



A COMPONENT UNIT OF THE CITY OF RICHMOND, VIRGINIA

FINANCIAL STATEMENTS

June 30, 2020



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INTRODUCTORY SECTION

RICHMOND BEHAVIORAL HEALTH AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2020

BOARD OF DIRECTORS

Cheryl Ivey Green, Ph.D., Chair

Irvin Dallas, Vice Chair

Joy Bressler, Ph.D.

Denise Dickerson

Sabrina Gross

Karah Gunther

Malesia “Nikki” Taylor

Eduardo Vidal

Scott Cannady

Melodie Patterson

Chelsea Higgs Wise

Michelle Whitehurst-Cook, M.D.

Cynthia Newbille, Ph.D

Thomas Bannard

PRINCIPAL MANAGEMENT TEAM

John P. Lindstrom, Ph.D..... Chief Executive Officer

Shenee McCrayChief Operating Officer of Mental Health Services

Kelly Furgurson..... Director of Access and Emergency Services

James C. May, Ph.D. Chief Operating Officer of Grants, Research, Evaluation and
Planning, Substance Use and Prevention Services

Michael Tutt Director of Human Resources

Bill FellowsChief Financial Officer

Cristen Zedd, LCSW Chief Operating Officer of Developmental Services

Susan Hoover, LCSW Chief Administrative Officer

Steve Buffenstein..... Director of Information Technology

Amy Erb Director of Regional Programs

Sheraz Riaz, Ph. D..... Chief Medical Officer



FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Richmond Behavioral Health Authority
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Richmond Behavioral Health Authority (the "Authority"), a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Authority's 2019 financial statements, on which, in our report dated October 24, 2019, we expressed an unmodified opinion. The 2019 financial information is provided for comparative purposes only.

Other Matters

Required Supplementary Information

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

Other Information

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

The schedule of 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 of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

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

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 5, 2020

Management's Discussion and Analysis

Year Ended June 30, 2020

The following Management's Discussion and Analysis provides an overview of the Richmond Behavioral Health Authority's (RBHA) financial activities for the fiscal year ended June 30, 2020. This information should be read in conjunction with the RBHA's financial statements and footnote disclosures. All amounts are rounded to the nearest thousand in this discussion.

General Comments on Fiscal Year 2020

As with most organizations, the COVID-19 pandemic had an impact on RBHA. However, RBHA responded quickly, as the team shifted from face-to-face encounters to a tele-med and telework platform. RBHA was faced with suspension of services such as psychosocial and school based programs. Fifty-six positions were impacted by furlough, the eventual laying-off of some staff, and the discontinuation of certain positions. RBHA was able to rehire all but 11 of the employees. Portions of both the psychosocial and school based programs returned in early fiscal year 2021. Over all, revenue was down for fiscal year 2020 and RBHA's net position, though remaining positive at \$2,425,000, did decrease by \$5,439,000. RBHA invested toward a secure future, as capital assets increase by \$4,641,000 to \$19,521,000 with debt against those assets only growing to \$3,100,000. The full impact of the pandemic may not be realized for some time, but RBHA remains resolute to provide services, take care of its staff and plan for better times.

STEP-VA

In fiscal year 2019, RBHA began implementing the System Transformation Excellence and Performance (STEP-VA) program designed by the Virginia Governor, General Assembly, Department of Behavioral Health and Developmental Services (DBHDS) and stakeholders, to improve, streamline and modernize Virginia's behavioral health and community services system. RBHA advocated these changes with enhanced Same Day Access, Primary Care Screening, Outpatient and Mobile Crisis services. RBHA received \$1.6 million in STEP-VA funding for fiscal years 2020 and 2021.

Capital Assets

The start of fiscal year 2020 offered opportunities for RBHA to invest in the future with the renovation of facilities and the purchase of property. Favorable negotiations with a construction contractor allowed for the renovation of the Child Services Center on the North Campus. Once complete, the Center will provide much needed space to serve the children of mothers currently residing in our North Campus Women's Facility. Additionally, the second floor offices of the CSC will be the new home of our Early Intervention Team. Renovations were also needed at RBHA's psychosocial program, the Marshall Center, to reflect a more trauma-informed and person-centered environment. A rare opportunity presented itself in August 2019 when the American Red Cross listed their downtown office building for sale. The building located at 420 East Cary Street is directly across the street from RBHA's central office. The purchase of this property allows for numerous opportunities for growth, or contraction, and maintaining a downtown presence. These additions make up the majority of the \$4.6 million increase in capital assets.

Management's Discussion and Analysis Year Ended June 30, 2020

Regional Programs

Role as Fiscal Agent

During fiscal year 2020, RBHA continued to serve as the Fiscal Agent for Region IV community services boards of the Virginia Department Behavioral Health and Developmental Services (DBHDS). Region IV community services boards, in addition to RBHA, include Chesterfield, Goochland-Powhatan, Crossroads, Henrico, Hanover, and District 19 (catchment area includes the Central State Hospital). Broadly stated, these regional programs are intended to keep people out of an institutional setting and in a community-based setting. Region IV expended approximately \$12.1 million in fiscal year 2020 to support such programs. As of June 30, 2020, RBHA held approximately \$9.2 million of Regional funds.

In fiscal year 2018, the DBHDS requested RBHA to serve as the Fiscal Agent for certain programs administered by the DBHDS. These funds, listed as Non-Authority, Non-Region Funds Held (NANR), serve statewide programs including Jump Start, Child Respite, Guardianship and Statewide Early Intervention. These programs expended over \$231,000 in fiscal year 2020. As of June 30, 2020, RBHA held approximately \$6.0 million of NANR funds.

Total funds held for others was \$15.2 million and \$14.8 million for the years ending 2020 and 2019, respectively.

