



a better life, a better community

REGION TEN COMMUNITY SERVICES BOARD

FINANCIAL REPORT

June 30, 2020



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INTRODUCTORY SECTION

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2020

BOARD OF DIRECTORS

Barbara Barrett, Chair

Jeff Gould, Vice-Chair

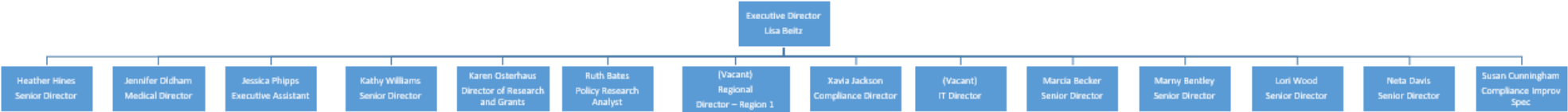
James Murphy	Dawn Pryor
Peggy Whitehead	Albert LaFave, Jr.
David Szwedo	Diane Jacobs
Andre Lewis	John Kronstain
Edna Harris	Nora Demleitner
Steve Wunsh	

PRINCIPAL MANAGEMENT TEAM

Lisa Beitz.....	Executive Director
Kathy Williams	Administrative Services Director
Marny Bentley	Access and Adult Clinical Services Director
Marcia Becker.....	Adult Rehabilitation and Rural Services Director
Heather Hines	Adult Development Service Director
Neta Davis.....	Child and Family Services Director
Lori Wood.....	Emergency and Short Term Stabilization Services Director
Karen Osterhaus.....	Marketing and Community Relations Director

REGION TEN COMMUNITY SERVICES BOARD

ORGANIZATIONAL CHART
June 30, 2020



As of 5/31/2020

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FINANCIAL SECTION

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



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Region Ten Community Services Board
Charlottesville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Region Ten Community Services Board (the "Board"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Auditor's Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board, as of June 30, 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 Board's 2019 financial statements, on which, in our report dated October 29, 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 the 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 Board's basic financial statements. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements 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 30, 2020 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 30, 2020

REGION TEN COMMUNITY SERVICES BOARD

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

This Management's Discussion and Analysis is intended to be objective and easily readable information that will supplement the basic financial statements. It represents an opportunity for Region Ten Community Services Board (CSB) management to present an examination of the Board's short-term and long-term financial condition. This analysis will emphasize current year transactions and results, in comparison with the prior year, and is based on facts, decisions, and conditions that were known as of the date of the auditor's report.

FISCAL YEAR 2020 HIGHLIGHTS

- COVID-19 struck the U.S. in March 2020, which brought significant impact to operations and providing services. Staffing was reduced through furloughs, retirements, and layoffs. As of August 2020, all furloughed staff have returned to work. As a result of the pandemic, Region Ten shifted to primarily telehealth as a platform for providing services.
- The Therapeutic Day Treatment program closed in March and did not reopen. The program was originally scheduled to end in June due to lack of funding.
- Region Ten started the coordination of the purchase of land and construction of the new REACH house. This is a regional program and will be funded by the Commonwealth of Virginia (Commonwealth).
- Region Ten became the Fiscal Agent for Regional DAP, LIPOS, and SFUR funds. Total funds received in fiscal year 2020 was \$12,639,353.
- Region Ten pursued 17 competitive grants and award notices for approximately \$2,437,565.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Board's annual financial report consists of three basic financial statements: a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows. For ease of presentation, all statements are in a condensed format.

Net Position. The Statement of Net Position reflects as of the last day of the fiscal year, the assets (cash and other property) owned and liabilities (debts and other obligations) owed by the Board. The difference between total assets and deferred outflows and total liabilities and deferred inflows determines the net position (equity), which is generally perceived as a measure of financial solvency.

REGION TEN COMMUNITY SERVICES BOARD

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

A summary of Board's Statement of Net Position for 2020 and 2019 is presented below:

Condensed Statement of Net Position			
	2020	2019	
Assets			
Current assets	\$ 10,718,591	\$ 7,458,143	
Capital assets	27,638,371	28,381,516	
Other non-current assets	6,049,151	7,103,227	
Total Assets	44,406,113	42,942,886	
Deferred Outflows of Resources	3,411,184	1,563,359	
Liabilities			
Current Liabilities	8,204,283	5,427,203	
Long-Term Liabilities (less current portion)	14,345,066	14,601,306	
Total Liabilities	22,549,349	20,028,509	
Deferred Inflows of Resources	1,077,839	1,358,087	
Net Position	\$ 24,190,109	\$ 23,119,649	

The Board presents an improved financial position over last year. Net position increased by 4.6%.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

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

Changes in net position. The Statement of Revenues, Expenses, and Changes in Fund Net Position is a presentation of the amount of income generated (revenues) and resources consumed (expenses) during the fiscal year. The net difference between revenues and expenses represent the amount net position increased or decreased for the year. A summary of the Board's Statement of Revenues, Expenses, and Changes in Fund Net Position for 2020 and 2019 is presented below:

Condensed Statement of Revenue, Expenses and Changes in Fund Net Position		
	2020	2019
Operating Revenue	\$ 23,101,105	\$ 24,433,872
Operating Expense	51,104,847	43,005,783
Operating Loss	(28,003,742)	(18,571,911)
Net Non-operating Revenue	29,074,202	20,401,335
Change in Net Position	\$ 1,070,460	\$ 1,829,424

Change in net position reflects a decrease of 41.5% this year.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

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

Cash Flows. The Statement of Cash Flows indicates the net increase or decrease of cash resources for the Board during the year and the activities that produced the increase or decrease. The statement concludes with a reconciliation tying the beginning cash balance and results for the year to the ending balance. A summary of the Board's Statement of Cash Flows for 2020 and 2019 is presented below:

Condensed Statement of Cash Flows		
	2020	2019
Cash flows used in operating activities	\$ (24,342,015)	(19,248,600)
Cash flows provided by non-capital financing activities	30,612,142	21,196,490
Cash flows used in capital and related financing activities	(1,401,053)	(2,275,739)
Cash flows provided by investing activities	15,170	9,473
Net cash increase (decrease)	<u>\$ 4,884,244</u>	<u>\$ (318,376)</u>

The Board shows a \$4,884,244 increase in net cash from fiscal year 2019 to fiscal year 2020. The increase in net cash resulted in an overall net cash balance of \$8,034,645 for fiscal year 2020.

