notes to the Financial Statements details the revenue information by payor source. As shown in Note 6 in the Notes to the Financial Statements, the allowance for uncollectible accounts increased from \$293,769 in FY2019 to \$420,153 in FY2020. The balance in the allowance for uncollectible accounts corresponds to the balance of accounts receivable greater than 90 days old for the direct client payor source and the balance in the Virginia Department of Taxation debt set off payor source. During FY2020, the data and reports were analyzed and prepared on the 'old' debt set off accounts; however, there was an oversight in which the accounts were not written off the books until August 2020 instead of January 2020; thus, the allowance for doubtful accounts increased substantially due to this oversight. The net effect of the actual write-offs in FY2020 and FY2019 with the adjustments to the allowance for doubtful accounts resulted in bad debt expense on the operating statement of \$207,568 and \$208,441, respectively. The Agency's Finance Division sends delinquency notices to consumers at 60 and 90 day past due intervals. After the final notice and continued non-payment, the account is transferred from the direct client payor source to debt set off if pertinent information has been obtained on the individual's account. If after two years of non-payment from a matching Virginia income tax refund in the debt set-off payor source, the charge is written off the books as an uncollectible account. Consumer accounts are reviewed and write-offs are done monthly; therefore, the amount of annual write-offs will vary depending on the age of the receivable. Other revenue increased slightly by \$42,786 from FY2019 to FY2020 as shown on the operating statement. Other revenue consists mostly of local agency grants such as United Way, Community Foundation, etc. and will vary each year based on the grant awards and the timing of spending of the grant awards.

Appropriations from the federal government increased slightly by \$94,172 and coincides with the increase shown on the cash flow statement. Appropriations from the state government increased \$151,515; however, on the cash flow statement this category increased by \$1,521,298. These changes are mostly due to the variability in the deferred revenue from unspent previous year state funds. Per Note 14 of the Notes to the Financial Statements, state deferred revenue increased from \$1,480,840 at June 30, 2019 to \$3,074,903 at June 30, 2020.

**Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019**

The significant changes to state funds including appropriations and deferred revenue were as follows:

- A total of \$673,356 in unspent prior year state funds were used by the Agency in FY2020 as follows: (1) \$33,265 used for regional related programs for Discharge Assistance (DAP) and \$27,611 to cover the .5 FTE Accountant position used by the Agency for regional accounting tasks and Fiscal Agent expenses; (2) \$36,425 in restricted state funds used by the Behavioral Health Services Division for the Crisis Intervention Team Assessment Site program; (3) \$91,032 of prior year System Transformation Excellence and Performance (STEP) funding used to cover the purchase of computers and software due to the sunset of Microsoft operating systems and \$29,700 for the contract fee paid for services under the Service Process Quality Management (SPQM) state funding; (4) \$12,756 used from one-time restricted state funds received in previous years for Suicide Prevention services and \$2,517 prior year restricted state funds for PACT individuals and forensic discharges; (5) \$52,492 of previous year state general fund balances for capital improvement items for group room and waiting area furniture and bullet proof glass in lobby areas and \$74,344 used to replace computers and software for the change in operating systems; (6) \$234,710 of regional state funds for which the Agency is fiscal agent and paid to Piedmont Community Services and Southside Community Services for the regional DAP program and (7) \$78,503 used from previous year state general funds to issue an advance rental payment to Bellevue in accordance with the initial lease between the Agency and Bellevue related to the expansion of the Hairston Street property.
- A total of \$2,267,418 in FY2020 state funds were unspent at June 30, 2020 and therefore additions to deferred revenue: (1) \$10,211 of restricted state funds for the Ambulatory Crisis Stabilization program; (2) \$44,600 of restricted state funds for the PACT program; (3) \$50,707 in restricted state funds for the DPCS Permanent Supportive Housing (PSH) program; (4) \$143,451 of restricted State Permanent Supportive Housing funds for the new regional PSH program with Piedmont Community Services and Southside Community Services Boards with DPCS as Fiscal Agent; (5) \$411,229 of State funds for the System Transformation Excellence and Performance (STEP) implementation for outpatient services; (6) \$10,923 of restricted State funds for the Crisis Intervention Assessment Site program; (7) \$31,812 of restricted State Substance Abuse Recovery Purchase of Service (SARPOS) funding; (8) \$2,275 for Suicide Prevention; (9) \$253,592 of State Substance Abuse General Funds, \$246,211 of State Mental Health General Funds and \$15,817 of State Developmental Services funds unspent at June 30, 2020; (10) \$319,964 of regional Local Inpatient Purchase of Service (LIPOS) funding for which the Agency is fiscal agent for the region; (11) \$88,102 of one-time State Mental Health funds received by DPCS as 'replacement funds' with the Medicaid expansion project to offset any reduction in fee collections; (12) \$99,759 of restricted State Medication Assisted Treatment (MAT) funding; (13) \$1,700 of one-time restricted Developmental Services state funds for individuals in crisis; (14) \$123,397 of restricted Discharge Assistance Program funding for the regional DAP program for which DPCS is Fiscal Agent and (15) \$413,667 of restricted regional State STEP- Crisis funding for the new Mobile Crisis program to be implemented in the region with Piedmont Community Services and Southside Community Services Boards.

The remaining balance of deferred revenue from state funds in Note 14 totals \$653,082 of state restricted funds in the Behavioral Health Services Division and \$154,402 of state regional restricted funds from years prior to FY2020. The deferred revenue from federal funds includes \$11,903 Prevention funds and \$159,967 Behavioral Health funds received in FY2020 but unspent at June 30. The Agency does anticipate using these balances in future fiscal years.

**Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019**

Overall, the Agency's total operating expenses increased 1.70% from \$21,112,893 in FY2019 to \$21,472,370 in FY2020. Personnel expense includes both salaries and wages and fringe benefits for payroll taxes, health insurance, retirement, group life and workers compensation insurance expenses. Personnel expense increased overall by 2.44% and was attributable to various factors. The Agency gave a two percent salary scale increase and a one percent merit increase to staff in FY2020. Also, the Agency did experience an increase in health insurance claims costs during FY2020. The increase in Staff Development is attributable to position advertisement costs and the use of a vendor for recruitment services for vacant clinician positions. The category of Supplies and Equipment Maintenance includes computers and related equipment purchased under the \$5,000 capitalization level for which the Agency purchased over \$200,000 in computers and related software due to the 'sunset' of the Microsoft office operating system. Travel expenses decreased due to less gas use and workshop attendance due to the pandemic. The Consultant/Contract category includes expenses for clients in the DAP and PSH programs for rents, utilities, etc., purchase of bed days for LIPOS and SARPOS funding, professional contract services for Part C Infant/Toddler services and the medical, nursing, dietician, etc. services in the Intermediate Care Facility (ICF) programs, grant related Prevention services for website maintenance and program brochures and the Agency legal and audit fees.

Per the Statement of Net Assets (balance sheet) in this analysis, cash and cash equivalents includes the Agency's regular checking account, client loan fund account and certificates of deposit (CD). At June 30, 2020 the Agency's regular checking account balance was \$5,811,255 as compared to \$3,830,263 at June 30, 2019. Prepaid expenses increased substantially by \$1,111,401 due to the final advanced rent payments of cash to Bellevue, Inc. Fees receivable increased \$149,194 in FY2020 with additional Medicaid billable services. Notes receivable- consumers is the loan fund in the Behavioral Health Services Division and decreased slightly from FY2019. Accounts payable results from regular expenses incurred by June 30 but not paid until the subsequent fiscal year and increased by \$25,298. Accrued payroll and related liabilities represent those payroll and related expenses incurred during the last pay period of the fiscal year thru June 30 for which the expenses were not paid until July.

Overall in FY2020 the increase in net assets was \$725,382 compared to \$331,191 in FY2019 and the change in cash flow was \$2,077,104 compared to \$364,379 in FY2019. One of the factors which contributed to the increase in cash flow during FY2020 was the substantial amount of state deferred revenue in FY2020.

Fixed Assets

Note 8 of the Notes to the Financial Statements presents the details of the Agency's property and equipment. Approximately \$253,110 in fixed assets were acquired during FY2020. Building and land improvements totaling \$109,875 were purchased and included the trash enclosure at Mount Hermon Manor, landscaping at Hairston Street, concrete patio area at Dewey Place, handles on fire doors at Keen Street and architectural and engineering costs for the Keen Street parking lot repairs and flooring projects at Keen Street, Middle Street, and Dewey Place. New equipment totaling \$59,905 was purchased and included the following: (1) \$5,276 for new badge card readers in doors in the North Wing at Hairston Street, (2) \$12,990 for a new bizhub copier/scanner in the West Wing at Hairston Street, (3) \$23,265 for servers for the Agency's files and email system (4) \$18,374 as the final payment for the mass automated notification system for all of the Agency employees. Two new handicap vans were purchased with a value totaling \$83,330 in FY2020 for which a grant from the Department of Rail and Public Transportation was received in the amount of \$66,664 with the Agency paying the remainder of the purchase prices.

**Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019**

Long-Term Debt

Long-term debt consists of accrued leave balances for vacation and sick leave for current staff and postemployment health insurance. During FY2014, DPCS expired the two leave policy plan which included accruals for vacation and sick leave separately and replaced these with one accrual for Paid Time Off (PTO). The PTO system includes one accrual rate to be used for either vacation or sick time off. The accrued leave balances consist of PTO hours earned but unpaid at June 30 for all regular full-time and regular part-time staff and 25% of sick hours balance to a maximum of \$6,000 for regular full-time and regular part-time staff employed at least 5 years as of June 30. The liability decreased from \$1,266,954 in FY2019 to \$1,264,231 in FY2020 due to employee turnover and the leave buybacks paid out in November. The portion of this liability related to the sick hours balance will either remain steady or decrease over time as no additional hours will accrue in this category. The liability for postemployment health insurance increased from \$524,750 in FY2019 to \$584,864 in FY2020. This liability is due to Board policy allowing terminating staff with 20 years of service to use their remaining sick leave balance to cover health insurance premiums or to be reimbursed for other health insurance coverage after providing documentation to Finance of the coverage and cost amounts. This liability is calculated based on staff with 20 years or more of service at June 30 less the 25% payout of their unused sick leave hours accumulated times their pay rate at June 30. This postemployment health insurance balance will be used each month to cover the employee only premium of Agency sponsored health insurance or be used to cover the actual costs paid by the former employee for other health insurance coverage until the balance is exhausted or due to forfeiture of credits resulting from death or cancellation of insurance. The calculation of this liability is affected by the expiration of the accrual of sick leave separately and as a result will increase only when current employees reach the 20 year service level and have a balance of sick leave hours to use for postemployment health insurance coverage. The postemployment health insurance liability of \$584,864 at June 30, 2020 includes eight 'retirees' and seventeen current employees with 20 years of service.

Unrestricted but Designated Net Assets

The Agency has designated \$32,289 of unrestricted net assets to pay for the postemployment health insurance liability. During FY2020, the Agency paid \$27,625 for postemployment health insurance compared to \$34,019 in FY2019. The Agency will request Board approval to transfer unused interest income fund balance to this designated fund balance/unrestricted asset to cover the future costs of the postemployment health insurance.