Regional Education Assessment Crisis Habilitation (REACH)

The Regional Education Assessment Crisis Habilitation (REACH) program is designed to serve adults with an intellectual disability and/or developmental disability, as well as a mental health condition or challenging behavior that is negatively affecting their quality of life. This program is a critical component of the state's plan for complying with the recently agreed upon settlement with the Department of Justice involving the closing of the state's training centers for people with intellectual disabilities. In March 2014, the Southside Virginia Training Center, located in Region IV, closed. During fiscal year 2015, RBHA purchased land in Chesterfield County for the sole purpose of constructing a house designed to meet the needs of the REACH program. Ground was broken on the house located in Chester, Virginia, and has been fully operational since October 2017. In May 2017, DBHDS requested, and the RBHA Board of Directors approved, the construction of two additional REACH Houses. In fiscal year 2018, RBHA management purchased two properties in Chesterfield County. One house will serve children with an intellectual disability and/or developmental disability, as well as a mental health condition or challenging behavior that is negatively affecting their quality of life. The second house will operate as a transitions facility for adults with intellectual disabilities and/or developmental disabilities. Both houses neared completion at the end of fiscal year 2019 with and were operational in 2020. As part of STEP-VA, RBHA's REACH staff expanded REACH services to include Adult Mental Health Mobile Crisis during fiscal year 2020. RBHA received \$6.9 million from DBHDS in fiscal year 2020 to operate the program.

Financial Statement Overview

RBHA's three basic financial statements are: (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Fund Net Position; and (3) Statement of Cash Flows.

(Continued)

Management's Discussion and Analysis
Year Ended June 30, 2020

Our financial position is measured in terms of resources (assets) we own and deferred outflows of resources and obligations (liabilities) we owe and deferred inflows of resources on a given date. This information is reported on the Statement of Net Position, which reflects RBHA's assets in relation to its debts to its suppliers, employees and other creditors. The excess of our assets and deferred outflows of resources over liabilities and deferred inflows of resources is our equity, or net position.

A summary of the Statement of Net Position for RBHA for 2020 and 2019 is presented below:

	<u>2020</u>	<u>2019</u>
Current Assets	\$ 27,668,000	\$ 32,255,000
Capital Assets	19,521,000	14,880,000
Total Assets	<u>47,189,000</u>	<u>47,135,000</u>
Deferred Outflows of Resources	<u>3,206,000</u>	<u>1,819,000</u>
Current Liabilities	33,165,000	30,870,000
Long-term Liabilities	<u>13,567,000</u>	<u>9,034,000</u>
Total Liabilities	<u>46,732,000</u>	<u>39,904,000</u>
Deferred Inflows of Resources	<u>1,238,000</u>	<u>1,186,000</u>
Net Position:		
Net Investment in Capital Assets	16,404,000	14,881,000
Unrestricted	<u>(13,979,000)</u>	<u>(7,017,000)</u>
Total Net Position	<u>\$ 2,425,000</u>	<u>\$ 7,864,000</u>

Assets:

Total assets increased 0.12% to \$47,189,000 in fiscal year 2020.

Current assets totaling \$27,668,000 consisting of cash, accounts receivable, and prepaid items represent resources RBHA can utilize to pay current obligations. Total cash on hand was \$22.6 million, an increase of \$1,239,000 from fiscal year 2019. RBHA's share of the cash balance was \$7.4 million, an increase of 12.5% from prior year. The accounts receivable net balance decreased 15.5% to \$2.9 million. The balance for prepaid items and other receivables was \$557,000, an increase of 4.2%.

The capital assets continued to expand during fiscal year 2020 with the completion of renovations of the Child Services Center and the purchase of the former American Red Cross Building at 420 E. Cary Street, Richmond, VA. RBHA's capital assets currently consist of land, buildings, leasehold improvements, computer equipment, furniture, and vehicles. Capital assets (net of depreciation) increased by 31.2% or 4,641,000. (Refer to Note 5 for additional information on capital assets.)

Management's Discussion and Analysis
Year Ended June 30, 2020

Liabilities:

Total liabilities increased by 17.1% to \$46,732,000. This is primarily due to an increase in deferred revenue and funds held for DBHDS programs for which RBHA is the fiscal agent offset by a decrease in Net Pension Liability.

Current liabilities are obligations of RBHA consisting of accounts payable, accrued payroll and related liabilities, and funds held for other community service boards in the region and DBHDS. Current liabilities increased 7.4% to \$33,165,000 due to an increase in deferred revenue. RBHA holds funds in trust for regional and DBHDS statewide programs. Total funds held for others as of June 30, 2020 and 2019 totaled was \$15.2 million and \$14.8 million, respectively. (Refer to Notes 6 for details.)

Long-term liabilities are obligations of RBHA consisting of net pension liability, post-retirement benefits, and notes payable. RBHA's long-term liabilities increased by 50.2% to \$13,567,000. (Refer to Notes 7, 11 and 12 for details.)

Information regarding the results of our operation during the year is reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement shows how much overall net position increased or decreased during the year as a result of operations. A summary of RBHA's Statement of Revenues, Expenses, and Changes in Fund Net Position for fiscal year 2020 and 2019 is presented below:

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 16,444,000	\$ 18,786,000
Operating expenses	<u>58,552,000</u>	<u>51,280,000</u>
Operating loss	(42,108,000)	(32,494,000)
Net non-operating revenue	<u>36,669,000</u>	<u>34,195,000</u>
Change in net position	<u><u>\$ (5,439,000)</u></u>	<u><u>1,701,000</u></u>

Operating Revenue:

Operating revenue is defined as the amount of revenue received from providing patient (consumer) services. The net Medicaid fees were \$2,059,000 or 12.5% of consumer service revenue, which is down 78.2% from fiscal year 2019. This decrease was offset by an increase in revenue from Third-party insurers of \$5.1 million or 60.5%. Operating revenue decreased by \$2.3 million or 12.5%. The fiscal year 2020 operating revenue decrease is attributed to the shift from Medicaid managed by the Department of Medical Assisted Services (DMAS) to Managed Care Organizations (MCOs) for the Commonwealth Coordinated Care Plus (CCC+) managed care program, Medicaid expansion and the effects of the COVID-19 pandemic.

Operating Expenses:

Operating expenses represent the direct expenses of operating RBHA. They consist of salaries and benefits, occupancy, payments to contracting agencies, depreciation, etc. Refer to the full Statement of Revenues, Expenses, and Changes in Net Position for a complete breakdown of these expenses. During fiscal year 2020, operating expenses increased \$7.2 million or 14.2% due primarily to increased salaries and benefits expense as a result of a full year of operations at the Women's Residential Facility on the North Campus and the two new REACH Homes.