REGION TEN COMMUNITY SERVICES BOARD

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

Capital Assets and Debt Administration

Capital Assets

On June 30, 2020, the Region Ten Community Services Board had \$27,638,371 in net capital assets. This is comprised of \$40,462,837 in capital assets less \$12,824,466 in accumulated depreciation (please see Note 4). Of the total capital assets (before accumulated depreciation), furniture and equipment (including software and vehicles) constitutes 8.5%, land (including construction in process) constitutes 13.2%, and buildings and improvements constitute the remaining 78.3%.

Long-Term Debt

Long-term obligations (including the current portion) - as of June 30, 2020 equaled \$12,701,830 (Please see Note 5). This is a net decrease of \$617,931. The net change per category of long-term debt is as follows:

Notes and Bonds Payable - reflects a net decrease of \$618,839.

Compensated Absences – reflects an increase of \$908.

Summary

The Statement of Net Position shows that on June 30, 2020, Region Ten had 1.3 times more current assets than current liabilities.

The Statement of Revenues, Expenses, and Changes in Fund Net Position show the net position of the Board increased \$1,070,460 during fiscal year 2020.

The Statement of Cash Flows shows that cash increased \$4,884,244 in fiscal year 2020.

Request for Information

This financial report is intended to provide a general overview of Region Ten Community Services board financial position for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Ryann Baker, Fiscal Director of Accounting, Region Ten Community Services Board, 500 Old Lynchburg Road, Charlottesville, Virginia 22903.

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BASIC FINANCIAL STATEMENTS

REGION TEN COMMUNITY SERVICES BOARD

STATEMENT OF NET POSITION
June 30, 2020

	2020	(For Comparative Purposes Only) 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 6,884,390	\$ 2,782,481
Accounts receivable, net (Note 3)	2,616,234	3,684,297
Due from other governments	67,712	12,455
Other receivables	-	98,909
Prepaid expenses and other	-	512,081
Cash and cash equivalents, restricted	1,150,255	367,920
Total current assets	<u>10,718,591</u>	<u>7,458,143</u>
NONCURRENT ASSETS		
Funds held by others (Note 2)	419,981	413,883
Net pension asset (Note 8)	5,629,170	6,689,344
Capital assets, net (Note 4)	27,638,371	28,381,516
Total noncurrent assets	<u>33,687,522</u>	<u>35,484,743</u>
Total assets	<u>44,406,113</u>	<u>42,942,886</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 8)	1,519,339	465,505
Deferred outflows related to other postemployment benefits (Notes 9 and 10)	823,542	559,540
Interest rate swaps (Note 5)	1,068,303	538,314
Total deferred outflows of resources	<u>3,411,184</u>	<u>1,563,359</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,387,227	338,520
Accrued payroll and related liabilities	882,647	915,521
Other liabilities	22,048	34,102
Amounts held for clients, payable from restricted assets	435,869	307,797
Unearned revenue (Notes 7 and 11)	2,182,754	1,093,384
Interest rate swap liability (Note 5)	1,068,303	538,314
Current portion of long-term liabilities (Note 5)	2,225,435	2,199,565
Total current liabilities	<u>8,204,283</u>	<u>5,427,203</u>

(Continued)

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

REGION TEN COMMUNITY SERVICES BOARD

STATEMENT OF NET POSITION
June 30, 2020

	2020	(For Comparative Purposes Only) 2019
	<hr/>	<hr/>
LIABILITIES (Continued)		
LONG-TERM LIABILITIES		
Other postemployment benefits (Notes 9 and 10)	\$ 3,868,671	\$ 3,481,110
Notes payable, noncurrent portion (Note 5)	10,476,395	11,120,196
	<hr/>	<hr/>
Total long-term liabilities	14,345,066	14,601,306
	<hr/>	<hr/>
Total liabilities	22,549,349	20,028,509
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 8)	912,386	1,146,718
Deferred inflows related to other postemployment benefits (Notes 9 and 10)	165,453	211,369
	<hr/>	<hr/>
Total deferred inflows of resources	1,077,839	1,358,087
	<hr/>	<hr/>
COMMITMENTS AND CONTINGENCIES (Notes 6 and 16)	-	-
	<hr/>	<hr/>
NET POSITION		
Net investment in capital assets	16,516,929	16,641,235
Restricted		
Annette Vail Memorial Trust	10,000	10,000
Housing and Urban Development capital advance	502,700	502,700
Pension	5,629,170	6,689,344
Unrestricted	1,531,310	(723,630)
	<hr/>	<hr/>
Total net position	\$ 24,190,109	\$ 23,119,649
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The Notes to Financial Statements are an integral part of this statement.

REGION TEN COMMUNITY SERVICES BOARD

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)	\$ 23,101,105	\$ 24,433,872
OPERATING EXPENSES		
Salaries and benefits	29,313,964	29,970,877
Staff development and recruitment	144,476	291,365
Facility	2,181,207	2,216,321
Supplies	837,694	1,162,150
Travel	345,662	481,521
Contractual and professional services	5,739,235	4,851,650
Client services	11,250,685	2,894,485
Depreciation	1,083,928	1,072,197
Other	207,996	65,217
Total operating expenses	51,104,847	43,005,783
Operating loss	(28,003,742)	(18,571,911)
NONOPERATING REVENUES (EXPENSES)		
Commonwealth of Virginia grants	23,074,581	14,846,650
Federal grants	3,353,751	2,627,841
Contributions from participating local governments (Note 14)	2,447,700	2,389,266
Interest income	15,170	9,473
Unrealized gain	42,859	31,385
Interest expense and other fees	(425,186)	(465,780)
Rental income (Notes 2 and 6)	112,904	93,233
Other income (Note 15)	452,423	869,267
Net nonoperating revenues	29,074,202	20,401,335
Change in net position	1,070,460	1,829,424
NET POSITION AT JULY 1	23,119,649	21,290,225
NET POSITION AT JUNE 30	\$ 24,190,109	\$ 23,119,649