Forecast for FY2021

In FY2021, the Agency will continue to use as much deferred revenue as possible including working with the regional partner CSBs to continue to utilize regional funds. Also, the Agency will continue the project to convert the group home on Keen Street to an ICF.

Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

Management Discussion and Analysis for the Agency Only- Including GASB Statement 68 for Pension Amounts Related to the Virginia Retirement System (VRS) and GASB Statement 75 for Other Post-Employment Benefits (OPEB) Related to Group Life Insurance thru VRS

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 which requires DPCS as a political subdivision and participant in the Virginia Retirement System to record and show on the audited financial statements amounts related to VRS retirement. GASB issued Statement No. 75, Other Post-Employment Benefits (OPEB) which requires DPCS as a political subdivision and participant in the Group Life Insurance Plan thru VRS to record and show on the audited financial statements amounts related to VRS Group Life. DPCS is a participant in VRS as an Agent Multiple-Employer Plan and therefore has an 'account' with VRS. The following two tables represent the changes to DPCS's financial statements to show VRS amounts for pension/OPEB expense, net pension/OPEB liability and deferred inflows and outflows for each. These amounts were obtained from VRS and have been actuarially determined; however, they reflect amounts as of June 30, 2019 but are required to be presented in the FY2020 DPCS audited financial statements.

<u>Summary Statement of Net Position Comparison</u>				
	<u>FY2020</u> <u>without VRS</u>	<u>Change-</u> <u>VRS</u>	<u>FY2020 with</u> <u>VRS</u>	<u>FY2019 with</u> <u>VRS</u>
<u>Assets:</u>				
<i>Cash and cash equivalents</i>	\$ 11,555,560	\$ -	\$11,555,560	\$9,478,457
<i>Prepaid expenses</i>	3,974,909	-	3,974,909	2,863,508
<i>Fees receivable (net)</i>	1,345,180	-	1,345,180	1,195,986
<i>Due from other governments</i>	154,941	-	154,941	117,728
<i>Notes receivable- consumers</i>	19,825	-	19,825	19,847
<i>Rental & Escrow deposits</i>	10,325	-	10,325	10,325
<i>Restricted cash held for consumers</i>	89,527	-	89,527	59,253
<i>Equipment, Land & Improvements (net)</i>	3,426,687	-	3,426,687	3,542,558
<i>Net Pension Asset- VRS</i>	-	2,326,797	2,326,797	2,905,067
<i>Deferred Outflows of Resources- VRS (GASB 68)</i>	-	946,985	946,985	251,891
<i>Deferred Outflows of Resources- VRS (GASB 75)</i>	-	185,313	185,313	122,180
<u>Liabilities:</u>				
<i>Accounts payable</i>	\$ 623,711	\$ -	\$ 623,711	\$598,413
<i>Accrued payroll & other liabilities</i>	927,722	-	927,722	782,152
<i>Consumer deposits</i>	89,527	-	89,527	59,253
<i>Deferred revenue</i>	3,280,165	-	3,280,165	1,643,335
<i>Accrued leave</i>	1,264,231	-	1,264,231	1,266,954
<i>Accrued postemployment health</i>	584,864	-	584,864	524,750
<i>Net OPEB Pension Liability- VRS (GASB 75)</i>	-	850,220	850,220	794,401
<i>Deferred Inflows of Resources- VRS (GASB 68)</i>	-	786,487	786,487	705,188
<i>Deferred Inflows of Resources- VRS (GASB 75)</i>	-	54,000	54,000	73,000
<u>Net Position:</u>				
<i>Investments in fixed assets</i>	\$3,426,687	\$ -	\$3,426,687	\$3,542,558
<i>Unrestricted but designated</i>	32,289	-	32,289	59,915
<i>Unrestricted net position</i>	10,347,758	-	10,347,758	8,810,332
<i>Restricted net position- VRS (GASB 68 & 75)</i>	-	1,768,388	1,768,388	1,706,549

**Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019**

<i>Summary Statement of Revenues, Expenses and Changes in Net Position Comparison</i>					
	<u>FY2020- without VRS</u>	<u>Change- VRS</u>	<u>FY2020- with VRS</u>	<u>FY2019- without VRS</u>	<u>FY2019- with VRS</u>
<i>Operating Revenues:</i>					
<i>Net consumer services revenue</i>	\$ 11,544,923	\$ -	\$ 11,544,923	\$11,275,394	\$11,275,394
<i>Other revenue</i>	292,923	-	292,923	250,137	250,137
<i>Operating Expenses:</i>					
<i>Personnel</i>	15,396,869	(61,839)	15,335,030	15,030,112	14,383,854
<i>Staff development</i>	190,782	-	190,782	146,544	146,544
<i>Facilities</i>	1,678,276	-	1,678,276	1,767,169	1,767,169
<i>Supplies/equipment maintenance</i>	1,092,104	-	1,092,104	879,684	879,684
<i>Travel</i>	137,897	-	137,897	183,531	183,531
<i>Consultant/contract</i>	2,399,869	-	2,399,869	2,538,971	2,538,971
<i>Depreciation</i>	368,981	-	368,981	358,441	358,441
<i>Bad debt expense</i>	207,568	-	207,568	208,441	208,441
<i>Miscellaneous</i>	25	-	25	-	-
<i>Appropriations from State gov't</i>	7,527,147	-	7,527,147	7,375,632	7,375,632
<i>Appropriations from Federal gov't</i>	1,618,896	-	1,618,896	1,524,724	1,524,724
<i>Appropriations from Local sources</i>	1,107,933	-	1,107,933	1,055,797	1,055,797
<i>Gain (loss) on sale of equipment</i>	-	-	-	(102,162)	(102,162)
<i>Contributions (to)/from related organization</i>	668,548	-	668,548	-	-
<i>Interest income</i>	105,930	-	105,930	64,562	64,562
<i>Total Change in Net Position</i>	\$ 1,393,929	\$ (61,839)	\$ 1,455,768	\$ 331,191	\$ 977,449

For GASB 68: According to VRS, the Net Plan Assets for DPCS's account for retirement exceeded the Pension Liability; therefore, DPCS does not have a Net Pension Liability and instead has a Net Pension Asset of \$2,326,797 as of June 30, 2019 to include in the FY2020 financial statements and a Net Pension Asset of \$2,905,067 as of June 30, 2018 that was included in the FY2019 financial statements. The Deferred Outflows of Resources represent the VRS employer contributions and expense amount for FY2020 paid by DPCS to VRS based on the established 2.75 percent employer rate and the employee's monthly creditable compensation during FY2020. Per the Operating Statement above, \$222,320 has been removed from the Personnel Expense category and replaced with the VRS actuarial Pension Expense amount of \$186,794 for a net change on the operating statement of \$(35,526) for FY2020. The \$786,487 and \$705,188 for FY2020 and FY2019 shown as the Deferred Inflows of Resources is the VRS Actuarial determined amount as of June 30, 2019 and June 30, 2018 respectively to be the difference in the projected and actual earnings on plan investments.

For GASB 75: According to VRS, the Net Plan Assets for DPCS's account for group life insurance are less than the OPEB Liability; therefore, DPCS does have a Net OPEB Liability of \$850,220 as of June 30, 2019 to include in the FY2020 financial statements. The Deferred Outflows of Resources represent the VRS employer and employee contributions and expense amount for FY2020 paid by DPCS to VRS based on the established employer rate and the employee's monthly creditable compensation during FY2020. Per the Operating Statement above, \$26,000 has been recorded as the VRS actuarial OPEB expense. The \$54,000 FY2020 shown as the Deferred Inflows of Resources is the VRS Actuarial determined amount as of June 30, 2019 to be the difference in the projected and actual earnings on plan investments.

Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

Management Discussion and Analysis for the Piney Ridge Apartments Corporation I Only

<u>Summary Statement of Net Position Comparison</u>				
	<u>FY2020</u>	<u>FY2019</u>	<u>Dollar</u> <u>Change</u>	<u>FY2018</u>
<u>Assets:</u>				
Cash and cash equivalents	\$ 2,997	\$ 1,835	\$ 1,162	\$ 4,680
Cash held in escrow	35,157	32,394	2,763	29,036
Rents receivable	99	1,259	(1,160)	-
Due from HUD	-	-	-	352
Notes receivable	-	320	(320)	
Land, buildings & equipment, net	288,588	299,730	(11,142)	306,763
<u>Liabilities:</u>				
Accounts payable	\$ 1,057	\$ 1,374	\$ (317)	\$ 404
Tenant security deposits	857	1,077	(220)	1,106
<u>Net Position:</u>				
Investments in fixed assets	\$ 288,588	\$ 299,730	\$ (11,142)	\$306,763
Net Position in escrow accounts	34,300	31,317	2,983	27,930
Unrestricted Net Position	2,039	2,040	(1)	4,628

<u>Summary Statement of Revenues, Expenses and Changes in Net Position Comparison</u>				
	<u>FY2020</u>	<u>FY2019</u>	<u>Dollar</u> <u>Change</u>	<u>FY2018</u>
<u>Operating Revenues:</u>				
Rent revenue, net	\$ 21,464	\$ 20,919	\$ 545	\$ 21,203
<u>Operating Expenses:</u>				
Facilities	14,416	12,369	2,047	12,754
Supplies	177	3	174	170
Legal and professional fees	1,300	1,233	67	1,172
Management fee	2,603	2,420	183	2,512
Depreciation expense	11,142	11,142	-	10,774
Payment to HUD for excess residual receipts	-	-	-	-
<u>Non-operating Revenues/(Expenses):</u>				
Interest income	13	14	(1)	15
Total Changes in Net Position	\$ (8,161)	\$ (6,234)	\$ (1,927)	\$ (6,164)

Piney Ridge residents pay monthly rents based on income/expense determinations and HUD pays a subsidy of the rent. Piney Ridge Apartments Corporation is responsible for facility related expenses. Residual Receipts are generated at fiscal year-end when the organization has a checking account balance higher than the amount of accounts payable and other current liabilities.

Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

Management Discussion and Analysis for the Piney Ridge Apartments Corporation II Only

<i>Summary Statement of Net Position Comparison</i>				
			<u>Dollar</u>	
	<u>FY2020</u>	<u>FY2019</u>	<u>Change</u>	<u>FY2018</u>
<u>Assets:</u>				
Cash and cash equivalents	\$ 4,437	\$ 2,369	\$ 2,068	\$ 10,374
Cash held in escrow	48,349	44,112	4,237	30,111
Tenant rent receivable	27	-	27	2
Due from HUD	-	-	-	3,583
Prepaid Insurance	-	-	-	-
Land, buildings & equipment, net	699,980	723,763	(23,783)	740,148
<u>Liabilities:</u>				
Accounts payable	\$ 3,695	\$ 4,397	\$ (702)	\$ 3,818
Tenant security deposits	1,474	1,528	(54)	1,594
<u>Net Position:</u>				
Investments in fixed assets	\$ 699,980	\$ 723,763	\$ (23,783)	\$740,148
Net Position in escrow accounts	46,875	42,584	4,291	28,517
Unrestricted net position	769	(2,028)	2,797	10,141

<i>Summary Statement of Revenues, Expenses and Changes in Net Position Comparison</i>				
			<u>Dollar</u>	
	<u>FY2020</u>	<u>FY2019</u>	<u>Change</u>	<u>FY2018</u>
<u>Operating Revenues:</u>				
Rent revenue, net	\$ 36,256	\$ 37,448	\$ (1,192)	\$ 37,693
<u>Operating Expenses:</u>				
Facilities	20,567	19,660	907	21,615
Supplies	-	241	(241)	-
Legal and professional fees	4,664	4,172	492	3,953
Management fee	3,949	4,091	(142)	4,118
Depreciation expense	23,783	23,783	-	23,271
Payment to HUD for excess residual receipts	-	-	-	2,622
<u>Non-operating Revenues/(Expenses):</u>				
Interest income	12	12	1	13
Total Changes in Net Position	\$ (16,695)	\$ (14,487)	\$ (2,207)	\$ (17,873)

Piney Ridge II residents pay monthly rents based on income/expense determinations and HUD pays a subsidy of the rent. Piney Ridge Apartments Corporation II is responsible for facility related expenses. Beginning in FY2016, HUD issued regulations which require HUD sponsored organizations to return the excess balance in the Residual Receipts Escrow Account upon their annual renewal. This excess balance is calculated as the balance at renewal less \$250.00 per apartment. This amounted to an excess paid to HUD in FY2018 of \$2,622. Residual Receipts are generated at fiscal year-end when the organization has a checking account balance higher than the amount of accounts payable and other current liabilities.

Danville-Pittsylvania-Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

Management Discussion and Analysis for Ashlawn View, Inc. Only

<u>Summary Statement of Net Position Comparison</u>				
			<u>Dollar</u>	
	<u>FY2020</u>	<u>FY2019</u>	<u>Change</u>	<u>FY2018</u>
<u>Assets:</u>				
Cash and cash equivalents	\$ 627	\$ 48	\$ 579	\$ 90
Cash held in escrow	18,198	16,809	1,389	15,038
Due from HUD	-	747	-	-
Unamortized organization costs	-	-	-	267
Land, buildings & equipment, net	495,704	511,340	(15,636)	526,977
<u>Liabilities:</u>				
Accounts payable	\$ 6,710	\$ 18,117	\$ (11,407)	\$ 14,561
Tenant security deposits & other escrow liability	4,193	4,192	1	4,466
<u>Net Position:</u>				
Investments in fixed assets	\$ 495,704	\$ 511,340	\$ (15,636)	\$527,244
Net Position in escrow accounts	14,005	12,617	1,388	10,572
Unrestricted Net Position	(6,083)	(17,322)	11,239	(14,471)
<u>Summary Statement of Revenues, Expenses and Changes in Net Position Comparison</u>				
			<u>Dollar</u>	
	<u>FY2020</u>	<u>FY2019</u>	<u>Change</u>	<u>FY2018</u>
<u>Operating Revenues:</u>				
Rent revenue, net	\$ 18,562	\$ 18,377	\$ 185	\$ 22,392
<u>Operating Expenses:</u>				
Facilities	14,986	14,535	451	16,814
Legal and professional fees	4,027	4,653	(626)	3,665
Amortization expense	-	267	(267)	641
Depreciation expense	15,637	15,637	-	15,637
<u>Non-operating Revenues/(Expenses):</u>				
Interest income	4	5	(1)	4
Prior period adjustment	13,075			
Total Changes in Net Position	\$ (3,009)	\$ (16,710)	\$ 626	\$(14,361)

Ashlawn View, Inc. was organized in FY2011 as a 501(c)(3) corporation HUD project to build a waiver group home for individuals receiving services with an Intellectual Disability. Ashlawn residents pay monthly rents based on income/expense determinations and HUD pays a subsidy of the rent. Ashlawn View, Inc. is responsible for facility related expenses. The Agency pays for staffing and related expenses to operate the home. Ashlawn View, Inc. has experienced significant vacancies over the years which have resulted in a large portion of the amount in Accounts Payable being payable to the Agency (DPCS) as the managing agent who has paid several vendor bills over the past few years. HUD issued a compliance letter when reviewing the FY2018 HUD filed audited financial statements requiring Ashlawn respond to the payable and cash flow issue the vacancies have created. Ashlawn's response included the corporation and DPCS agreeing to 'forgive' and write-off \$13,075.25 of these amounts during FY2020 and the DPCS/Ashlawn Boards approved such action. The impact of this action on the financial statements was a reduction of \$13,075.25 in Accounts Payable and increase in the Ashlawn Unrestricted Net Assets in December 2019.

Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

Management Discussion and Analysis for Joplin Street Properties, LLC Only

<u>Summary Statement of Net Position Comparison</u>				
			<u>Dollar</u>	
	<u>FY2020</u>	<u>FY2019</u>	<u>Change</u>	<u>FY2018</u>
<u>Assets:</u>				
Cash and cash equivalents	\$ -	\$ 61,408	\$ (61,408)	\$ 62,807
Tenant rent receivable	-	-	-	-
Prepaid expenses	-	607,212	(607,212)	607,212
Construction in Progress	-	-	-	-
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,173
<u>Net Position:</u>				
Investments in fixed assets	\$ -	\$ -	\$ -	\$ -
Unrestricted net position	-	668,620	(668,620)	668,846

<u>Summary Statement of Revenues, Expenses and Changes in Net Assets Comparison</u>				
			<u>Dollar</u>	
	<u>FY2020</u>	<u>FY2019</u>	<u>Change</u>	<u>FY2018</u>
<u>Operating Revenues:</u>				
Rent revenue, net	\$ -	\$ -	\$ -	\$ 5,600
<u>Operating Expenses:</u>				
Facilities	97	226	-129	7,775
<u>Non-operating Revenues/(Expenses):</u>				
Interest income	-	-	-	-
Contribution to/from sponsoring agent	(668,523)	-	(668,523)	18,495
Total Changes in Net Position	\$ (668,620)	\$ (226)	\$ (668,394)	\$ 16,320

Joplin Street Properties, LLC was formed in September 2016 as a disregarded entity with the Agency as the sole member. Joplin Street Properties, LLC was formed with the purpose of taking title to the property located on Carolyn Court, servicing the lease as landlord, accepting rents and maintaining the property until the later of the environmental issues are resolved or the property is transferred to either the Agency or Bellevue, Inc. The Agency transferred prior year unspent state general funds to Joplin Street Properties LLC for the purchase of Carolyn Court and to cover any expenses that exceeded the amount of tenant rents received. The Agency and Bellevue, Inc. broke ground on the Hairston Street Campus Expansion in October 2017 and in January 2018, Joplin LLC transferred the property to Bellevue for a book value of \$607,212 to be recognized by the Agency as an advanced rental payment once the lease is completed. Due to the completion of the construction on Carolyn Court, Joplin LLC is no longer needed; therefore, the cancellation of the articles of incorporation were filed with the Virginia State Corporation Commission and the corporation was closed and the assets transferred in October 2019 to the Agency.

**Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2020 and 2019**

Bellevue, Inc.

Bellevue, Inc. maintains a calendar based fiscal year from January thru December and as such those audited amounts are included in these financial statements. Bellevue, Inc. provides DPCS, as the sole tenant, fixed assets (land, buildings and improvements, and furniture and equipment) totaling \$13,274,186 and \$12,687,035 less accumulated depreciation of \$3,219,667 and \$2,878,362 for a net value of \$10,054,519 and \$9,808,673 at December 31, 2019 and December 31, 2018 respectively. The Agency leases five locations from Bellevue, Inc. The rents the Agency pays to Bellevue, Inc. are used to pay towards the outstanding loans as specified in the Notes to the Financial Statements. The amount of loans payable at December 31, 2019 and December 31, 2018 were \$3,652,738 and \$3,483,974 respectively.

Complete financial statements for each component unit are available upon request.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, individuals receiving services and taxpayers with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the funds it receives. Questions concerning this report or requests for additional financial information should be made to Mary Beth Clement, C.P.A., Director of Finance, Danville-Pittsylvania Community Services, 245 Hairston Street, Danville, VA 24540 or phone at 434-799-0456, extension 3078 or email to mclement@dpcs.org.

BASIC FINANCIAL STATEMENTS

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

See Independent Auditors' Report

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Unrestricted cash and cash equivalents	\$ 11,691,377	\$ 9,665,998
Prepaid expenses	540,322	444,517
Fees receivable (net of allowance for doubtful accounts)	1,345,306	1,197,245
Due from other governments and agencies	145,734	98,769
Notes receivable - consumers	19,825	20,167
Rental deposits	10,325	10,325
Restricted current assets:		
Cash held for consumers	89,527	59,253
Restricted cash - held in escrow	101,704	93,315
Total current assets	<u>13,944,120</u>	<u>11,589,589</u>
Capital assets:		
Equipment, buildings, land & improvements	22,193,367	21,353,107
Less accumulated depreciation	<u>(7,227,889)</u>	<u>(6,467,042)</u>
Total capital assets	<u>14,965,478</u>	<u>14,886,065</u>
Other assets:		
Organizational costs, net	-	-
Net pension asset - Virginia Retirement System	<u>2,326,797</u>	<u>2,905,067</u>
Total other assets	<u>2,326,797</u>	<u>2,905,067</u>
Deferred outflows of resources:		
Pension and group life insurance	<u>1,132,298</u>	<u>374,071</u>
Total assets	<u><u>\$ 32,368,693</u></u>	<u><u>\$ 29,754,792</u></u>

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

See Independent Auditors' Report

	2020	2019
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 704,892	\$ 839,337
Accrued payroll and other liabilities	927,722	782,152
Current portion of long-term debt	212,575	142,992
Deferred revenue	3,280,165	1,643,337
	<u>5,125,354</u>	<u>3,407,818</u>
Current liabilities payable from restricted assets:		
Consumer deposits	92,819	62,818
Total current liabilities	<u>5,218,173</u>	<u>3,470,636</u>
Long-term liabilities:		
Long-term debt non-current portion	3,440,163	3,340,982
Net group life insurance liability - VRS	850,220	794,401
Accrued postemployment health insurance	584,864	524,750
Accrued leave	1,264,231	1,266,954
Total long-term liabilities	<u>6,139,478</u>	<u>5,927,087</u>
Total liabilities	<u>11,357,651</u>	<u>9,397,723</u>
Deferred inflows of resources:		
Unamortized balance - VRS	<u>840,487</u>	<u>778,188</u>
Net position:		
Investment in capital assets, net of related debt	11,312,740	11,402,091
Restricted for cash held in escrow	95,180	86,518
VRS net position	1,768,388	1,706,549
Unrestricted	6,994,247	6,383,723
Total net position	<u>20,170,555</u>	<u>19,578,881</u>
Total liabilities and net position	<u>\$ 32,368,693</u>	<u>\$ 29,754,792</u>