(Continued)

Management's Discussion and Analysis
Year Ended June 30, 2020

Non-operating Income:

Non-operating income represents income received as appropriations or grants. In fiscal year 2020, appropriations from the Commonwealth of Virginia represented 61.2% of the non-operating income. Grants from the federal government constituted 24.1% and local government appropriations and program funding were 11.7% of the total non-operating income.

Cash flows:

Our Statement of Cash Flows discloses the flow of cash resources into and out of RBHA during the year (from operations, contributions and other sources) and how we applied those funds (for example, payment of expenses, repayment of debt, purchases of new property, etc.). Condensed Statements of Cash Flows for fiscal year 2020 and 2019 are presented below:

	<u>2020</u>	<u>2019</u>
Cash flows used in operating activities	\$ (39,061,000)	\$ (32,597,000)
Cash flows provided by non-capital financing activities	36,725,000	32,715,000
Cash flows used in capital activities	(2,413,000)	(947,000)
Cash flows provided by investing activities	<u>5,988,000</u>	<u>71,000</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 1,239,000</u>	<u>\$ (758,000)</u>

Cash flows from operating activities:

Cash flows from operating activities consist of receipts from customers, payments to suppliers and payments to and from employees. Overall, the net cash flows used in operating activities, increased by \$6,464,000.

Receipts from clients, insurers and Medicaid decreased by 8.3% to \$16,972,000. Payments to suppliers remained relatively flat at \$14,734,000. Payments to and for employees increased by 18.3% to \$41,716,000.

Cash flows from non-capital financing activities:

Cash flows provided by non-capital financing activities are primarily government appropriations and grants. In fiscal year 2020, this activity increased by 18% to \$35,850,000.

Cash flows from capital activities:

Cash used in capital assets acquisition and development activities increased by \$1.4 million to \$2,413,000 due to the completion of renovations on the North Campus Child Service Center and Marshall Center, and the purchase of the building at 420 East Cary Street.

(Continued)

Management's Discussion and Analysis

Year Ended June 30, 2020

Cash flows from investing activities:

RBHA's interest bearing bank account yielded interest income of \$139,000. The increase from fiscal year 2019 is over \$67,000 and a result of an adjustment to the interest formula by our bank. In October 2018, RBHA's investment broker, Morgan Stanley, informed RBHA they would no longer serve government clients as of June 30, 2019. During fiscal year 2020, RBHA sold all investments and deposited the full amount, \$5,848,996 into a capital account with SunTrust. Other than interest earned, in the figures above, this balance remained unchanged through the end of fiscal year 2020.

The overall net effect of these changes resulted in a cash increase of \$1,239,000 in fiscal year 2020. RBHA ended fiscal year 2020 with a cash balance of \$22,635,000. This includes funds of \$15,217,000 held for Region IV and DBHDS.

Request for Information

Questions concerning any of the information in this report or requests for additional information should be addressed in writing to Bill Fellows, Chief Financial Officer, Richmond Behavioral Health Authority, 107 S. Fifth Street, Richmond, Virginia 23219.

BASIC FINANCIAL STATEMENTS

RICHMOND BEHAVIORAL HEALTH AUTHORITY

STATEMENT OF NET POSITION

June 30, 2020

	2020	(For Comparative Purposes Only) 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 7,418,715	\$ 6,596,033
Cash and cash equivalents, restricted for funds held for others (Note 2)	15,216,694	14,800,129
Investments	-	5,769,377
Accounts receivable, net (Note 3)	2,872,237	3,400,340
Due from other governments (Note 4)	1,230,043	382,384
Self-insurance refund receivable	373,220	771,433
Prepaid expenses and other receivables	557,078	534,838
Total current assets	27,667,987	32,254,534
NONCURRENT ASSETS		
Capital assets, net (Note 5)	19,521,358	14,880,531
Total assets	47,189,345	47,135,065
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 11)	2,663,753	1,747,130
Deferred outflows related to other postemployment benefits (Note 12)	541,875	71,452
Total deferred outflows of resources	3,205,628	1,818,582
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	2,428,374	2,707,802
Accrued payroll and related liabilities	1,277,325	1,294,623
Unearned revenue	12,028,434	10,446,443
Compensated absences	2,042,978	1,621,001
Note payable, current portion (Note 7)	170,824	-
Funds held for others (Note 8)	15,216,694	14,800,129
Total current liabilities	33,164,629	30,869,998
LONG-TERM LIABILITIES		
Net pension liability (Note 11)	7,743,358	6,726,712
Net other postemployment benefits (Note 12)	2,877,159	2,307,283
Note payable, noncurrent portion (Note 7)	2,946,496	-
Total long-term liabilities	13,567,013	9,033,995
Total liabilities	46,731,642	39,903,993
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 11)	1,040,189	1,132,545
Deferred inflows related to other postemployment benefits (Note 12)	198,173	53,127
Total deferred inflows of resources	1,238,362	1,185,672
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)	-	-
NET POSITION		
Net investment in capital assets	16,404,038	14,880,531
Unrestricted	(13,979,069)	(7,016,549)
Total net position	\$ 2,424,969	\$ 7,863,982

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY

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

	2020	(For Comparative Purposes Only) 2019
OPERATING REVENUES		
Net client service revenue (Note 13)	\$ 16,444,092	\$ 18,785,963
OPERATING EXPENSES		
Salaries and benefits	42,770,881	35,672,557
Staff development	304,376	460,275
Facility	4,349,287	4,346,771
Supplies	1,298,184	1,129,719
Travel	246,474	296,910
Contractual and professional services	5,040,365	5,719,700
Client services	2,196,740	1,764,924
Leases	437,460	201,839
Insurance and licenses	916,167	920,263
Depreciation	776,925	614,875
Other	215,744	151,985
Total operating expenses	58,552,603	51,279,818
Operating loss	(42,108,511)	(32,493,855)
NONOPERATING REVENUES (EXPENSES)		
Commonwealth of Virginia grants	22,456,401	22,311,805
Federal grants	8,854,428	6,044,192
Contributions from the City of Richmond	4,319,726	4,334,449
Interest income	138,830	70,844
Unrealized gain on investments	-	351,021
Realized gain on investments	79,619	-
Other income	874,600	1,082,950
Interest expense	(54,106)	-
Net nonoperating revenues	36,669,498	34,195,261
Change in net position	(5,439,013)	1,701,406
NET POSITION		
Beginning at July 1	7,863,982	6,162,576
Ending at June 30	\$ 2,424,969	\$ 7,863,982