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

REGION TEN COMMUNITY SERVICES BOARD

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	\$ 24,169,168	\$ 24,070,103
Payments to suppliers	(19,142,076)	(12,194,780)
Payments to and for employees	(29,496,279)	(31,136,678)
Other receipts	127,172	12,755
Net cash used in operating activities	(24,342,015)	(19,248,600)
NON-CAPITAL FINANCING ACTIVITIES		
Contributions from local, state, and federal governments	29,910,145	20,109,531
Other receipts	701,997	1,086,959
Net cash provided by non-capital financing activities	30,612,142	21,196,490
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(345,874)	(1,227,690)
Principal paid on debt	(618,839)	(584,567)
Interest paid on debt	(436,340)	(463,482)
Net cash used in capital and related financing activities	(1,401,053)	(2,275,739)
INVESTING ACTIVITIES		
Interest received	15,170	9,473
Net increase (decrease) in cash and cash equivalents	4,884,244	(318,376)
CASH AND CASH EQUIVALENTS		
Beginning at July 1	3,150,401	3,468,777
Ending at June 30	\$ 8,034,645	\$ 3,150,401

(Continued)

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

REGION TEN COMMUNITY SERVICES BOARD

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

	2020	(For Comparative Purposes Only) 2019
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 6,884,390	\$ 2,782,481
Cash and cash equivalents, restricted	1,150,255	367,920
	<u>\$ 8,034,645</u>	<u>\$ 3,150,401</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (28,003,742)	\$ (18,571,911)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,083,928	1,072,197
Pension expense net of employer contribution	(227,992)	(1,328,260)
Other postemployment expense net of employer contribution	77,643	7,942
(Increase) decrease in:		
Accounts receivable, net	1,068,063	(363,769)
Prepaid expenses and other	511,081	(129,581)
Increase (decrease) in:		
Accounts payable	1,053,798	(102,490)
Accrued payroll and related liabilities	(32,874)	(18,297)
Security deposits payable – included in other liabilities	(900)	167
Amounts held for clients, payable from restricted assets	128,072	12,588
Compensated absences – included in long-term liabilities	908	172,814
	<u>\$ (24,342,015)</u>	<u>\$ (19,248,600)</u>
SCHEDULE OF NON-CASH ACTIVITIES		
Capital asset additions financed by accounts payable	\$ -	\$ 5,091

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

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies

Financial reporting entity

Region Ten Community Services Board (the “Board”) is a jointly governed entity that operates as an agent for the Counties of Albemarle, Nelson, Fluvanna, Greene, and Louisa, and the City of Charlottesville in the establishment and operation of treatment programs for community mental health disorders, developmental disabilities, and substance abuse disorders as provided for in Chapter 5 of Title 37.2 of the *Code of Virginia* (1950), as amended, relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Board provides treatment of community mental health disorders, developmental disabilities, and substance abuse disorders with a system of services that relates to, and is integrated with, existing and planned programs. Substantially all of the Board’s funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the aforementioned localities.

Blended component units

The following blended component units, although legally separate entities, are in substance part of the Board’s operations, and so financial information from these units is combined with the financial statements of the Board. The Board can impose its will over these organizations and is financially accountable for them.

Region Ten Community Services Board, Inc. (“RTCSB, Inc.”) is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the *Internal Revenue Code*. The members of the Board also serve as the Board of Directors for RTCSB, Inc. RTSCB, Inc. is responsible for receiving public support to establish, maintain, and promote the development of mental health, developmental disabilities, and substance abuse services and holding title to real and other property on behalf of the Board. The Board has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the *Internal Revenue Code*.

Pine Ridge Residence, Inc. (“Pine Ridge”) is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the *Internal Revenue Code*. Pine Ridge was organized to own and operate facilities for handicapped individuals as a Section 811 project under the National Affordable Housing Act.

Measurement focus and basis of accounting

The Board is a governmental health care entity and follows the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). The Board’s financial statements consist of a single enterprise fund, which includes the blended component units previously described, and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting (Continued)

The Board distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Board's principal ongoing operations. The principal operating revenues of the Board 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 Board. 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 Board's policy to use restricted resources first.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities as well as the reported revenues and expenses. Actual results 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 conditions and factors change. Key factors that affect this calculation for the Board are the delays in collections from third parties, the need to rebill to multiple third-party payors, rate adjustments and settlements with third-party payors, and the financial assistance provided to clients based on their ability to pay.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair value measurements

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

Valuation of receivables

Receivables are reported net of the estimated allowance for uncollectible accounts. Management estimates this allowance using historical collection data and the aging of accounts receivable.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Net client service revenue

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

Financial assistance

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

Capital assets

Capital assets include property and equipment with an initial, individual cost of more than \$5,000 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:

Buildings and improvements	10-40 years
Furniture and equipment	3-10 years
Software	5 years
Motor vehicles	5 years

Restricted assets

The Board segregates funds held on behalf of clients and for deposit reserves required by the U.S. Department of Housing and Urban Development (HUD) for replacement of property and other expenditures at Pine Ridge.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Funds held by others

The Board is the beneficiary of funds that are held by the Charlottesville Area Community Foundation (CACF) and are invested on behalf of the Board. The Board of Directors can request all or a portion of these funds at any time for use for behavioral health programs. The funds will be held by CACF until such a request is made. The Board considers the carrying amount to be a Level 2 fair value measurement.

Interest rate swaps

The Board entered into various interest rate swap agreements in order to convert variable rate debt to a fixed rate in order to hedge against the changes in cash flow requirements of its variable rate debt. The interest rate swaps are reflected at their fair value at June 30, 2020, with related debt being hedged reflected at carrying value. The change in fair value is reflected as a deferred outflow of resources.

Pensions and other postemployment benefits (OPEB)

For purposes of measuring all financial statement elements related to VRS administered pension and OPEB plans, information about the fiduciary net position of the Board's Plans and the additions to/deductions from the Board's Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

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

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

The Board has the following items that qualify for reporting in these categories:

- Fair value of interest rate swaps may be reflected as a deferred inflow or outflow, as appropriate.
- Contributions subsequent to the measurement date for pensions and the OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Changes in proportionate share between measurement dates on the OPEB liability. This difference will be recognized in OPEB expense over the remaining service life of the employees subject to the plan, and is reflected as a deferred inflow or outflow as appropriate.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (Continued)

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total net pension asset or OPEB liability. This difference will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.
- Differences between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period and may be reported as a deferred inflow or outflow as appropriate.
- Changes in assumptions on pension plan or OPEB investments. This difference will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.