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

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended June 30, 2020 and 2019

See Independent Auditors' Report

	2020	2019
Operating revenues:		
Net services revenue	\$ 11,621,205	\$ 11,352,138
Other revenues	286,371	243,626
Total operating revenues	<u>11,907,576</u>	<u>11,595,764</u>
Operating expenses:		
Personnel	15,335,030	14,383,854
Staff development	190,782	146,544
Facilities	1,256,197	1,342,904
Supplies and equipment maintenance	1,092,281	879,928
Travel	137,897	183,531
Consultant/contract	2,416,944	2,555,042
Depreciation	760,848	551,284
Amortization	-	267
Bad debt expense	207,567	208,441
Miscellaneous	298	1,358
Total operating expenses	<u>21,397,844</u>	<u>20,253,153</u>
Operating (loss)	<u>(9,490,268)</u>	<u>(8,657,389)</u>
Non-operating income (expense):		
Appropriations from government:		
State	7,527,147	7,375,632
Federal	1,618,896	1,524,724
Local	950,273	898,137
Interest income	105,959	64,593
(Loss) on sale of equipment	-	(102,162)
Interest expense	(133,408)	(44,934)
Total non-operating income	<u>10,068,867</u>	<u>9,715,990</u>
Total changes in net position	578,599	1,058,601
Net position, beginning of year	19,578,881	18,520,280
Change in beginning net position	13,075	-
Net position, end of year	<u>\$ 20,170,555</u>	<u>\$ 19,578,881</u>

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

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

See Independent Auditors' Report

	2020	2019
Cash flows from operating activities:		
Cash received for services provided	\$ 11,391,583	\$ 11,959,232
Other unrestricted operating revenue	286,886	256,762
Cash payments for personnel	(15,103,746)	(15,102,585)
Cash payments for supplies and other operating needs	(5,550,527)	(3,839,565)
Net cash (used by) operating activities	<u>(8,975,804)</u>	<u>(6,726,156)</u>
Cash flows from non-capital financing activities:		
Appropriations from the commonwealth	9,138,189	7,616,891
Appropriations from local governments	815,146	681,825
Grants received from federal government	1,622,047	1,546,489
Net cash provided by non-capital financing activities	<u>11,575,382</u>	<u>9,845,205</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(840,260)	(6,579,338)
Sale of fixed assets	-	-
Net cash (used by) capital and related financing activities	<u>(840,260)</u>	<u>(6,579,338)</u>
Cash flows from investing activities:		
Interest income	105,959	64,594
Escrow account activity	(8,662)	(31,005)
Proceeds from issuance of long-term debt	316,026	3,483,973
Loan payments	(147,262)	(277,229)
	<u>266,061</u>	<u>3,240,333</u>
Net increase (decrease) in cash and cash equivalents	2,025,379	(219,956)
Cash and cash equivalents:		
Beginning of year	9,665,998	9,885,954
End of year	<u>\$ 11,691,377</u>	<u>\$ 9,665,998</u>
Reconciliation of operating income to net cash (used by) operations:		
Changes in net position	\$ 591,674	\$ 1,058,601
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	760,848	551,551
Deferred outflows and inflows and net asset/liability VRS	(61,839)	(646,259)
Non-capital financing activities	(11,575,382)	(9,845,205)
Intercompany	(135,961)	(255,116)
Changes in assets and liabilities:		
Prepaid expenses	(95,805)	1,854,734
Accounts receivable - various	(194,684)	857,648
Accounts payable	(134,445)	(118,073)
Accrued wages and benefits	202,961	(103,521)
Other accrued liabilities	1,666,829	(80,516)
Net cash (used by) operating activities	<u>\$ (8,975,804)</u>	<u>\$ (6,726,156)</u>

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

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Purpose

Danville-Pittsylvania Community Services (“Agency”) was established in 1972 as an intergovernmental joint venture between the City of Danville and Pittsylvania County, Virginia. The Agency was established to provide public behavioral health, intellectual disability, and substance abuse treatment, and prevention services to the citizens of the City of Danville and Pittsylvania County, Virginia as provided for in Chapter 10 of Title 37.2 of the Code of Virginia, as amended. Pittsylvania County Board of Supervisors appoints eight of the fifteen members of the Agency’s Board of Directors and Danville City Council appoints the remaining seven. The State agency with oversight responsibility for the programs conducted by the Agency is the Virginia Department of Behavioral Health and Developmental Services.

Note 2. Summary of Significant Accounting Policies

Financial reporting entity

Most Community Service Boards of Virginia use the governmental reporting model for financial reporting. This entails reporting under the provisions of the Governmental Accounting Standards Board’s (GASB) Statement 34, *Basic Financial Statements and Management Discussion and Analysis*. This statement establishes financial reporting requirements for state and local governmental entities of the United States. The Agency is not included as part of the financial statements of another primary government.

In defining the Agency as an appropriate reporting entity, related organizations were evaluated for possible inclusion using criteria established by the GASB. The criteria include the Agency’s ability to influence designation of management, operations, accountability for fiscal matters, and scope of public service. Further, GASB established broader criteria to consider for determining if an affiliated organization should be considered a component unit. Entities that hold resources entirely or almost entirely for the direct benefit of the Agency, where the Agency has the ability to access a majority of those resources and those resources are significant to the Agency are also to be included as part of the reporting entity. Based on these criteria, the financial statements of the Agency include Bellevue, Inc., Piney Ridge Apartments Corporation I (Piney Ridge), Piney Ridge Apartments Corporation II (Piney Ridge II), and Ashlawn View, Inc. as component units. The assets, liabilities, net assets, revenues, and expenses for these four entities are blended with those of the Agency and reported as if it were a single entity. In FY 2017 Joplin Street Properties, LLC was formed as a disregarded entity under the control of the Agency. All of its activities are reported as part of the Agency and during the current fiscal year the fund balance was combined with the Agency.

Component units

Bellevue, Inc. is a non-stock, non-profit corporation that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Board of Directors of Bellevue, Inc. is self-perpetuating and is independent from the Agency’s Board of Directors. The Agency’s administrative office complex plus three facilities for residential and day services for intellectually disabled individuals receiving services are owned by Bellevue, Inc. The Agency is the exclusive tenant of Bellevue, Inc.’s property (see Note 16 - Commitments), and the Agency’s management handles all administrative responsibilities for Bellevue, Inc.

Piney Ridge is a non-stock, non-profit organization, incorporated February 24, 1999 for the purpose of acquiring real estate to establish and operate a five-unit apartment complex for adults with serious behavioral health disabilities. The corporation is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Operations as an apartment complex began during the year ended June 30, 2007.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Component units (Continued)

On November 17, 2006, Piney Ridge II was incorporated as a non-stock, non-profit corporation, organized to establish and operate phase II of the Piney Ridge apartment complex. As with the first phase, phase II, a nine-unit apartment complex, was constructed with funds from a U. S. Department of Housing and Urban Development Section 811 grant. The apartments are for adults with serious behavioral health disabilities and began operations in July 2010. The corporation is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

Ashlawn View, Inc. is a non-stock, non-profit organization, incorporated August 30, 2010 for the purpose of acquiring and providing housing facilities and services to promote the health and security of elderly and/or handicapped individuals, specifically a waiver group home for individuals with intellectual disabilities. The corporation is also tax exempt under Section 501(c)(3) of the Internal Revenue Code. The facility was opened for occupancy in April 2014.

The separate financial statements of Bellevue, Inc., Piney Ridge II, and Ashlawn View, Inc. may be obtained by writing to the Director of Finance, Danville-Pittsylvania Community Services, 245 Hairston Street, Danville, VA 24540.

Basis of presentation

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with statements of the GASB and the Virginia Department of Behavioral Health and Developmental Services. The principles prescribed by the GASB are recognized to represent accounting principles generally accepted in the United States of America for governmental health care reporting entities. As such, the Agency recognizes revenues in the period when earned rather than when received in cash. Expenses are recognized when the underlying obligation is incurred rather than when paid.

The Agency applies all pronouncements of the GASB as well as those of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989 and do not contradict or conflict with the GASB pronouncements.

All significant intercompany transactions and accounts have been eliminated.

Budgets and budgetary accounting

The Agency is divided into three program services areas: Behavioral Health Services, Developmental Services, and Prevention Services. Administrative functions are divided among three divisions: Compliance and Information Systems Division, Human Resources Division, and the Finance Division. Funds to support these programs as well as the related administrative costs are provided from the Commonwealth of Virginia, Federal and local agency grants, local governments, (City of Danville and Pittsylvania County), and fees for services.

The organization operates from a budget for each disability area. Formulation of the budget begins in May of each year upon receipt of a letter of notification of the expected level of funding from the Virginia Department of Behavioral Health and Developmental Services.

The annual budget is approved by the Board of Directors prior to the beginning of the fiscal year. Budgets are adjusted as dictated by funding changes.

Cash and cash equivalents

For purposes of the cash flows statement, cash and cash equivalents are considered to include certificates of deposit and highly liquid depository accounts.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Investments

Investments are stated at cost, which approximates market. Certificates of deposit and short-term repurchase agreements are reported as cash and cash equivalents.

Operating revenues and expenses

Operating revenues are those revenues that are generated from the primary operations of the Agency. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Agency. All other expenses are reported as non-operating expenses.

Net services revenue

Net consumer revenue is reported at the net realizable amounts from third party payers, clients, and others for services rendered. Medicaid and other third party payers account for the majority of these revenues with direct client payments representing a small portion of net services revenue.

Consumer deposits

Some residents of the Agency's residential facilities are entitled to receive federal benefits such as social security. In many cases, the Agency has been named the designated payee for these benefits and separate bank accounts are maintained for the benefit of these individuals. The receipts and disbursements of these funds are not reported in these financial statements as they do not represent revenues or expenditures of the Agency.

Capital assets

Capital assets are stated at cost and depreciated over their estimated useful lives using straight-line depreciation. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Furniture and equipment	5 - 15
Vehicles	5
Leasehold improvements	12
Buildings & Improvements	35 - 40

Client loan funds

The Behavioral Health Division of the Agency maintains revolving loan funds, which are available to meet specific emergency or other needs of qualifying clients.

Pensions

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

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Group life insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Income tax

The Agency is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is registered with the Commonwealth of Virginia as a non-profit organization. There is no unrelated business income which would be subject to taxation, and therefore there is no provision for income taxes.

Vacation and sick leave

The Agency has an established policy regarding compensated absences (leave) for all regular employees. Compensated absences are recorded as an operating expense in the period earned rather than when paid. The Agency uses a single "Paid Time Off" (PTO) leave plan which replaced the previous separate vacation and sick leave plans. At January 1, 2014, the accumulated annual leave balances were transferred to the PTO plan as the starting balances in the new leave system. Sick leave balances at January 1, 2014 remain on the books and employees can use leave from this bank; however, no more hours accrue to sick leave. PTO is accrued based on years of service using January 1 as a cutoff date each year; PTO balances are not allowed to exceed certain maximum amounts based on years of service. Upon termination of employment, any unused PTO leave is paid and any unused sick leave for the employees with a minimum of five years of continuous employment is paid at 25% of the sick leave hours up to a maximum of \$6,000, both calculated as hours times the employee's normal pay rate at the time of termination.