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

	2020	(For Comparative Purposes Only) 2019
OPERATING ACTIVITIES		
Receipts from clients, private insurers, Medicaid, and others	\$ 16,972,195	\$ 18,504,177
Payments to suppliers	(14,733,585)	(14,862,291)
Payments to and for employees	(41,715,823)	(35,260,904)
Other receipts (payments)	416,565	(978,015)
Net cash used in operating activities	<u>(39,060,648)</u>	<u>(32,597,033)</u>
NON-CAPITAL FINANCING ACTIVITIES		
Contributions from local, state, and federal governments	35,850,293	31,632,154
Other receipts	874,600	1,082,950
Net cash provided by non-capital financing activities	<u>36,724,893</u>	<u>32,715,104</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions from state government	514,594	2,352,997
Acquisition and development of capital assets	(5,990,632)	(3,299,607)
Proceeds from indebtedness	3,200,000	-
Principal paid on debt	(82,680)	-
Interest paid on debt	(54,106)	-
Net cash used in capital and related financing activities	<u>(2,412,824)</u>	<u>(946,610)</u>
INVESTING ACTIVITIES		
Sale of investments	5,848,996	-
Interest received	138,830	70,844
Net cash provided by investing activities	<u>5,987,826</u>	<u>70,844</u>
Net increase (decrease) in cash and cash equivalents	1,239,247	(757,695)
CASH AND CASH EQUIVALENTS		
Beginning at July 1	<u>21,396,162</u>	<u>22,153,857</u>
Ending at June 30	<u><u>\$ 22,635,409</u></u>	<u><u>\$ 21,396,162</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 7,418,715	\$ 6,596,033
Cash and cash equivalents, restricted for funds held for others	<u>15,216,694</u>	<u>14,800,129</u>
	<u><u>\$ 22,635,409</u></u>	<u><u>\$ 21,396,162</u></u>

(Continued)

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

	2020	(For Comparative Purposes Only) 2019
	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (42,108,511)	\$ (32,493,855)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	776,925	614,875
Pension expense net of employer contributions	7,667	(580,274)
Other postemployment benefits expense net of employer contributions	244,499	160,901
(Increase) decrease in:		
Accounts receivable	528,103	(281,786)
Self-insurance refund receivable	398,213	320,070
Prepaid expenses and other receivables	(22,240)	260,647
Increase (decrease) in:		
Accounts payable	293,452	(130,552)
Accrued payroll and related liabilities	(17,298)	414,669
Funds held for others	416,565	(978,015)
Compensated absences	421,977	96,287
	<u>\$ (39,060,648)</u>	<u>\$ (32,597,033)</u>
SCHEDULE OF NON-CASH ACTIVITIES		
Capital asset additions financed by accounts payable	<u>\$ 282,473</u>	<u>\$ 855,353</u>

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies

Organization and purpose

The Richmond Behavioral Health Authority (the “Authority”) was created on July 1, 1996, to provide behavioral health services to residents of the City of Richmond, Virginia (the “City”) under applicable sections of the *Code of Virginia*. The Authority provides a system of community mental health, developmental, and substance abuse services that relate to and are integrated with existing and planned programs. Substantially all of the Authority’s funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the City.

Reporting entity

The Authority’s Board of Directors is appointed by the Richmond City Council. The City provides funding to the Authority that satisfies matching requirements for state grant funding, and deems the Authority to be a component unit.

Measurement focus and basis of accounting

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

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority are fees collected from clients and the related collections from the various third-party insurers, including Medicaid. Operating expenses consist of the direct and indirect costs of fulfilling the programs of the Authority. All other revenues and expenses are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first when allowed.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results (including the ultimate collectability of receivables as discussed below) could differ from those estimates.

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

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, checking and savings accounts, and short-term, highly liquid investments (including repurchase agreements) with original maturities of three months or less from the date of acquisition.

Accounts receivable

The Authority internally records and monitors differences between its full established rates and contractual rates. However, at the time of service only estimated realizable amounts are recorded as net client service revenue and as accounts receivable. The estimated realizable amounts include reductions for discounts based on contractual agreements with Medicaid and insurers as well as discounts based on the client's ability to pay. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement.

The Authority's current practice is to charge off all self-pay accounts over 120 days past due. Management has established an allowance for doubtful accounts based on historical collection data and the aging of accounts receivable.

Capital assets

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

Leasehold improvements	7-20 years
Furniture and equipment	3-10 years
Motor vehicles	5 years
Computers	3-5 years

Compensated absences

The Authority's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service subject to certain maximum accumulation amounts. All employees earn the same sick pay rate regardless of the length of service. Sick pay does not vest, is not paid out upon separation, and is not recorded as a liability. Accumulated annual leave up to the maximum limit is paid out upon separation, and is recorded as a liability.

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Richmond Retirement System (RRS). 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.

Unearned revenue

Unearned revenues consist of amounts which have been received, but for which revenue recognition criteria have not been met. Revenues will be recognized when expenses are incurred in accordance with the grantor's requirements. If such expenses are not incurred, the funds may revert back to the grantor.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The Authority has three items that qualify for reporting in this category. The first item is pension contributions subsequent to the measurement date for the net pension liability; this will be applied to the net pension liability in the next fiscal year. The other two are pension related deferrals and other postemployment benefit plan related deferrals.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position applicable to future periods and so will *not* be recognized as an inflow of resources (revenue) until then. The Authority has two types of items that qualify for reporting in this category. Those are pension related deferrals and other postemployment benefit plan related deferrals. See Notes 11 and 12 for additional pension and other postemployment benefit plan details.

Financial assistance

The Authority is required to collect the cost of services from third-party sources and those individuals who are able to pay. However, the payment of amounts charged varies based on individual circumstances, and unpaid balances are pursued to the extent of the client's ability to pay. The Authority has established procedures for granting financial assistance in cases of hardship, which results in a substantial reduction and/or elimination of charges to individual clients. Because the Authority does not pursue the collection of such amounts, they are not reported in net revenue.