Compensated absences

Employees are entitled to certain compensated absences based upon length of employment. Sick leave for employees who have been employed for five years or longer vests up to the lesser of \$5,000 or 25% of the sick leave balance. Other sick leave does not vest with the employee and is recorded as an expense when paid. Vacation and certain other compensated absences do vest with the employee. A provision for these vested compensated absences has been recorded in the financial statements. Because the timing of the use of the benefit is not estimable, all of the liability has been classified as current and is included in current portion of long-term liabilities on the statement of net position.

Rental income

RTCSB, Inc. owns various properties which are leased to the Board and others. Rental income is recognized as earned. Intercompany activity is eliminated from the financial statements.

Restricted net position

Restricted net position represents the \$10,000 principal of the Annette Vail Memorial Trust, which has been permanently restricted by the donor, the \$502,700 of initial capital provided by HUD to establish and construct the Pine Ridge facility, which is restricted by HUD for 40 years following the 2008 facilities construction (time restricted), and the Board's \$5,629,170 net pension asset, restricted for expected future pension payments.

Comparative information

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 Board's financial statements for the prior year from which the summarized information was derived.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Cash and cash equivalents consist of the following:

Cash on hand	\$ 1,900
Deposits	8,032,745
	<u>\$ 8,034,645</u>

Statement of net position:

Cash and cash equivalents	\$ 6,884,390
Cash and cash equivalents, restricted for client funds	446,537
Cash and cash equivalents, restricted for ALF	21,323
Cash and cash equivalents, restricted for deposit reserves	31,485
Cash and cash equivalents, restricted for regional funds	650,910
	<u>\$ 8,034,645</u>

Investments

Statutes authorize the Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). Current Board policy is to invest cash reserves on a daily basis through the use of repurchase agreements with the Board’s bank. The Board held no investments at June 30, 2020.

Note 3. Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	\$ 2,053,357
Direct client	2,563,202
Third-party insurers and other	1,497,171
	<u>6,113,730</u>
Allowance for uncollectible accounts	<u>(3,497,496)</u>
	<u>\$ 2,616,234</u>

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 4. 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	\$ 5,297,874	\$ -	\$ -	\$ 5,297,874
Construction in progress	3,918,177	297,224	4,187,685	27,716
Capital assets, nondepreciable	<u>9,216,051</u>	<u>297,224</u>	<u>4,187,685</u>	<u>5,325,590</u>
Capital assets, depreciable				
Building and improvements	27,486,722	4,215,905	-	31,702,627
Furniture and equipment	1,480,560	-	-	1,480,560
Software	341,721	-	-	341,721
Motor vehicles	1,629,795	15,339	32,795	1,612,339
Capital assets, depreciable	<u>30,938,798</u>	<u>4,231,244</u>	<u>32,795</u>	<u>35,137,247</u>
Less accumulated depreciation for:				
Building and improvements	8,791,785	927,587	32,795	9,686,577
Furniture and equipment	1,309,139	48,025	-	1,357,164
Software	340,550	1,170	-	341,720
Motor vehicles	1,331,859	107,146	-	1,439,005
Total accumulated depreciation	<u>11,773,333</u>	<u>1,083,928</u>	<u>32,795</u>	<u>12,824,466</u>
Capital assets, depreciable, net	<u>19,165,465</u>	<u>3,147,316</u>	<u>-</u>	<u>22,312,781</u>
Capital assets, net	<u>\$ 28,381,516</u>	<u>\$ 3,444,540</u>	<u>\$ 4,187,685</u>	<u>\$ 27,638,371</u>

Note 5. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 11,740,281	\$ -	\$ 618,839	\$ 11,121,442	\$ 645,047
Compensated absences	<u>1,579,480</u>	<u>908</u>	<u>-</u>	<u>1,580,388</u>	<u>1,580,388</u>
	<u>\$ 13,319,761</u>	<u>\$ 908</u>	<u>\$ 618,839</u>	<u>\$ 12,701,830</u>	<u>\$ 2,225,435</u>

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 5. Long-Term Liabilities (Continued)

Annual debt service requirements are as follows:

Fiscal Year	Notes Payable	
	Principal	Interest
2021	\$ 645,047	\$ 409,041
2022	669,804	384,283
2023	695,541	358,547
2024	696,705	332,949
2025	704,684	306,621
2026-2030	5,119,380	922,712
2031-2034	2,590,281	157,596
	<u>\$ 11,121,442</u>	<u>\$ 2,871,749</u>

Details of long-term indebtedness are as follows:

Notes Payable	Interest Rate	Date Issued	Final Maturity Date	Amount of Original Issue	Balance
Secured by real estate	65% of LIBOR + 2.25%*	October 2013	October 2033	\$ 5,870,000	\$ 4,370,579
Secured by real estate	65% of LIBOR + 2.25%*	October 2013	October 2033	3,817,000	2,841,993
Secured by real estate	65% of LIBOR + 2.25%*	April 2015	October 2033	2,040,000	1,565,114
Secured by real estate	3.50%	January 2017	January 2027	1,040,000	922,131
Secured by real estate	5.58%	November 2013	November 2023	320,000	129,901
Secured by real estate	5.00%	September 2017	October 2027	1,360,000	<u>1,291,724</u>
					<u>\$ 11,121,442</u>

*At June 30, 2020, this rate was 2.37%

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 5. Long-Term Liabilities (Continued)

Interest rate swap

The Board has three interest rate swap agreements in effect at June 30, 2020. The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Objective. To lower its borrowing costs and increase its savings, the Board issued variable rate debt and simultaneously entered into interest rate swaps to serve as hedges against swings in the cash flows that would be required for its variable rate notes payable. The Board's objective for entering the swaps was to effectively change its new variable rate notes to synthetic fixed rate notes, two at 3.540% and one at 2.984%.

Significant terms and recurring fair value measurements of the three interest rate swaps are as follows:

Swap Related To	Current Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value at 06/30/20	Termination Date
\$5,870,000 Note	\$ 4,370,579	10/24/2013	3.540 %	65% of LIBOR + 1.46250%	\$ (564,112)	10/07/2033
\$3,817,000 Note	\$ 2,841,993	10/24/2013	3.540 %	65% of LIBOR + 1.46250%	(366,817)	10/07/2033
\$2,040,000 Note	\$ 1,565,114	04/01/2015	2.984 %	65% of LIBOR + 1.46250%	(137,374)	10/07/2033
					<u>\$ (1,068,303)</u>	

Interest rate swaps are classified as Level 2 in the fair value hierarchy and are valued based on proprietary models of the financial institution.