Postemployment health insurance

To qualify for postemployment health insurance benefits, Agency employees must terminate with at least 20 years of continuous service. The remaining 75% of accumulated sick leave after converting 25% to a lump sum payout, as stated above, may be converted to health insurance credits which are available to pay the terminated employee's health insurance premiums.

The insurance credits allow the eligible former employee to continue participation in the Agency's health insurance plan after termination until the credits are exhausted. The credits are available to the former employee only and are forfeited upon the former employee's becoming ineligible to participate in the Agency's health insurance plan for any reason. The Agency has not funded the postemployment health insurance plan, and therefore benefits under this plan are paid

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Postemployment health insurance (Continued)

directly by the Agency. No separate plan financial statements are issued. The following schedule shows the changes in the accrued postemployment health insurance liability for the past three years:

Year Ended	Beginning Liability Balance	Benefits Vested	Benefits Paid	Ending Liability Balance	Due Within One Year
June 30, 2020	\$ 524,750	\$ 88,039	\$ 27,925	\$ 584,864	\$ 46,789
June 30, 2019	488,934	65,288	29,472	524,750	41,980
June 30, 2018	486,571	34,048	31,685	488,934	39,115

The plan remains 100% unfunded, but management has designated a portion of the Agency's unrestricted fund balance (see Note 10). Each year the plan has been in effect, 100% of the obligation for benefits earned under the plan as of year-end has been accrued. The plan does not issue a stand-alone financial report. The most recent actuarial valuation was performed for the year ended June 30, 2012 which showed an unfunded actuarial accrued liability of \$298,900 on covered payroll of \$8,029,800. (The recorded plan liability exceeds the actuarial accrued liability.)

Group hospitalization and life insurance

All regular employees, including full-time and part-time regularly established positions are eligible to participate in the Agency's group hospitalization insurance program. The Agency contributes the cost of coverage for full-time employees in regular positions and a prorated contribution for eligible part-time employees. All full-time employees participate in the Virginia Retirement System Group Life Insurance Program with all premiums paid by the Agency.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 these estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred outflow/inflow of resources

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

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

Net position

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

Net position flow assumption

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

Accounts receivable

Accounts receivable are stated at net realizable value. Receivables related to the provision of services are reported net of contractual allowances and an allowance for doubtful accounts. The Agency evaluates its accounts receivables using historical data and, in certain cases, specific account analysis.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Investments

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or 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 holding public deposits in excess of the amounts insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending up that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 4. Condensed Financial Statements

The following condensed financial statements present the Agency and all its component units along with eliminations necessary to present them as a single reporting entity.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES & COMPONENT UNITS

STATEMENT OF NET POSITION

June 30, 2020

	Agency	Piney Ridge Apartments	Piney Ridge Apartments II	Ashlawn View	Bellevue	Eliminations	Blended
ASSETS							
Current assets:							
Unrestricted cash & cash equivalents	\$ 11,555,560	\$ 2,997	\$ 4,437	\$ 627	\$ 127,756	\$ -	\$ 11,691,377
Fees receivable (less allowance for doubtful accounts)	1,345,180	99	27	-	-	-	1,345,306
Due from other govts. & agencies	154,941	-	-	-	-	(9,207)	145,734
Other current assets	4,005,059	-	-	-	-	(3,434,587)	570,472
Restricted current assets	89,527	35,157	48,349	18,198	-	-	191,231
Total current assets	17,150,267	38,253	52,813	18,825	127,756	(3,443,794)	13,944,120
Capital assets:							
Equipment, buildings, land & improvements	6,938,159	450,820	931,557	598,645	13,274,186	-	22,193,367
Less accumulated depreciation	(3,511,472)	(162,232)	(231,577)	(102,941)	(3,219,667)	-	(7,227,889)
Total capital assets	3,426,687	288,588	699,980	495,704	10,054,519	-	14,965,478
Net Pension Asset - VRS	2,326,797	-	-	-	-	-	2,326,797
Deferred Outflows of Resources-VRS	1,132,298	-	-	-	-	-	1,132,298
Total assets	\$ 24,036,049	\$ 326,841	\$ 752,793	\$ 514,529	\$ 10,182,275	\$ (3,443,794)	\$ 32,368,693
LIABILITIES AND NET POSITION							
Current liabilities:							
Accounts payable	\$ 623,711	\$ 1,057	\$ 3,695	\$ 6,710	\$ 75,694	\$ (5,975)	\$ 704,892
Accrued payroll and other liabilities	927,722	-	-	-	-	-	927,722
Current portion of long-term debt	-	-	-	-	212,575	-	212,575
Deferred revenue	3,280,165	-	-	-	368,070	(368,070)	3,280,165
Restricted assets - consumer deposits	89,527	857	1,474	4,193	-	(3,232)	92,819
Total current liabilities	4,921,125	1,914	5,169	10,903	656,339	(377,277)	5,218,173
Long-term liabilities:							
Long-term debt non-current portion	-	-	-	-	3,440,163	-	3,440,163
Deferred revenue	-	-	-	-	3,066,517	(3,066,517)	-
Net group life insurance liability - VRS	850,220	-	-	-	-	-	850,220
Accrued postemployment health ins.	584,864	-	-	-	-	-	584,864
Accrued leave	1,264,231	-	-	-	-	-	1,264,231
Total long-term liabilities	2,699,315	-	-	-	6,506,680	(3,066,517)	6,139,478
Total liabilities	7,620,440	1,914	5,169	10,903	7,163,019	(3,443,794)	11,357,651
Deferred Inflows of Resources - VRS	840,487	-	-	-	-	-	840,487
Net position:							
Investment in capital assets	3,426,687	288,588	699,980	495,704	6,401,781	-	11,312,740
Restricted for cash held in escrow	-	34,300	46,875	14,005	-	-	95,180
VRS net position	1,768,388	-	-	-	-	-	1,768,388
Unrestricted	10,380,047	2,039	769	(6,083)	(3,382,525)	-	6,994,247
Total net position	15,575,122	324,927	747,624	503,626	3,019,256	-	20,170,555
Total liabilities and net position	\$ 24,036,049	\$ 326,841	\$ 752,793	\$ 514,529	\$ 10,182,275	\$ (3,443,794)	\$ 32,368,693

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 4. Condensed Financial Statements (Continued)

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES & COMPONENT UNITS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended June 30, 2020

	Agency	Piney Ridge Apartments	Piney Ridge Apartments II	Ashlawn View	Bellevue	Eliminations	Blended
Operating revenues:							
Net services revenue	\$ 11,544,923	\$ 21,464	36,256	18,562	\$ 472,120	\$ (472,120)	\$ 11,621,205
Other revenues	292,923	-	-	-	-	(6,552)	286,371
Total operating revenues	<u>11,837,846</u>	<u>21,464</u>	<u>36,256</u>	<u>18,562</u>	<u>472,120</u>	<u>(478,672)</u>	<u>11,907,576</u>
Operating expenses:							
Personnel	15,335,030	-	-	-	-	-	15,335,030
Staff development	190,782	-	-	-	-	-	190,782
Facilities	1,678,348	14,416	20,567	14,986	-	(472,120)	1,256,197
Supplies and equip. maintenance	1,092,104	177	-	-	-	-	1,092,281
Travel	137,897	-	-	-	-	-	137,897
Consultant/contract	2,399,869	3,903	8,613	4,027	164,744	(164,212)	2,416,944
Depreciation	368,981	11,142	23,783	15,637	341,305	-	760,848
Amortization	-	-	-	-	-	-	-
Bad debt expense	207,567	-	-	-	-	-	207,567
Miscellaneous	25	-	-	-	273	-	298
Total operating expenses	<u>21,410,603</u>	<u>29,638</u>	<u>52,963</u>	<u>34,650</u>	<u>506,322</u>	<u>(636,332)</u>	<u>21,397,844</u>
Operating income (loss)	<u>(9,572,757)</u>	<u>(8,174)</u>	<u>(16,707)</u>	<u>(16,088)</u>	<u>(34,202)</u>	<u>157,660</u>	<u>(9,490,268)</u>
Nonoperating income (loss):							
Appropriations from government:							
State	7,527,147	-	-	-	-	-	7,527,147
Federal	1,618,896	-	-	-	-	-	1,618,896
Local	1,107,933	-	-	-	-	(157,660)	950,273
Interest income	105,930	13	12	4	-	-	105,959
Interest expense	-	-	-	-	(133,408)	-	(133,408)
Total non-operating income	<u>10,359,906</u>	<u>13</u>	<u>12</u>	<u>4</u>	<u>(133,408)</u>	<u>(157,660)</u>	<u>10,068,867</u>
Total changes in net position	787,149	(8,161)	(16,695)	(16,084)	(167,610)	-	578,599
Change in beginning net position	-	-	-	13,075	-	-	13,075
Net position, beginning of year	<u>14,787,973</u>	<u>333,088</u>	<u>764,319</u>	<u>506,635</u>	<u>3,186,866</u>	<u>-</u>	<u>19,578,881</u>
Net position, end of year	<u>\$ 15,575,122</u>	<u>\$ 324,927</u>	<u>\$ 747,624</u>	<u>\$ 503,626</u>	<u>\$ 3,019,256</u>	<u>\$ -</u>	<u>\$ 20,170,555</u>

Note 5. Net Services Revenue

Net services revenue for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
Medicaid	\$ 10,625,887	\$ 10,350,174
Direct client fees	679,843	669,015
Third parties	315,475	332,949
	<u>\$ 11,621,205</u>	<u>\$ 11,352,138</u>

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 6. Allowance for Doubtful Accounts

For the year ended June 30, 2020, the allowance for doubtful accounts was increased by \$126,384 net of actual write-offs of \$78,012 for consumer accounts and \$3,171 for consumer notes. The net increase brought the June 30, 2020 allowance to a balance of \$420,153. For the year ended June 30, 2019, the allowance for doubtful accounts was increased by \$37,193 net of actual write-offs of \$167,947 for consumer accounts and \$3,301 for consumer notes, bringing the June 30, 2019 allowance to a balance to \$293,769.