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Comparative information and reclassifications

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the prior year from which the summarized information was derived. Additionally, certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2. Deposits and Investments

Deposits

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

Cash and cash equivalents consist of the following:

Petty cash	\$ 1,075
Demand deposits	22,634,334
	<u>\$ 22,635,409</u>
Statement of net position:	
Cash and cash equivalents	\$ 7,418,715
Cash and cash equivalents, restricted for funds held for others	15,216,694
	<u>\$ 22,635,409</u>

Restricted cash consists of \$9,217,663 for regional funds held for others and \$5,999,031 for non-regional funds held for others. See additional discussion in Note 8.

Note 3. Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	\$ 719,424
Medicare	160,688
Direct client, third-party, and other	6,702,308
	<u>7,582,420</u>
Allowance for uncollectible accounts	<u>(4,710,183)</u>
	<u>\$ 2,872,237</u>

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 4. Due From Other Governments

Amounts due from other governments for the reimbursement of expenditures and services provided under various programs and grants consist of the following:

City of Richmond	\$ 1,041,412
Commonwealth of Virginia	50,256
Federal government	<u>138,375</u>
	<u><u>\$ 1,230,043</u></u>

Note 5. Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 861,203	\$ -	\$ -	\$ 861,203
Construction in progress	<u>2,682,367</u>	<u>2,236,665</u>	<u>(3,104,638)</u>	<u>1,814,394</u>
Capital assets, nondepreciable	<u>3,543,570</u>	<u>2,236,665</u>	<u>(3,104,638)</u>	<u>2,675,597</u>
Capital assets, depreciated:				
Buildings	9,424,639	6,226,589	-	15,651,228
Furniture and equipment	892,820	-	-	892,820
Computers	3,089,182	-	-	3,089,182
Vehicles	2,039,433	59,136	(15,000)	2,083,569
Regional vehicles	339,131	-	-	339,131
Leasehold improvements	<u>3,030,940</u>	<u>-</u>	<u>-</u>	<u>3,030,940</u>
Capital assets, depreciable	<u>18,816,145</u>	<u>6,285,725</u>	<u>(15,000)</u>	<u>25,086,870</u>
Less accumulated depreciation for:				
Buildings	(495,803)	(322,634)	-	(818,437)
Furniture and equipment	(343,949)	(91,996)	-	(435,945)
Computers	(2,328,239)	(111,819)	-	(2,440,058)
Vehicles	(1,494,204)	(196,669)	15,000	(1,675,873)
Regional vehicles	(269,241)	(27,536)	-	(296,777)
Leasehold improvements	<u>(2,547,748)</u>	<u>(26,271)</u>	<u>-</u>	<u>(2,574,019)</u>
Total accumulated depreciation	<u>(7,479,184)</u>	<u>(776,925)</u>	<u>15,000</u>	<u>(8,241,109)</u>
Capital assets depreciable, net	<u>11,336,961</u>	<u>5,508,800</u>	<u>-</u>	<u>16,845,761</u>
Capital assets, net	<u><u>\$ 14,880,531</u></u>	<u><u>\$ 7,745,465</u></u>	<u><u>\$ (3,104,638)</u></u>	<u><u>\$ 19,521,358</u></u>

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 6. Line of Credit

The Authority had a \$3,000,000 bank line of credit that was unsecured, payable on demand, and bore interest LIBOR plus 2.50%. This is an open end revolving line of credit. The Authority had no outstanding balance at June 30, 2020.

Note 7. Note Payable

The following is a summary of changes in the note payable:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Note payable	\$ -	\$ 3,200,000	\$ 82,680	\$ 3,117,320	\$ 170,824

Annual debt service requirements are as follows:

Fiscal Year	Note Payable	
	Principal	Interest
2021	\$ 170,824	\$ 103,353
2022	176,098	97,474
2023	182,179	91,393
2024	188,471	85,101
2025	194,980	78,592
2026-2030	1,080,676	287,184
2031-2035	1,124,092	88,515
	<u>\$ 3,117,320</u>	<u>\$ 831,612</u>

The note payable of \$3,200,000 was issued on December 3, 2019 to finance the purchase of a building, maturing in various annual installments through December 3, 2034 with an interest rate at 3.40%. The note is secured by the Authority's deposits held by the bank.

Note 8. Funds Held for Others

Regional funds held for others

The Authority serves as the fiscal agent for a Regional Program, which is administered by several community services boards, including the Authority, in a region established by the Commonwealth of Virginia ("Commonwealth"). The Regional Program oversees a pool of Commonwealth funds, and directs the allocation of those funds to various community services boards within the region. The Regional Program has allocated certain of these funds, such as Crisis Stabilization, directly to the Authority to provide services on behalf of the region; these are accounted for as revenues and expenses of the Authority. Other funds, which are received and expended under the direction of the Regional Program are not included in the accompanying statement of revenues, expenses, and changes in fund net position, and are accounted for as funds held for others. Changes in the regional program funds held for others in fiscal year 2020 consisted of the following:

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS June 30, 2020

Note 8. Funds Held for Others (Continued)

Regional funds held for others (Continued)

Balance, July 1, 2019	\$ 8,670,185
Increases	12,631,328
Decreases	<u>(12,083,850)</u>
Balance, June 30, 2020	<u>\$ 9,217,663</u>

Non-regional funds held for others

The Authority also serves as the fiscal agent for certain programs administered by the Department of Behavioral Health and Developmental Services (DBHDS). Funds received and expended under the direction of the DBHDS are not included in the accompanying statement of revenues, expenses, and changes in fund net position, and are accounted for as funds held for others. Changes in the non-regional funds held for others in fiscal year 2020 consisted of the following:

Balance, July 1, 2019	\$ 6,129,944
Increases	100,000
Decreases	<u>(230,913)</u>
Balance, June 30, 2020	<u>\$ 5,999,031</u>

Funds held for others consist of the following at June 30, 2020:

Regional funds held for others	\$ 9,217,663
Non-regional funds held for others	<u>5,999,031</u>
	<u>\$ 15,216,694</u>

Note 9. Lease Commitments

The Authority leases offices, clinics, and housing for residential programs under various lease agreements ending in fiscal years 2020 through 2030. Lease expense for office and clinic space was \$1,955,210 for 2020 and is included in facility expenses on the statement of revenues, expenses, and changes in fund net position. Rental expense for residential housing and related programs totaled \$5,066,444 for 2020.