The Board entered into the swaps at a cost of \$-0-. LIBOR is the London Interbank Offered Rate, the interest rate at which banks offer to lend unsecured funds to other banks in the London wholesale money market. It is the rate commonly used to set the basic rate on interest rate swaps.

Credit risk. The Board is exposed to credit risk on the swaps only when their fair values are positive or assets. At June 30, 2020, all three swaps have negative fair value and the maximum amount of loss due to credit risk is zero.

Interest rate risk. The Board is exposed to interest rate risk in that when LIBOR decreases, the fair value of the swap liability reported by the Board increases.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 5. Long-Term Liabilities (Continued)

Interest rate swap (Continued)

Termination risk. The Board or its counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If at the time of termination, the swaps have a negative fair value, the Board would be liable to the counterparty for a payment equal to that fair value.

Rollover risk. The Board is exposed to rollover risk on the interest rate swaps only the extent that the swaps may be terminated prior to maturity as described above. Absent a termination event, all three swaps are scheduled to mature at the same time as the related debt.

Swap payments and associated debt. Using rates as of June 30, 2020, debt service requirements of the variable rate debt and net swap payments related to those notes, assuming current interest rates remain the same for term of the bonds, are as follows:

Variable Rate Notes and Swap Agreements				
Year Ending June 30,	Underlying Notes		Projected Interest Rate Swap Payments (Receipts) at June 30, 2020 Rates, Net	Total
	Principal	Projected Variable Interest Payments at June 30, 2020 Interest Rates		
2021	\$ 526,474	\$ 136,472	\$ 161,415	\$ 824,361
2022	545,121	127,922	151,318	824,361
2023	564,432	119,069	140,861	824,362
2024	584,578	110,200	130,383	825,161
2025	604,316	100,416	118,822	823,554
2026-2030	3,362,486	347,733	411,591	4,121,810
2031-2034	2,590,279	72,151	85,445	2,747,875
	<u>\$ 8,777,686</u>	<u>\$ 1,013,963</u>	<u>\$ 1,199,835</u>	<u>\$ 10,991,484</u>

The net swap payments are the projected difference between the receive variable, pay fixed components of the swap agreement. As rates vary, variable-rate note interest payments and net swap payments will vary. As long as the agreement stays in effect the total payments are not expected to change.

Loan covenants and other matters

The various note agreements described above include certain loan covenants including liquidity and working capital requirements and liabilities to tangible net worth ratio requirements. The Board was in compliance with all such covenants at June 30, 2020. Certain of the agreements also include prepayment premiums.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 6. Lease Commitments

The Board leases office space, parking and other facilities under lease terms which range from monthly to two years. Future minimum lease requirements under non-cancellable operating leases, excluding intercompany amounts, are as follows:

<u>Fiscal Year</u>	
2021	\$ 131,507
2022	<u>46,623</u>
	<u>\$ 178,130</u>

Rental expense for 2020 totaled \$358,204, excluding \$2,175,603 of intercompany amounts.

RTCSB, Inc. leases office space and other facilities to the Board, as well as commercial and residential lessees, however, all long-term rentals are intercompany agreements.

Total rental income for the year ended June 30, 2020 totaled \$112,904, excluding intercompany rents.

Note 7. Regional Funds

The Board serves as the fiscal agent for several regional programs, which are administered by several community services boards, including the Board, in a region established by the State. The Board oversees a pool of state funds, and directs the allocation of those funds to or on behalf of various community services boards within the region. The programs include discharge assistance program (DAP), acute care local inpatient purchase of services (LIPOS), and substance use disorders – community detox (SUD). The funds spent in the fiscal year are accounted for as revenues and expenses of the Board. The funds received by the Board and spent on behalf of the region consisted of the following:

Funds received:	
DAP	\$ 11,777,375
LIPOS	696,978
SUD	<u>165,000</u>
Total funds received	<u>\$ 12,639,353</u>
Funds spent:	
DAP	\$ 11,406,239
LIPOS	453,332
SUD	<u>128,872</u>
Total funds spent	<u>\$ 11,988,443</u>

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 7. Regional Funds (Continued)

Unearned revenue:	
DAP	\$ 371,136
LIPOS	243,646
SUD	<u>36,128</u>
Balance, June 30, 2020	<u>\$ 650,910</u>

The \$11,988,443 of revenue recognized for funds spent on behalf of the region are included in Commonwealth of Virginia grants and the expenses are included in contractual and professional services and client services on the statement of revenues, expenses, and changes in fund net position. Of these funds spent on behalf of the region, \$2,245,408 was for services provided directly by the Board, with the remaining spent on behalf of the remaining participating community services boards.

Note 8. Defined Benefit Pension Plan

Plan description

All full-time, salaried permanent employees of Region Ten Community Services Board, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

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

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Members</u>
Inactive members or their beneficiaries currently receiving benefits	167
Inactive members:	
Vested inactive members	153
Non-vested inactive members	352
LTD	1
Inactive members active elsewhere in VRS	147
	<hr/>
Total inactive members	653
Active members	468
	<hr/>
Total covered employees	1,288
	<hr/> <hr/>

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2020 was 2.55% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$399,247 and \$452,850 for the years ended June 30, 2020 and 2019, respectively.

Net pension liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

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

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

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

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Defined Benefit Pension Plan (Continued)

Long-term expected rate of return

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

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

- * The above allocation provides for a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund allocation.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Defined Benefit Pension Plan (Continued)

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability (asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2018	\$ 48,898,388	\$ 55,587,732	\$ (6,689,344)
Changes for the year:			
Service cost	1,732,323	-	1,732,323
Interest	3,347,583	-	3,347,583
Differences between expected and actual experience	(440,052)	-	(440,052)
Assumption changes	1,680,138	-	1,680,138
Contributions – employer	-	452,850	(452,850)
Contributions – employee	-	1,135,689	(1,135,689)
Net investment income	-	3,709,979	(3,709,979)
Benefit payments, including refunds of employee contributions	(2,151,550)	(2,151,550)	-
Administrative expenses	-	(36,357)	36,357
Other changes	-	(2,343)	2,343
Net changes	4,168,442	3,108,268	1,060,174
Balances at June 30, 2019	\$ 53,066,830	\$ 58,696,000	\$ (5,629,170)