Note 7. Due from Other Governments and Other Agencies

Amounts due from other governments and agencies consisted of the following at June 30:

	2020	2019
Federal	\$ 72,686	\$ 26,043
Commonwealth of Virginia	29,365	46,344
Other local agencies	43,683	26,382
	<u>\$ 145,734</u>	<u>\$ 98,769</u>

Note 8. Capital Assets

The current capitalization policy requires the inclusion of those assets with a cost of \$5,000 or more. Capital assets at June 30, 2020 and 2019 consisted of the following:

Agency	2019	Additions	Reductions	2020
Furniture and equipment	\$ 1,271,072	\$ 59,904	\$ -	\$ 1,330,976
Vehicles	1,778,514	83,330	-	1,861,844
Buildings and improvements	3,025,428	45,410	-	3,070,838
Leasehold improvements	610,036	64,465	-	674,501
	<u>6,685,050</u>	<u>253,109</u>	<u>-</u>	<u>6,938,159</u>
Piney Ridge Corporation				
Land and improvements	31,087	-	-	31,087
Buildings	410,097	-	-	410,097
Furniture and equipment	9,636	-	-	9,636
	<u>450,820</u>	<u>-</u>	<u>-</u>	<u>450,820</u>
Piney Ridge Corporation II				
Land and improvements	65,109	-	-	65,109
Buildings	862,245	-	-	862,245
Furniture and equipment	4,203	-	-	4,203
	<u>931,557</u>	<u>-</u>	<u>-</u>	<u>931,557</u>
Ashlawn View, Inc.				
Land (non-depreciable)	41,681	-	-	41,681
Buildings	556,964	-	-	556,964
	<u>598,645</u>	<u>-</u>	<u>-</u>	<u>598,645</u>
Bellevue, Inc.				
Land and improvements	1,342,609	-	11,636	1,330,973
Construction in progress	5,026,970	-	5,026,970	-
Buildings	6,271,519	5,258,993	-	11,530,512
Furniture and equipment	45,937	366,764	-	412,701
	<u>12,687,035</u>	<u>5,625,757</u>	<u>5,038,606</u>	<u>13,274,186</u>
Blended total assets	21,353,107	5,878,866	5,038,606	22,193,367
Less accumulated depreciation	(6,467,042)	(760,848)	-	(7,227,890)
	<u>\$ 14,886,065</u>	<u>\$ 5,118,018</u>	<u>\$ 5,038,606</u>	<u>\$ 14,965,477</u>

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 9. Claims, Judgments, and Compensated Absences

Salaried employees' attendance and leave terms make provisions for the granting of a specified number of days leave with pay each year (see Note 2). At June 30, 2020 and 2019, the amounts of earned but unpaid employees' leave were \$1,264,231 and \$1,266,954, respectively.

Note 10. Net Position

At June 30, 2020 and 2019, net position of the Agency consisted of the following:

	2020	2019
Invested in capital assets, net of related debt:		
Net land, buildings, and equipment	\$ 11,312,740	\$ 11,402,091
Organizational costs, net	-	-
Total invested in capital assets	11,312,740	11,402,091
Unrestricted net position:		
Designated for postemployment health insurance	32,289	59,915
Designated for cash in escrow	95,180	86,518
VRS net pension position	1,768,388	1,706,549
Unrestricted and undesignated	6,961,958	6,323,808
Total net position	<u>\$ 20,170,555</u>	<u>\$ 19,578,881</u>
 Total net position	 \$ 20,170,555	 \$ 19,578,881
Total invested in capital assets	(11,312,740)	(11,402,091)
Designated for postemployment health insurance	(32,289)	(59,915)
Designated for cash in escrow	(95,180)	(86,518)
VRS net pension position	<u>(1,768,388)</u>	<u>(1,706,549)</u>
	<u>\$ 6,961,958</u>	<u>\$ 6,323,808</u>

Unrestricted net assets were available for current use with the limitation that the Board of Directors has designated \$32,289 and \$59,915 of unrestricted net assets as of June 30, 2020 and 2019, respectively, for funding post employment health care benefits. See Postemployment Health Insurance - Note 2.

Note 11. Retirement Plan

The Agency contributes to a mandatory agent and cost-sharing multiple-employer public defined benefit pension plan administered by the Virginia Retirement System ("VRS") Board of Trustees. All full-time, salaried, permanent employees of the Agency are automatically covered by VRS upon employment.

Plan Description: The System administers three different benefit structures for covered employees in the VRS – Plan 1, Plan 2, and a Hybrid Retirement Plan. Each of these benefit structures has a different eligibility criteria. Participants hired before July 1, 2010 and were vested as of January 1, 2013 participate in Plan 1; those hired on or after July 1, 2010 and before January 1, 2014 or were not vested as of January 1, 2013 participate in Plan 2; and most new employees hired on or after January 1, 2014 participate in a new hybrid retirement plan.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 11. Retirement Plan (Continued)

Plans 1 & 2 benefits vest after five years of credited service. Members are eligible for an unreduced retirement benefit at age sixty-five with five years of service for Plan 1 (at Social Security normal retirement age for Plan 2). Benefits are payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. AFC for Plan 1 is defined as the highest consecutive thirty-six months of reported compensation and for Plan 2 it is the highest sixty months of reported compensation. Plan 1 members are eligible for early retirement at age fifty or fifty-five with creditable service of ten or five years respectively. Plan 2 members may retire early at age sixty with five years of service or when the sum of their age and years of service totals ninety.

Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in July of their second year of retirement. The maximum COLA in any one year is different for Plan 1 and 2. For Plan 1, an automatic cost-of-living increase is based on the first 3% of the Consumer Price Index (2% for Plan 2) plus half of each percentage increase from 3% to 7% (2% to 4% for Plan 2). The VRS also provides death and disability benefits.

The Hybrid plan includes part defined benefit and part defined contribution. The defined contribution component has two accounts - the Hybrid 401(a) Cash Match and the Hybrid 457 Deferred Compensation Plan. Both the defined benefit and defined contribution components must follow the Defined Benefit Plan business rules established by VRS. Mandatory employees contribute 4% of creditable compensation which goes to the defined benefit component and 1% to the defined contribution component. Also, employees are allowed to make voluntary contributions up to 4% of the defined contribution component. Mandatory employer contributions are 1% of the defined contribution component and a match of the employee voluntary contribution up to 2.5%. The defined benefit contribution varies based on the employer match of the employee voluntary contributions. Plan 1 members were allowed to make an irrevocable decision to opt into the hybrid plan during a special election window which expired April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms: Employee membership data related to the plan, as of June 30, 2018, the most recent year for which actuarial information is available, were as follows:

	June 30, 2018
Participants	
Inactive Members or Their Beneficiaries	
Currently Receiving Benefits	93
Inactive Members	
Vested	55
Non-Vested	56
Active Elsewhere in VRS	52
Total Inactive Members	163
Active Members	234
Total	490

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 11. Retirement Plan (Continued)

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

The Agency's contractually required contribution rate for the year ended June 30, 2020 was 2.75% of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the state agency to the VRS State Employee Retirement Plan were \$278,519 and \$282,122 for the years ended June 30, 2020 and 2019, respectively.

Net Pension Liability The net pension liability (NPL) 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 the Agency, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions: The total pension liability for employees in the Agency's retirement plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Significant assumptions and other inputs used to measure the total pension liability include an inflation rate of 2.5%, a rate of future salary increases including inflation of 3.5% - 5.35% and an investment rate of return of 6.75% net of pension plan investment expenses including inflation. Mortality rates: 15% of deaths are assumed to be service related. Rates are determined in accordance with the following tables:

Mortality Table	
For the period before retirement	RP-2014 Employee Mortality Table Projected with Scale BB to 2020 with males set forward 4 years and females set back 2 years
For the period after service retirement	RP-2014 Combined Employee Mortality Table Projected with Scale AA to 2020 with males set forward 1 year
For the period after disability retirement	RP-2014 Disabled Life Mortality Table with males set back 3 years and no provision for future mortality improvements.

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

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 11. Retirement Plan (Continued)

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

Assumed asset allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 11. Retirement Plan (Continued)

Periods of projected benefit payments: Projected future benefit payments for all current System members were projected through 2021.

	Increase (Decrease)			6/30/2019
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Pension Expense
	(a)	(b)	(a) - (b)	
Balance at June 30, 2018	\$ 27,514,569	\$30,419,636	\$ (2,905,067)	\$ -
Changes for the year:				
Service costs	850,513	-	850,513	850,513
Interest on total pension liability	1,886,365	-	1,886,365	1,886,365
Change in assumptions	982,789	-	982,789	
Difference between expected and actual experience	(414,116)	-	(414,116)	-
Contributions - Employer	-	239,214	(239,214)	-
Contributions - Employee	-	478,470	(478,470)	(478,470)
Net investment income	-	2,030,906	(2,030,906)	-
Projected earnings on plan investments	-	-	-	(2,114,094)
Expensed portion of current-period difference between actual and projected earnings on plan investments		-	-	16,638
Expensed portion of current period difference between expected and actual experience in total pension liability		-	-	(110,726)
Expensed portion of current-period changes in assumptions				262,778
Benefit payments, including refunds of employee contributions	(1,132,988)	(1,132,988)	-	-
Recognition of beginning deferred outflows of resources	-	-	-	377,418
Recognition of beginning deferred inflows of resources	-	-	-	(524,937)
Administrative expense	-	(20,031)	20,031	20,031
Other changes	-	(1,278)	1,278	1,278
Net changes	2,172,563	1,594,293	578,270	\$ 186,794
Balance at June 30, 2019	\$ 29,687,132	\$32,013,929	\$ (2,326,797)	

Changes in Net Pension Liability

Sensitivity analysis: The following presents the net pension asset of the System, calculated using the discount rate of 6.75%, as well as one that is 1% higher and lower than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension (Asset) Liability	\$ 2,085,674	\$ (2,326,797)	\$ (5,797,162)

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 11. Retirement Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2020 and 2019, the Agency recognized pension expense/(income) of \$186,794 and \$(367,233) respectively. At June 30, 2020, the Agency 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
Difference between expected and actual experience	\$ 4,652	\$ 426,451
Changes in assumptions	720,011	81,076
Net difference between projected and actual earnings on plan investments.	-	278,960
Employer contributions subsequent to the Measurement Date	222,322	-
	<u>\$ 946,985</u>	<u>\$ 786,487</u>

The \$222,322 reported as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date which will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (17,201)
2022	(166,452)
2023	105,193
2024	16,636
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Report (CAFR). A copy of that report may be obtained by writing to the System at P. O. Box 2500, Richmond, VA 23218-2500 or downloaded at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits-Group Life Insurance

General information about the group life insurance program

Plan description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

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 Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Benefit amounts

The benefits payable under the Group Life Insurance Program have several components.

- Natural death benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental death benefit – The accidental death benefit is double the natural death benefit.
- Other benefit provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in benefits amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum benefit amount and cost-of-living adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,463 effective June 30, 2020.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$131,806 and \$133,689 for the years ended June 30, 2020 and 2019, respectively.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2020, the entities reported a liability of \$ 850,220 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .05217% as compared to .05219% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$26,153. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,000	\$ 11,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	17,000
Change in assumptions	54,000	26,000
Changes in proportion	23,000	-
Employer contributions subsequent to the measurement date	52,313	-
Total	\$ 185,313	\$ 54,000

\$52,313 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30,

2021	\$ 9,538
2022	9,539
2023	16,925
2024	20,575
2025	17,773
Thereafter	4,650

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Actuarial assumptions:

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation 2.5 percent

Salary increases, including inflation –

General state employees	3.50 percent – 5.35 percent
Teachers	3.50 percent – 5.95 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
JRS employees	4.50 percent
Locality – General employees	3.50 percent – 5.35 percent
Locality – Hazardous Duty employees	3.50 percent – 4.75 percent

Investment rate of return 6.75 percent, net of investment expenses,
including inflation*

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

Mortality rates – largest ten locality employers – general employees

Pre-retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-retirement:

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

Post-disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Lowered disability rates
Salary scale	No change
Line of duty disability	Increased rate from 14% to 20%
Discount rate	Decrease rate from 7.00% to 6.75%

Mortality rates – non-largest ten locality employers – general employees

Pre-retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward for 3 years.