At June 30, 2020, the remaining minimum annual operating lease payments are as follows:

<u>Fiscal Year</u>	
2021	\$ 2,045,147
2022	2,102,396
2023	2,077,047
2024	1,869,588
2025	1,711,351
2026-2030	<u>8,366,408</u>
	<u>\$ 18,171,937</u>

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 10. Commitments and Contingencies

Grants

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

Legal/litigation

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

Note 11. Retirement Plan

Plan description

All full-time permanent employees of the Authority employed prior to July 1, 2006 are covered by a Defined Benefit Pension Plan administered by the RRS. The plan is a multiple-employer cost-sharing Defined Benefit Pension Plan. Members are vested after five years of creditable service. The plan is contributory for employees.

The Defined Benefit and Enhanced Defined Benefit Plans pay a monthly benefit at retirement based on the member's years of creditable service (up to a maximum of 35 years) and average final compensation. General employees participating in the Defined Benefit and Enhanced Defined Benefit Plans are required to pay contributions of 1.00% or 4.57% of their creditable compensation, respectively. The Defined Benefit Plan formula has a multiplier of 1.75% for general employees whereas the Enhanced Option has a multiplier of 2.00%. A member is eligible for normal retirement on his normal retirement date (age 65). Upon retirement, a member becomes eligible to receive an annual allowance payable in equal monthly installments. The Plan permits early retirement.

Employees with 30 years of service may retire at any age with unreduced benefits. Employees may retire at age 55 with 5 or more years of service; however, benefits will be reduced by 5/12th of 1.00% for each complete month or 5.00% per year by which retirement precedes the earlier of age 65 or the date on which the employee would have completed 30 years of service.

The benefit level is set by formula, regardless of the retirement fund's investment performance. Participating employers contribute an amount each year that varies according to the contribution rate as determined by the RRS's actuary. The participating employers' contributions are invested by outside investment firms with the primary objective of ensuring the security, stability, and continued growth of assets for members' future benefits.

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 11. Retirement Plan (Continued)

Plan description (Continued)

The Code of the City requires that the Plan be maintained on an actuarially sound basis.

The City also offers a Defined Contribution 401(a) Plan as another retirement option. This plan is mandatory for general employees hired on or after July 1, 2006, and optional for senior executives and public safety officers. The RRS is the Trustee for this Plan and has contracted with an independent, not-for-profit financial services organization to administer the Plan. The City and the Authority contribute a percentage of an employee's creditable compensation, based on years of service, to a portable account for investment by the employee. This Plan is non-contributory for employees.

Vested members in the Defined Contribution 401(a) Plan who terminate employment are entitled to the account balance. The account balance of non-vested members who terminate employment is forfeited unless a member is reemployed with a participating employer before a five year lapse and remains in service until vesting. Members of the Defined Contribution 401(a) Plan are eligible for disability retirement benefits under the RRS.

The RRS issues a separate comprehensive annual financial report on the Defined Contribution 401(a) Plan. A copy of the report may be obtained from the RRS's website at www.richmondgov.com/retirement.

The Authority is required to annually contribute to the Defined Benefit Plans an amount as determined by the actuary (expressed as a percentage of payroll) equal to the sum of the "normal contribution" and the "accrued liability contribution." The accrued liability contribution is determined as that amount necessary to amortize the unfunded actuarial accrued liability and any increase or decrease in the unfunded actuarial accrued liability in future years due to changes in actuarial assumptions, changes in the Plan provisions (including the granting of cost-of-living increases) or actuarial gains or losses amortized over a period of 20 years.

Net pension liability

The Authority's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2019, using updated actuarial assumptions, applied to all periods included in the measurement period.

Actuarial method and significant assumptions

The July 1, 2018 valuation developed contribution rates for the fiscal year ending June 30, 2020, using the entry age actuarial cost method.

The amortization method used is a level dollar method over a closed period not to exceed 30 years. For purposes of determining contribution rates, the difference between actual investment earnings and expected investment earnings is recognized over a five year period, with the restriction that the actuarial asset value cannot be less than 90% or greater than 110% of the market value of assets.

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 11. Retirement Plan (Continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Contributions to the Defined Benefit Plans by the Authority were \$1,080,431 and \$1,028,295 for the years ended June 30, 2020 and 2019, respectively. The contribution rate was 53.46% for 2020. The Authority also contributed \$1,109,495 to the Defined Contribution Plans for 2020. The Authority's contribution to the Defined Contribution Plans is 5.00% for employees with less than 5 years of service, 6.00% for employees with 5 to 9 years of service, 8.00% for employees with 10 to 14 years of service, and 10% for employees with 15 years or more of service.

At June 30, 2020, the Authority reported a liability of \$7,743,358 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's actuarially determined employer contributions to the pension plan 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 Authority's proportion was 2.12% as compared to 2.20% at June 30, 2018.

For the year ended June 30, 2020, the Authority recognized a pension expense of \$1,286,877. Since there was a change in proportionate share between June 30, 2018 and June 30, 2019, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2020, the Authority 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
Other pension deferrals	\$ 1,583,322	\$ 1,040,189
Employer contributions subsequent to the measurement date	1,080,431	-
	<u>\$ 2,663,753</u>	<u>\$ 1,040,189</u>

The \$1,080,431, reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other deferrals will be amortized against future pension expense.

Actuarial assumptions

The total pension liability for the RRS Retirement Plan was based on an actuarial valuation as of July 1, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement date of June 30, 2019.

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS June 30, 2020

Note 11. Retirement Plan (Continued)

Actuarial assumptions (Continued)

Inflation	2.50%
Salary increases, including inflation	2.50 – 4.00%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

There is no cost of living increase assumption and the assumption is that benefits will not increase after retirement.

Mortality rates

Pub-2010 Below Median Income Table for general employees.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2018.