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	\$ 1,982,163	\$ (5,629,170)	\$ (11,589,981)

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

For the year ended June 30, 2020, the political subdivision recognized pension expense of \$158,596. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 350,239
Change in assumptions	1,120,092	51,238
Net difference between projected and actual earnings on pension plan investments	-	510,909
Employer contributions subsequent to the measurement date	399,247	-
Total	\$ 1,519,339	\$ 912,386

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Defined Benefit Pension Plan (Continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (Continued)

The \$399,247 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision'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 amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2021	\$ 277,307
2022	(88,628)
2023	(12,991)
2024	32,018
2025	-
Thereafter	-

Pension plan data

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

Payables to the pension plan

At June 30, 2020, approximately \$123,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

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

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

Plan descriptions

Group Life Insurance Program

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

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Plan descriptions (Continued)

Group Life Insurance Program (Continued)

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

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2020 Contribution	\$115,026
June 30, 2019 Contribution	\$119,551

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

The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

Group Life Insurance Program

June 30, 2020 proportionate share of liability	\$ 1,908,000
June 30, 2019 proportion	0.11728%
June 30, 2018 proportion	0.11519%
June 30, 2020 expense	\$ 58,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 127,000	\$ 25,000
Change in assumptions	120,000	58,000
Net difference between projected and actual earnings on OPEB plan investments	-	39,000
Changes in proportion	62,000	-
Employer contributions subsequent to the measurement date	115,026	-
	<u>\$ 424,026</u>	<u>\$ 122,000</u>

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB
(Continued)

The deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

Group Life Insurance Program

Year Ending June 30,	Increase to OPEB Expense
2021	\$ 21,000
2022	21,000
2023	37,000
2024	50,000
2025	46,000
Thereafter	12,000

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

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

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Actuarial assumptions and other inputs (Continued)

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

Net OPEB liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	\$ 3,390,238
Plan fiduciary net position	\$ 1,762,972
Employers' net OPEB liability (asset)	\$ 1,627,266
Plan fiduciary net position as a percentage of total OPEB liability	52.00%

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

Long-term expected rate of return

Group Life Insurance

The long-term expected rate of return on VRS investments was determined using the method described in Note 8.

Discount rate

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

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI net OPEB liability	\$ 2,507,000	\$ 1,908,000	\$ 1,423,000

OPEB plan fiduciary net position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10. Other Postemployment Benefits Liability – Local Plan

Plan description

The Board offers health insurance benefits to qualified retirees under a single-employer plan. Participants must be eligible to retire with a pension benefit from the VRS and must have at least 11 years of full-time service at the Board at the date of retirement with at least five years of continuous service as of July 1, 2012. Employees who were hired after July 1, 2007 or without the service requirements as of July 1, 2012 are not eligible for the plan. Health benefits include medical, dental, and vision coverage for retirees and eligible spouses/dependents.

Eligible retirees under the age of 65 may choose one of the following health insurance options: (a) Coventry Health Care – POS 1500, (b) Coventry Health Care – POS 4000/CDHP, or (c) Coventry Health Care – PPO 1500. Coverage in the plan ends for the retiree when the retiree reaches age 65, after which the Board pays directly to the retiree half the amount of the contribution that the Board would pay if the retiree were under age 65 to purchase supplemental healthcare coverage. Coverage for the spouse ends at the spouse's attainment of age 65. Effective July 1, 2013, post-65 retiree medical benefits have been eliminated for participants who retire after June 30, 2016. Retirees may also choose between the High and Low Premium Dental Plans.

The authority to establish and amend the benefit provisions of the plan rests with the Board. There is no publicly available financial report for the plan.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 10. Other Postemployment Benefits Liability – Local Plan (Continued)

Plan description (Continued)

The contribution requirements of plan members and the Board are established and may be amended by the Board. For eligible retirees, the Board makes monthly contributions directly to retirees under age 65 according to years of service. Monthly contributions range from \$17 for 11 years of service to \$345 for 30 or more years of service. Once the retiree reaches age 65, the Board pays directly to the retiree no more than half the amount of the contribution that the Board would pay the retiree under 65. Spouses and dependents receive no explicit contribution from the Board.

Employees covered by benefit terms

As of the July 1, 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	29
Active plan members	<u>109</u>
	<u>138</u>

Total OPEB liability

The Board's total OPEB liability of \$1,960,671 was measured as of June 30, 2020 and was determined based on an actuarial valuation performed as of July 1, 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:

Salary increases, including inflation	2.00%
Healthcare cost trend rates	4.50-6.50%

Mortality rates: Healthy life mortality: Society of actuaries Pub-2010 public retirement plans headcount-weighted general mortality tables using scale MP-2019 full generational improvement. Disabled life mortality: Society of actuaries Pub-2010 public retirement plans headcount-weighted disabled mortality tables using scale MP-2019 full generational improvement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2019 through June 30, 2020.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 10. Other Postemployment Benefits Liability – Local Plan (Continued)

Changes in the total OPEB liability

Balance at June 30, 2019	\$ 1,732,110
Changes for the year:	
Service cost	44,763
Interest	52,870
Differences between expected and actual experience	164,029
Assumption or other input changes	(4,047)
Benefit payments	(29,054)
Net changes	228,561
Balance at June 30, 2020	\$ 1,960,671

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

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.60%) or one percentage point higher (3.60%) than the current discount rate:

	1.00% Decrease (1.60%)	Current Discount Rate (2.60%)	1.00% Increase (3.60%)
Total OPEB liability	\$ 2,116,035	\$ 1,960,671	\$ 1,821,266

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

The following presents the total OPEB liability of the Board, as well as what the Board'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 rates of 4.50-6.50%:

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
Total OPEB liability	\$ 1,835,517	\$ 1,960,671	\$ 2,105,586

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 10. 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 Board recognized OPEB expense of \$161,887. At June 30, 2020, the political subdivision 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	\$ 221,462	\$ -
Change in assumptions	178,054	43,453
	<u>\$ 399,516</u>	<u>\$ 43,453</u>

The Board's amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase to OPEB Expense
2021	\$ 39,606
2022	39,606
2023	39,606
2024	39,606
2025	39,606
Thereafter	158,033

Note 11. Unearned Revenue

At June 30, 2020, unearned revenue consists primarily of funding for the regional local inpatient purchase of services, regional discharge assistance program and community detox (regional funds as described in Note 7), permanent supportive housing, crisis stabilization programs, and system transformation excellence and performance funds.