Post-disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% of male.

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Lowered disability rates
Salary scale	No change
Line of duty disability	Decreased rate from 60% to 45%
Discount rate	Decrease rate from 7.00% to 6.75%

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Mortality rates – largest ten locality employers – hazardous duty employees

Pre-retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1% increase compounded from ages 70 to 90; females set forward 3 years.

Post-disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered retirement rates at older ages
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Increased disability rates
Salary scale	No change
Line of duty disability	Increased rate from 60% to 70%

Mortality rates – non-largest ten locality employers – hazardous duty employees

Pre-retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1% increase compounded from ages 70 to 90; females set forward 3 years.

Post-disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Decreased rate from 60% to 45%

Net GLI OPEB liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,390,238
Plan fiduciary net position	1,762,972
Employers' net GLI OPEB liability (asset)	<u>\$ 1,627,266</u>

Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.00%
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The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Long-term expected rate of return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	34.00%	5.61%	1.91%
Fixed income	15.00%	0.88%	0.13%
Credit strategies	14.00%	5.13%	0.72%
Real assets	14.00%	5.27%	0.74%
Private equity	14.00%	8.77%	1.23%
MAPS - Multi-asset public st	6.00%	3.52%	0.21%
PIP - Private investment partr	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.63%

Discount rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Sensitivity of the employer's proportionate share of the net GLI OPEB liability to changes in the discount rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 1,115,278	\$ 850,220	\$ 632,955

Group life insurance program fiduciary net position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13. Local Support

Local support for the Agency for the fiscal years ended June 30, 2020 and 2019 was as follows:

	2020	2019
Pittsylvania County	\$ 386,221	\$ 357,612
City of Danville	428,925	397,153
Other local-in-kind support	135,127	143,372
	<u>\$ 950,273</u>	<u>\$ 898,137</u>

Note 14. Deferred Revenue

Federal and State grant funds received but not expended at fiscal year-end are carried as deferred revenue until such time as they are expended or returned to the grantor agency. Federal funds unexpended at the end of the grant term, generally September 30, would be refunded to the grantor unless an approved reallocation is granted.

At June 30, 2020 and 2019, deferred revenue consists of the following:

	2020	2019
State	\$ 3,074,903	\$ 1,480,840
Federal	171,870	121,328
Other	33,392	41,168
	<u>\$ 3,280,165</u>	<u>\$ 1,643,336</u>

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 15. Long Term Debt

Bellevue, Inc. has financed additions and improvements to its rental property through mortgage note obligations. The notes are secured by the property and an assignment of rents.

Hairston Street complex

Bellevue, Inc. secured a commitment for a construction loan in the amount of \$3,300,000 for a major addition to the Hairston Street campus which also includes renovation of existing facilities on the property. During the construction phase, monthly interest only payments will be required at 3.49% of the outstanding balance. At December 31, 2018, the entire balance of \$3,300,000 had been drawn down on this loan. The loan was converted to a permanent loan on May 17, 2019 payable at \$23,660 per month over ten years, with the unpaid balance at that time subject to balloon payment or refinancing at rates applicable at that time.

Bellevue, Inc. secured an additional construction loan in the amount of \$500,000 for upfitting the Hairston Street campus. During the construction phase, monthly interest only payments will be required at 4.15% of the outstanding balance. At December 31, 2018, \$183,974 had been drawn down on this loan. Subsequent to year end, an additional \$316,026 was drawn down on the loan. The loan was converted to a permanent loan on April 4, 2019 payable at \$5,115 per month over ten years.

Bellevue and its tenant, the Agency, must maintain their primary business checking accounts with the lending institution. Failure to do so will result in an increase in the interest rate of 3% on the unpaid balance. In addition to the above, Bellevue has covenanted to maintain debt service coverage ratio of not less than 1.15 to 1.00.

Bellevue, Inc. was not in compliance with the debt covenants as of December 31, 2019. Bellevue obtained a letter from the lending institution which waived the compliance requirement for the year ended December 31, 2019.

The loan is secured by a first lien on all property located at 245 Hairston Street and assignment of rents on that property.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 15. Long Term Debt (Continued)

Notes payable at December 31, 2019 and 2018 were as follows:

	December 31,	
	2019	2018
Financing for Campus Expansion:		
Construction note payable, due in monthly installments of \$23,660, including principal and interest at 3.49% and with a balloon payment of \$1,322,680 due at April 17, 2029.	\$3,187,594	\$ 3,300,000
Financing for Campus Expansion Upfit:		
Note payable, due in monthly installments of \$5,115, including principal and interest at 4.15% through March 4, 2029.	465,144	183,974
Total notes payable	<u>3,652,738</u>	<u>3,483,974</u>
Less current portion	<u>(212,575)</u>	<u>(142,992)</u>
Total long-term notes payable	<u><u>\$3,440,163</u></u>	<u><u>\$ 3,340,982</u></u>
Future maturities of long-term debt are as follows:		
	2020	\$ 212,575
	2021	224,444
	2022	232,813
	2023	241,537
	2024	250,262
	Thereafter	<u>2,491,107</u>
		<u><u>\$ 3,652,738</u></u>

Note 16. Commitments

Lease commitments

The Agency has three operating leases with multiple year terms with its component unit Bellevue, Inc. These leases are disregarded for purposes of this blended report since the underlying assets and liabilities are included as part of the entity. These facilities include the main office complex on Hairston Street and residential facilities at Keen & Middle Streets, the Dewey Place Complex, and the Rison Street Complex. The leases are triple net lease, and the Agency has always been responsible for taxes, maintenance and upkeep, as well as the necessary insurance.

Facilities with one year or less remaining on the lease for office space and other facilities needed to carry out its various programs including the property located at 159 Deer Run Road (\$2,825 per month), and the Agency's Gretna office (\$1,700 per month).

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 17. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the organization expects such amounts, if any, to be immaterial.

At June 30, 2020 and 2019, there were no matters of litigation involving Danville-Pittsylvania Community Services which would materially affect the organization's financial position should any court decision or pending matter be determined unfavorable to the organization.

Note 18. Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency participates in Virginia Association of Counties Group Self Insurance Risk Pool, a public entity risk pool, for public official's errors and omissions, professional liability, medical malpractice, and automobile coverage. The insured limit on this coverage is \$1,000,000 per occurrence with no aggregate limitation.

Virginia Association of Counties Group Self Insurance Risk Pool is self-insured for this coverage and the Agency could be assessed for additional premiums in the event the pool incurs losses greater than the Pool's assets. Commercial insurance is carried for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and claims have not exceeded coverage in any of the past three fiscal years. The Agency carries \$325,000 in blanket employee dishonesty coverage through the Virginia Commonwealth Corporation.

Note 19. Related Party Transactions

As previously stated, Bellevue, Inc. owns and operates real estate leased by the Agency. The Agency is the sole tenant of the properties owned by Bellevue, Inc. (see Note 15 – Long Term Debt and 16 - Commitments) and handles all of Bellevue, Inc.'s administrative responsibilities. As a blended component unit, the intercompany rent is not reported, but Agency payments to Bellevue, Inc. for leases for the years ended June 30, 2020 and 2019 totaled \$314,460 for each year.

Note 20. Subsequent Events

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through November 5, 2020, which is the date the financial statements were available to be issued.

Note 21. Prepaid Expenses

The Agency paid cash of \$742,760 in December, 2017 to Bellevue, Inc. In January 2018 the Agency paid cash of \$1,672,299 and transferred land having a value of \$993,323 to Bellevue, Inc. The purpose of these transactions is for Bellevue, Inc. to expand the Hairston Street campus. The total of \$3,408,382 is recognized by the Agency as prepaid rent and is eliminated when consolidated.

REQUIRED SUPPLEMENTAL INFORMATION

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For the Year Ended June 30,

SCHEDULE OF CHANGES IN NET PENSION LIABILITY		
	2019	2018
Total Pension Liability		
Service costs	\$ 850,513	\$ 834,792
Interest	1,886,365	1,784,548
Change of assumptions	982,789	-
Difference between expected and actual experience	(414,116)	(193,107)
Benefit payments, including refunds of employee contributions	(1,132,988)	(810,417)
Net change in total pension liability	2,172,563	1,615,816
Total pension liability - beginning	27,514,569	25,898,753
Total pension liability - ending	<u>\$ 29,687,132</u>	<u>\$ 27,514,569</u>
Plan fiduciary net position		
Contributions - employer	\$ 239,214	\$ 320,052
Contributions - employee	478,470	469,452
Net investment income	2,030,906	2,103,370
Benefit payments, including refunds of employee contributions	(1,132,988)	(810,417)
Administrative expenses	(20,031)	(17,800)
Other expenses	(1,278)	(1,888)
Net change in plan fiduciary net position	1,594,293	2,062,769
Plan fiduciary net position - beginning	30,419,636	28,356,867
Plan fiduciary net position - ending	<u>\$ 32,013,929</u>	<u>\$ 30,419,636</u>
Plan fiduciary net position as a percentage of total pension liability	<u>116.35%</u>	<u>117.46%</u>
Covered-employee payroll	<u>\$ 10,206,899</u>	<u>\$ 9,909,184</u>
Net pension liability as a percentage of covered-employee payroll	<u>37.10%</u>	<u>38.26%</u>

See notes to schedule of change in net pension liability and related ratios.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS For the Year Ended June 30, 2020

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

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

Update mortality table

- Decrease in rates of service retirement at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Decrease in rates of disability retirement
- No change in salary scale
- Discount rate decreased from 7.00% to 6.75%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employees Payroll	Contribution as a % of Covered Employees Payroll
2020	\$ 275,930	\$ 275,930	\$ -	\$ 10,033,805	2.75%
2019	\$ 282,122	\$ 282,122	\$ -	\$ 10,206,899	2.76%
2018	\$ 320,052	\$ 320,052	\$ -	\$ 9,909,184	3.23%
2017	\$ 320,430	\$ 320,430	\$ -	\$ 9,560,018	3.35%
2016	\$ 469,186	\$ 469,186	\$ -	\$ 9,350,336	5.02%
2015	\$ 464,029	\$ 464,029	\$ -	\$ 8,720,572	5.32%
2014	\$ 470,596	\$ 470,596	\$ -	\$ 8,607,960	5.47%
2013	\$ 612,755	\$ 612,755	\$ -	\$ 8,428,997	7.27%
2012	\$ 593,469	\$ 593,469	\$ -	\$ 8,233,253	7.21%
2011	\$ 773,668	\$ 773,668	\$ -	\$ 7,725,811	10.01%