Long-term expected rate of return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>June 30, 2019 10 Year Assumptions – Geometric Return</u>
Large Cap Equities	18.00 %	7.00 %
SMID Cap Equities	5.00	7.25
Developed Intl Equities	8.00	7.00
Emerging Intl Equities	7.00	7.25
Hedge Funds	12.00	5.50
Private Equity	8.00	8.50
Global Multi-Sector Fixed Income	22.50	3.75
Opportunistic Fixed Income	5.00	3.75
Private Debt	8.00	6.50
Real Estate (core)	5.00	6.25
Cash	1.50	2.50
	<u>100.00 %</u>	

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 11. Retirement Plan (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Authority's proportionate share of retirement plan net pension liability	\$ 9,630,578	\$ 7,743,358	\$ 6,116,923

Pension plan fiduciary net position

Detailed information about the RRS Retirement Plan's Fiduciary Net Position is available in the separately issued RRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 RRS CAFR may be downloaded from the City website at <http://www.richmondgov.com/Retirement/documents/CAFR2019.pdf>.

Payables to the pension plan

At June 30, 2020, approximately \$86,068 was payable to the Richmond Retirement System for the legally required contributions related to June 2020 payroll and is included in accrued payroll and related liabilities on the statement of net position.

Note 12. Other Postemployment Benefits Liability – Local Plan

Plan description

The Authority pays a portion of the cost of health related insurance benefits to all employees who retire from the Authority. The benefits are comprised of health related group insurance policies through which retirees, their spouses, and eligible unmarried dependents can obtain coverage. Once retirees reach age 65 or are eligible for Medicare they are not entitled to these benefits. The authority to establish and amend the benefit provisions of the plan rests with the Authority's Board. There is no publicly available report for the plan.

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Other Postemployment Benefits Liability – Local Plan (Continued)

Plan description (Continued)

The Authority establishes the employer contribution rates and how the plan will be funded as part of the annual budget process. The Authority is on a pay-as-you-go basis and has not funded the plan, therefore there are no plan assets.

Employees covered by benefit terms

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

	<u>Members</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	10
Active plan members	<u>549</u>
	<u><u>559</u></u>

Total OPEB liability

The Authority's total OPEB liability of \$2,877,159 was measured as of June 30, 2020 and was determined based on an actuarial valuation performed as of June 30, 2019.

Actuarial assumptions and other inputs

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

Inflation	2.50%
Healthcare cost trend rates	4.70-5.20%

Healthy Mortality rates: Pub-2010 Table for general employees, headcount-weighted, with mortality improvement according to scale MP-2019.

Disabled Mortality rates: Pub-2010 Table for disabled general employees, headcount-weighted.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2013 through June 30, 2018.

There have been no significant changes in benefit terms, assumptions, or other inputs.

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Other Postemployment Benefits Liability – Local Plan (Continued)

Changes in the total OPEB liability

Balance at June 30, 2019	\$ 2,307,283
Changes for the year:	
Service cost	232,257
Interest	86,537
Differences between expected and actual experience	(186,260)
Assumption or other input changes	571,442
Benefit payments	(134,100)
Net changes	569,876
Balance at June 30, 2020	\$ 2,877,159

Sensitivity of the total OPEB liability to changes in the discount rate

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

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
Total OPEB liability	\$ 3,238,702	\$ 2,877,159	\$ 2,556,274

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate range of 4.70-5.20%:

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
Total OPEB liability	\$ 2,388,570	\$ 2,877,159	\$ 3,482,340

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Other Postemployment Benefits Liability – Local Plan (Continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$378,599. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 541,875	\$ 159,803
Change in assumptions	-	38,370
	<u>\$ 541,875</u>	<u>\$ 198,173</u>

The Authority's amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase to OPEB Expense
2021	\$ 59,805
2022	59,805
2023	57,766
2024	54,714
2025	54,714
Thereafter	56,898

Note 13. Net Client Service Revenue

Net client service revenues were from the following sources:

Medicaid and third-party insurers	\$ 15,719,878
Other purchaser contracts	261,222
Other	432,049
Medicare	<u>30,943</u>
	<u>\$ 16,444,092</u>

Note 14. Related Party Transactions

The City contributes local funds to support the provision of behavioral health services to City residents. The Authority also received pass-through federal and state grants from the City totaling \$955,368 in 2020. The Authority participates in the City's retirement system and pays contributions to that plan as described in Note 11.

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 15. Risk Management

The Authority 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 disaster. The Authority participates in a self-insured liability plan sponsored by the state of Virginia for local political subdivisions. The plan provides \$1,000,000 coverage against public official liability claims. The Authority participates in the Virginia Municipal Liability Pool for comprehensive property and casualty coverage, a general liability coverage (claims made), automobile coverage, and employer's liability. The Authority also is a member of the Virginia Municipal Group Self Insurance Association and obtains workers compensation coverage for Authority employees.

Certain other risks are covered by commercial insurance policies. Management believes the above-described coverage is sufficient to preclude any significant uninsured losses to the Authority. The Authority has had no settlements in excess of insurance coverages or significant reductions in coverage in each of the past three years. The Authority's primary risk of loss is anticipated to be limited to any deductibles not covered by the insurance arrangements.

The Authority is also insured under a commercial public official's policy in the amount of \$100,000 that indemnifies the insured against loss of money or property that might result from the fraudulent or dishonest acts of its employees.

The Authority carried commercial health insurance for employees for the year ended June 30, 2020. The Authority's self-insurance health program provides healthcare coverage for employees, retirees, and their dependents. Changes in the estimated claims payable for health insurance is as follows:

Beginning of year	\$ 310,255
Incurred claims	3,621,525
Claim payments	<u>(3,728,949)</u>
End of year	<u>\$ 202,831</u>

This balance is included in accrued payroll and related liabilities on the statement of net position.

Note 16. COVID-19 Impact

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

The Authority's operations are heavily dependent on the ability to assess fees for services, maintain grant funding levels, and access the capital markets. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other sources from which the Authority received revenue during fiscal year 2020. As such, the financial condition and liquidity may be negatively impacted for future fiscal years.