Note 12. Deferred Compensation Plan

The Board offers its employees a deferred compensation plan created in accordance with the *Internal Revenue Code* Section 457. The plan, available to all Board employees, permits them to defer the payment of a portion of their salary until termination, retirement, death, or unforeseeable emergency. All amounts of deferred compensation, including the investments and earnings thereon, remain the property of the Board until paid to the employee, subject to the claims of general creditors. Participating employees' rights under the plan are equal to those of general creditors. It is the opinion of legal counsel that the Board has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The plan assets are held by a trustee and, therefore, are not reported in the financial statements.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 13. Net Client Service Revenue

Net client revenues arose from the following sources:

Medicaid	\$ 18,372,271
Third-party, direct client fees, and other	<u>4,728,834</u>
	<u><u>\$ 23,101,105</u></u>

Note 14. Contributions from Participating Local Governments

Contributions from participating local governments were as follows:

County of Albemarle	\$ 816,020
County of Fluvanna	129,000
County of Nelson	100,586
County of Greene	106,012
County of Louisa	135,000
City of Charlottesville	<u>1,161,082</u>
	<u><u>\$ 2,447,700</u></u>

Note 15. Other Income

Other income arose from the following sources:

Donations	\$ 106,339
Food sales	9,398
Contract and other	<u>336,686</u>
	<u><u>\$ 452,423</u></u>

Note 16. Commitments and Contingencies

Certain state and federal grants and programs are subject to audit to determine compliance with their requirements. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial. The Board also occasionally is the subject of litigation in the course of conducting its business. The Board has recorded no provision for adverse outcomes of such matters as of June 30, 2020.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 17. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; the health of and injuries to employees, and natural disasters. The Board participates in Virginia Association of Counties Group Self-Insurance Risk Pool for various liability coverages, which have up to \$4,000,000 in coverage limits. The Board participates in the VACO Risk Management pool for workers compensation coverage. There are no surety bonds for directors. The Board assumes risks related to co-insurance, policy deductibles, and claims which exceed insurance coverage. There have been no settlements that have exceeded the insurance coverage in the last three years and there has been no reduction in the amount of insurance coverage from the prior year.

Note 18. COVID-19 Impact

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

The Board’s operations are 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 Board received revenue during fiscal year 2020. As such, the financial condition and liquidity may be negatively impacted for the future fiscal years.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Board’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Board is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for future fiscal years. The Board received \$492,258 during 2020 in the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

Note 19. Pending Pronouncements

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.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 19. Pending Pronouncements (Continued)

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.

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.

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 19. Pending Pronouncements (Continued)

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

REGION TEN COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS June 30, 2020

	Plan Year					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,732,323	\$ 1,777,360	\$ 1,860,920	\$ 1,948,913	\$ 1,843,684	\$ 1,831,405
Interest on total pension liability	3,347,583	3,146,376	3,035,321	2,855,267	2,694,527	2,487,518
Difference between expected and actual experience	(440,052)	(4,732)	(743,067)	(458,653)	(619,325)	-
Changes in assumptions	1,680,138	-	(691,717)	-	-	-
Benefit payments, including refunds of employee contributions	(2,151,550)	(1,937,677)	(1,812,238)	(1,734,441)	(1,510,754)	(1,212,532)
Net change in total pension liability	4,168,442	2,981,327	1,649,219	2,611,086	2,408,132	3,106,391
Total pension liability – beginning	48,898,388	45,917,061	44,267,842	41,656,756	39,248,624	36,142,233
Total pension liability – ending	53,066,830	48,898,388	45,917,061	44,267,842	41,656,756	39,248,624
Plan Fiduciary Net Position						
Contributions – employer	452,850	680,263	678,475	989,438	965,578	943,142
Contributions – employee	1,135,689	1,081,693	1,084,940	991,398	966,114	943,094
Net investment income	3,709,979	3,853,853	5,684,422	813,303	1,987,824	5,825,974
Benefit payments, including refunds of employee contributions	(2,151,550)	(1,937,677)	(1,812,238)	(1,734,441)	(1,510,754)	(1,212,532)
Administrative expenses	(36,357)	(32,792)	(32,211)	(27,812)	(26,385)	(30,517)
Other	(2,343)	(3,450)	(5,077)	(339)	(423)	307
Net change in plan fiduciary net position	3,108,268	3,641,890	5,598,311	1,031,547	2,381,954	6,469,468
Plan fiduciary net position – beginning	55,587,732	51,945,842	46,347,531	45,315,984	42,934,030	36,464,562
Plan fiduciary net position – ending	58,696,000	55,587,732	51,945,842	46,347,531	45,315,984	42,934,030
Net pension asset – ending	\$ (5,629,170)	\$ (6,689,344)	\$ (6,028,781)	\$ (2,079,689)	\$ (3,659,228)	\$ (3,685,406)
Plan fiduciary net position as a percentage of total pension liability	111%	114%	113%	105%	109%	109%
Covered employee payroll	\$ 22,294,557	\$ 21,873,350	\$ 20,920,226	\$ 20,109,602	\$ 19,332,071	\$ 18,572,307
Net pension asset as a percentage of covered employee payroll	-25%	-31%	-29%	-10%	-19%	-20%

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

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

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

REGION TEN COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2020

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 399,247	\$ 399,247	\$ -	\$ 19,776,756	2.02 %
2019	452,850	452,850	-	22,294,557	2.03
2018	680,263	680,263	-	21,873,350	3.11
2017	676,559	676,559	-	20,920,226	3.23
2016	989,306	989,306	-	20,109,602	4.92
2015	964,934	964,934	-	19,332,071	4.99

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.

REGION TEN COMMUNITY SERVICES BOARD

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS
June 30, 2020**

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2020	0.12 %	\$ 1,908,000	\$ 22,294,557	8.56 %	52.00 %
2019	0.12	1,749,000	21,873,350	8.00	51.22
2018	0.11	1,708,000	20,920,226	8.16	48.86

Schedule is intended to show information for 10 years. Since 2018 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 entity's fiscal year.