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY AND RELATED RATIOS
GROUP LIFE INSURANCE PROGRAM

For the Measurement Dates of June 30, 2019, 2018 and 2017*

	2019	2018	2017
Employer's proportion of the net GLI OPEB liability (asset)	0.05217%	0.05219%	0.05188%
Employer's proportionate share of the net GLI OPEB liability	\$ 850,220	\$ 793,000	\$ 781,000
Employer's covered payroll	\$10,226,177	\$ 9,922,972	\$9,569,703
Employer's proportionate share of the net GLI OPEB liability (asset) as a percentage of its covered payroll	8.31415%	7.99156%	8.16117%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	49.55%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only one year of data is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM

For the Years Ended June 30, 2011 through 2020

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered- Employee Payroll
Date	(1)	(2)	(3)	(4)	(5)
2020	\$ 52,313	\$ 52,313	\$ -	\$10,060,137	0.52%
2019	\$ 53,176	\$ 53,176	\$ -	\$10,226,177	0.52%
2018	\$ 51,599	\$ 51,599	\$ -	\$ 9,922,972	0.52%
2017	\$ 49,762	\$ 49,762	\$ -	\$ 9,569,703	0.52%
2016	\$ 42,908	\$ 42,908	\$ -	\$ 8,939,240	0.48%
2015	\$ 42,116	\$ 42,116	\$ -	\$ 8,774,167	0.48%
2014	\$ 41,399	\$ 41,399	\$ -	\$ 8,624,773	0.48%
2013	\$ 40,111	\$ 40,111	\$ -	\$ 8,356,380	0.48%
2012	\$ 22,493	\$ 22,493	\$ -	\$ 8,033,319	0.28%
2011	\$ 21,398	\$ 21,398	\$ -	\$ 7,642,106	0.28%

See notes to required supplementary information – group life insurance program.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
GROUP LIFE INSURANCE PROGRAM
For the Year Ended June 30, 2020

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest ten locality employers – general employees

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Lowered disability rates
Salary scale	No change
Line of duty disability	Increased rate from 14% to 25%
Discount rate	Decrease rate from 7.00% to 6.75%

Non-largest ten locality employers – general employees

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Lowered disability rates
Salary scale	No change
Line of duty disability	Increased rate from 14% to 15%

OTHER SUPPLEMENTARY INFORMATION

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES
SCHEDULE OF CURRENT PROPERTY AND CASUALTY INSURANCE
YEAR ENDED JUNE 30, 2020

Insurance Coverage	Insurance Company Agent Policy Number	Policy Period
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Danville Pittsylvania Community Services

Automobile Liability Physical Damage	Company - Va RISK 2 - VA Local Gov. Risk Mgmt Plan Agent - N/A Policy Number - # G99271	7/1/2019 to 6/30/2020
Public Officials / Directors & Officers Liability	Company - Va RISK 2 - VA Local Gov. Risk Mgmt Plan Agent - N/A Policy Number - # G99271	7/1/2019 to 6/30/2020
Medical Malpractice	Company - Va RISK 2 - VA Local Gov. Risk Mgmt Plan Agent - N/A Policy Number - # G99271	7/1/2019 to 6/30/2020
Crime	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - #PHPK2025883	9/1/2019 to 9/1/2020
Inland Marine	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - #PHPK2025883	9/1/2019 to 9/1/2020
Property (includes coverage for property of Bellevue, Inc.)	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - #PHPK2025883	9/1/2019 to 9/1/2020
Workers Compensation	Company - Vaco Risk Management Programs Agent - N/A Policy Number - # VA-DA-200C-20	7/1/2019 to 7/1/2020

Piney Ridge Apartments Corporation

Directors & Officers Liability	Company - Kinsale Insurance Company Agent - Virginia Commonwealth Corporation Policy Number - # 0100099152-0	10/17/2019 to 10/17/2020
Crime	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK2071836	11/7/2019 to 11/7/2020
Property	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK2071836	11/7/2019 to 11/7/2020
General Liability	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK2071836	11/7/2019 to 11/7/2020

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES
SCHEDULE OF CURRENT PROPERTY AND CASUALTY INSURANCE
YEAR ENDED JUNE 30, 2020

Limits of Liability		Deductible	Annual Premium
Bodily Injury / Property Damage	1,000,000	\$1,000	\$ 26,906
Uninsured Motorist	1,000,000	\$1,000	
Medical Payments	1,000,000	\$1,000	
ACV-Comprehensive and ACV-Collision	1,000,000	\$1,000	
Occurrence	1,000,000	\$1,000	3,131
Aggregate	Unlimited		
Occurrence	2,150,000	\$1,000	21,011
Aggregate	Unlimited		
Employee Dishonesty	325,000	\$1,000	3,268
Funds Transfer Fraud Converge	150,000	\$500	
Earthquake	10,000,000	\$25,000	730
Real Property (100% Coinsurance)	11,406,096	\$2,500	30,286
Personal Property (100% Coinsurance)	2,139,821	\$2,500	
Business Income & Extra Expense	Actual Loss	\$2,500	
Each Accident	1,000,000	-	155,431
Policy Limit - Disease	1,000,000		
Each Employee - Disease	1,000,000		
Total			<u>\$ 240,763</u>

Occurrence	1,000,000	\$15,000	\$ 2,033
Aggregate	1,000,000	\$15,000	
Employee Dishonesty	50,000	\$1,000	100
Building Property (80% Coinsurance)	300,000	\$500	1,083
General Aggregate Limit	2,000,000	-	165
Products/Completed Operations Aggregate Limit	2,000,000		
Personal and Advertising Injury Limit	1,000,000		
Each Occurrence Limit	1,000,000		
Damage to Premises Rented (Any One Premises)	100,000		
Medical Expense Limit (Any One Person)	5,000		
Total			<u>\$ 3,381</u>

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES
SCHEDULE OF CURRENT PROPERTY AND CASUALTY INSURANCE
YEAR ENDED JUNE 30, 2020

Insurance Coverage	Insurance Company Agent Policy Number	Policy Period
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Piney Ridge Apartments Corporation II

Directors & Officers Liability	Company - Kinsale Insurance Company Agent - Virginia Commonwealth Corporation Policy Number - # 0100099152-0	10/17/2019 to 10/17/2020
Crime	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK1981582	6/28/2019 to 6/28/2020
Property	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK1981582	6/28/2019 to 6/28/2020
General Liability	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK1981582	6/28/2019 to 6/28/2020

Ashlawn View, Inc.

Directors & Officers Liability	Company - Kinsale Insurance Company Agent - Virginia Commonwealth Corporation Policy Number - # 0100099152-0	10/17/2019 to 10/17/2020
General Liability	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK2044520	11/8/2019 to 11/8/2020

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES
SCHEDULE OF CURRENT PROPERTY AND CASUALTY INSURANCE
YEAR ENDED JUNE 30, 2020

Limits of Liability	Deductible	Annual Premium
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Occurrence	1,000,000	\$15,000	\$ 2,033
Aggregate	1,000,000	\$15,000	
Employee Dishonesty	50,000	\$500	277
Building Property (80% Coinsurance)	606,960	\$500	2,461
General Aggregate Limit	2,000,000	-	368
Products/Completed Operations Aggregate Limit	2,000,000		
Personal and Advertising Injury Limit	1,000,000		
Each Occurrence Limit	1,000,000		
Damage to Premises Rented (Any One Premises)	100,000		
Medical Expense Limit (Any One Person)	5,000		
Total			<u>\$ 5,139</u>

Occurrence	1,000,000	\$15,000	\$ 2,033
Aggregate	1,000,000	\$15,000	
Blanket Fidelity Bond	50,000	-	169
General Aggregate Limit	2,000,000	-	1,387
Products/Completed Operations Aggregate Limit	2,000,000		
Personal and Advertising Injury Limit	1,000,000		
Each Occurrence Limit	1,000,000		
Damage to Premises Rented (Any One Premises)	100,000		
Medical Expense Limit (Any One Person)	5,000		
Total			<u>\$ 3,589</u>

COMPLIANCE

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

To the Board of Directors
Danville-Pittsylvania Community Services
Danville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and aggregate discretely presented component units of the Danville-Pittsylvania Community Services, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which comprise Danville-Pittsylvania Community Services' basic financial statements, and have issued our report thereon dated November 5, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 5, 2020

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

To the Board of Directors
Danville-Pittsylvania Community Services
Danville, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 5, 2020

INDEPENDENT AUDITORS' COMMENTS ON RESOLUTION OF PRIOR YEAR AUDIT FINDINGS

To The Board of Directors
Danville-Pittsylvania Community Services

No corrective action was required of Danville-Pittsylvania Community Services regarding previously reported audit findings since there were no audit findings reported in the prior period.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 5, 2020

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

<u>Federal Grantor/Program Title</u>	<u>Federal Catalogue Number</u>	<u>Expenditures of Federal Awards</u>
<u>U.S. Department of Health and Human Services</u>		
<u>Direct Payments</u>		
Provider Relief Fund	93.498	\$ 46,577
<u>Passed through Virginia Department of Behavioral Health and Developmental Services</u>		
* Block Grants for Prevention and Treatment of Substance Abuse	93.959	678,563
Block Grant for Community Health Services	93.958	129,208
Substance Abuse and Mental Health Services Projects of Regional and National Significance	(1) 93.243	110,618
State Targeted Response to the Opioid Crisis Grant	93.788	349,472
<u>Passed through Virginia Department of Health</u>		
Maternal, Infant, and Early Childhood Home Visiting Project	93.505	110,536
Total U.S. Department of Health and Human Services		<u>1,424,974</u>
<u>U.S. Department of Education</u>		
<u>Passed through Virginia Department of Behavioral Health and Developmental Services</u>		
Part C Early Intervention for Infants & Toddlers With Disabilities & Their Families	84.181	68,774
<u>U.S. Department of Justice</u>		
<u>Passed through Virginia Department of Health Department of Criminal Justice Services -</u>		
Department of Juvenile Justice, Title II Community Partnership for Academic Success	16.540	18,253
Total U.S. Department of Justice		<u>18,253</u>
<u>U.S. Department of Agriculture</u>		
Child and Adult Care Food Program	10.558	15,232
<u>U.S. Department of Transportation</u>		
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	66,663
<u>U.S. Department of Treasury</u>		
Coronavirus Relief Fund	21.019	25,000
Total Expenditures		<u>\$ 1,618,896</u>

* Indicates Major Program

(1) The 10% de minimis indirect cost rate is used for this grant.

See Notes to the Schedule of Expenditures of Federal Awards.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rates

Danville Pittsylvania Community Services has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance on noted grants.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section 1 - Summary of Audit Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA#</u>	<u>Name of Federal Program of Cluster</u>
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93.959	Block Grants for Prevention and Treatment of Substance Abuse
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Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
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Auditee qualified as low-risk auditee?	Yes
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Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None