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 16. COVID-19 Impact (Continued)

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

Note 17. New Accounting Standards

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

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

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

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

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

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

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 17. New Accounting Standards (Continued)

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

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

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

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

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

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

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

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 17. New Accounting Standards (Continued)

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

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

REQUIRED SUPPLEMENTARY INFORMATION

RICHMOND BEHAVIORAL HEALTH AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY –
RRS RETIREMENT PLAN
June 30, 2020**

Fiscal Year Ended June 30,	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	2.12 %	\$ 7,743,358	\$ 2,082,537	371.82 %	61.00 %
2019	2.20	6,726,712	2,230,268	301.61	65.10
2018	2.51	7,814,383	2,732,217	286.01	64.00
2017	2.81	9,550,833	2,851,310	334.96	60.30
2016	2.42	7,510,772	3,071,142	244.56	63.50
2015	2.63	8,139,165	3,312,178	245.73	63.80

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

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY

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

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 1,080,431	\$ 1,080,431	\$ -	\$ 2,039,026	52.99 %
2019	1,028,295	1,028,295	-	2,082,537	49.38
2018	1,024,564	1,024,564	-	2,230,268	45.94
2017	1,077,412	1,077,412	-	2,732,217	39.43
2016	1,268,797	1,268,797	-	2,851,310	44.50
2015	1,123,560	1,123,560	-	3,071,142	36.58

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

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY

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

	Plan Year		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 232,257	\$ 207,958	\$ 213,911
Interest on total OPEB liability	86,537	85,146	74,255
Difference between expected and actual experience	(186,260)	-	-
Changes in assumptions	571,442	91,300	(82,641)
Employer contributions	(134,100)	(137,294)	(105,091)
Net change in total OPEB liability	569,876	247,110	100,434
Total OPEB liability – beginning	2,307,283	2,060,173	1,959,739
Total OPEB liability – ending	2,877,159	2,307,283	2,060,173
Plan Fiduciary Net Position			
Contributions – employer	134,100	137,294	105,091
Benefit payments	(134,100)	(137,294)	(105,091)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position – beginning	-	-	-
Plan fiduciary net position – ending	-	-	-
Net OPEB liability – ending	\$ 2,877,159	\$ 2,307,283	\$ 2,060,173
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%	0%
Covered payroll	\$ 34,114,174	\$ 19,288,819	\$ 19,288,819
Net OPEB liability as a percentage of covered payroll	8%	12%	11%

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

The Notes to Required Supplementary Information are an integral part of this schedule.

RICHMOND BEHAVIORAL HEALTH AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OPEB CONTRIBUTIONS – LOCAL PLAN

June 30, 2020

Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 134,100	\$ 134,100	\$ -	\$ 34,114,174	0.39 %
2019	137,294	137,294	-	19,288,819	0.71
2018	105,091	105,091	-	19,288,819	0.54

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Note 1. Methods and Assumptions Used to Determine Contribution Rates – Richmond Retirement System

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay over a closed period not to exceed 30 years for police and fire employees; level dollar amount over a closed period not to exceed 30 years for general members.
Remaining amortization period	Re-amortize unfunded liability over 12 years as of July 1, 2019.
Asset valuation method	Five-year spread of actual over expected investment earnings with the restriction that the resulting value must be within 90%-110% of market value.
Inflation	2.50%
Salary increases – general employees	2.50% to 4.00%
Salary increases – police and fire employees	4.50% to 6.50% for FY 2019, 2.50% to 4.50% in future years
Investment rate of return	7.00%
Retirement age – general employees	20% in 1 st year of unreduced retirement eligibility; 10% at age 55 increasing to 100% at age 75.
Retirement age – police and fire employees	25% in 1 st year of unreduced retirement eligibility; 10% at age 50 increasing to 100% at age 65.
Mortality – general employees	Pub-2010 Below Median Income Table for General Employees
Mortality – police and fire employees	Pub-2010 Below Median Income Table for Safety Employees

COMPLIANCE SECTION

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

To the Board of Directors
Richmond Behavioral Health Authority
Richmond, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Richmond Behavioral Health Authority (the "Authority"), a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's 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 the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 5, 2020



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

To the Board of Directors
Richmond Behavioral Health Authority
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Richmond Behavioral Health Authority's (the "Authority"), a component unit of the City of Richmond, Virginia, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended June 30, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Report on Compliance for Each Major Federal Program (Continued)

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 5, 2020

RICHMOND BEHAVIORAL HEALTH AUTHORITY

SCHEDULE OF EXPENDITURES ON FEDERAL AWARDS

Year Ended June 30, 2020

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Pass-Through Entity Identifying Number	Expenditures
<u>Department of Education</u>			
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Special Education Grants for Infants and Families Cluster:			
Special Education – Grants for Infants and Families	84.181		\$ 202,471
Total Department of Education			<u>202,471</u>
<u>Department of Health and Human Services</u>			
Direct payments:			
Projects for Assistance in Transition from Homelessness	93.150		205,023
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		936,508
Provider Relief Funds – CARES Act	93.498		2,898
Certified Community Behavioral Health Clinic Expansion	93.829		2,213,370
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Opioid State Targeted Response	93.788	5014310	335,311
Block Grants for Community Mental Health Services	93.958	501380000 501390000	497,181
Block Grants for Prevention and Treatment of Substance Abuse	93.959	501490000 501790000	3,930,048
Virginia Department of Social Services Temporary Assistance for Needy Families	93.558	BEN-08-007-27	202,562
Total Department of Health and Human Services			<u>8,322,901</u>
<u>Department of Housing and Urban Development</u>			
Pass-Through Payments:			
City of Richmond, Virginia Emergency Shelter Grants Program	14.231	4617-2233-09505	100,000
Office of Community Planning and Development Continuum of Care Program	14.267		215,926
Total Department of Housing and Urban Development			<u>315,926</u>
<u>Department of Agriculture</u>			
Direct payments:			
Child & Adult Care Food Program	10.558		13,130
Total expenditures of federal awards			<u>\$ 8,854,428</u>

Notes:

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the Authority and is presented on the accrual basis of accounting. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

The Authority did not elect to use the 10% de minimis indirect cost rate.

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2020

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

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

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

	<u>CFDA #</u>
Block Grants for the Prevention and Treatment of Substance Abuse	93.959
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243
Certified Community Behavioral Health Clinic Expansion	93.829

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.