REGION TEN COMMUNITY SERVICES BOARD

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – VRS
June 30, 2020**

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance – General Employees					
2020	\$ 115,026	\$ 115,026	\$ -	\$ 19,776,756	0.58 %
2019	119,551	119,551	-	22,294,557	0.54
2018	123,905	123,905	-	21,873,350	0.57

Schedule is intended to show information for 10 years. Since 2018 is 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 entity's fiscal year – i.e. the covered payroll on which required contributions were based for the same year.

REGION TEN COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – LOCAL PLAN

June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 44,763	\$ 36,571	\$ 37,953
Interest on total OPEB liability	52,870	44,141	46,429
Difference between expected and actual experience	164,029	113,212	-
Changes in assumptions	(4,047)	249,276	(71,139)
Employer contributions	<u>(29,054)</u>	<u>(24,238)</u>	<u>(55,386)</u>
Net change in total OPEB liability	228,561	418,962	(42,143)
Total OPEB liability – beginning	<u>1,732,110</u>	<u>1,313,148</u>	<u>1,355,291</u>
Total OPEB liability – ending	<u>1,960,671</u>	<u>1,732,110</u>	<u>1,313,148</u>
Plan Fiduciary Net Position			
Plan fiduciary net position – ending	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability – ending	<u><u>\$ 1,960,671</u></u>	<u><u>\$ 1,732,110</u></u>	<u><u>\$ 1,313,148</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0%</u>	<u>0%</u>	<u>0%</u>
Covered payroll	<u><u>\$ 5,967,382</u></u>	<u><u>\$ 5,719,900</u></u>	<u><u>\$ 5,719,900</u></u>
Net OPEB liability as a percentage of covered payroll	<u>33%</u>	<u>30%</u>	<u>23%</u>

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.

REGION TEN COMMUNITY SERVICES BOARD

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – LOCAL PLAN
June 30, 2020**

Entity 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	\$ 29,054	\$ 29,054	\$ -	\$ 5,967,382	0.49 %
2019	24,238	24,238	-	5,719,900	0.42
2018	55,386	55,386	-	5,719,900	0.97

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.

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%

Largest 10 – Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%

All Others (Non 10 Largest):

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%

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OTHER SUPPLEMENTARY INFORMATION

REGION TEN COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF NET POSITION

June 30, 2020

	Region Ten Community Services Board	Region Ten Community Services Board, Inc.	Pine Ridge Residence, Inc.	Inter- Company Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 4,870,902	\$ 2,006,965	\$ 6,523	\$ -	\$ 6,884,390
Accounts receivable, net	2,616,234	-	-	-	2,616,234
Due from other governments	67,712	-	-	-	67,712
Due from related party	35,707	-	-	(35,707)	-
Cash and cash equivalents, restricted	1,097,447	21,323	31,485	-	1,150,255
Total current assets	8,688,002	2,028,288	38,008	(35,707)	10,718,591
NONCURRENT ASSETS					
Funds held by others	-	419,981	-	-	419,981
Net pension asset	5,629,170	-	-	-	5,629,170
Capital assets, net	1,143,908	26,154,191	340,272	-	27,638,371
Total noncurrent assets	6,773,078	26,574,172	340,272	-	33,687,522
Total assets	15,461,080	28,602,460	378,280	(35,707)	44,406,113
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	1,519,339	-	-	-	1,519,339
Deferred outflows related to other postemployment benefits	823,542	-	-	-	823,542
Interest rate swaps	-	1,068,303	-	-	1,068,303
Total deferred outflows of resources	2,342,881	1,068,303	-	-	3,411,184
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	1,380,928	6,299	-	-	1,387,227
Accrued payroll and related liabilities	882,647	-	-	-	882,647
Other liabilities	-	21,189	859	-	22,048
Amounts held for clients, payable from restricted assets	435,869	-	-	-	435,869
Due to related party	-	-	35,707	(35,707)	-
Unearned revenue	2,182,754	-	-	-	2,182,754
Interest rate swap liability	-	1,068,303	-	-	1,068,303
Current portion of long-term liabilities	1,580,388	645,047	-	-	2,225,435
Total current liabilities	6,462,586	1,740,838	36,566	(35,707)	8,204,283
LONG-TERM LIABILITIES					
Other postemployment benefits	3,868,671	-	-	-	3,868,671
Note payable, noncurrent portion	-	10,476,395	-	-	10,476,395
Total long-term liabilities	3,868,671	10,476,395	-	-	14,345,066
Total liabilities	10,331,257	12,217,233	36,566	(35,707)	22,549,349
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	912,386	-	-	-	912,386
Deferred inflows related to other postemployment benefits	165,453	-	-	-	165,453
Total deferred inflows of resources	1,077,839	-	-	-	1,077,839
NET POSITION					
Net investment in capital assets	1,143,908	15,032,749	340,272	-	16,516,929
Restricted					
Annette Vail Memorial Trust	10,000	-	-	-	10,000
Housing and Urban Development capital advance	-	-	502,700	-	502,700
Pension	5,629,170	-	-	-	5,629,170
Unrestricted	(388,213)	2,420,781	(501,258)	-	1,531,310
Total net position	\$ 6,394,865	\$ 17,453,530	\$ 341,714	\$ -	\$ 24,190,109

REGION TEN COMMUNITY SERVICES BOARD

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

	Region Ten Community Services Board	Region Ten Community Services Board, Inc.	Pine Ridge Residence, Inc.	Inter- Company Eliminations	Total
OPERATING REVENUES					
Net client service revenue	\$ 23,101,105	\$ -	\$ -	\$ -	\$ 23,101,105
OPERATING EXPENSES					
Salaries and benefits	29,313,964	-	-	-	29,313,964
Staff development and recruitment	144,476	-	-	-	144,476
Facility	4,051,980	300,741	4,089	(2,175,603)	2,181,207
Supplies	837,593	-	101	-	837,694
Travel	345,662	-	-	-	345,662
Contractual and professional services	5,730,930	3,010	5,295	-	5,739,235
Client services	11,250,685	-	-	-	11,250,685
Depreciation	234,662	837,043	12,223	-	1,083,928
Other	170,422	29,888	10,086	(2,400)	207,996
Total operating expenses	52,080,374	1,170,682	31,794	(2,178,003)	51,104,847
Operating loss	(28,979,269)	(1,170,682)	(31,794)	2,178,003	(28,003,742)
NONOPERATING REVENUES (EXPENSES)					
Commonwealth of Virginia grants	23,074,581	-	-	-	23,074,581
Federal grants	3,353,751	-	-	-	3,353,751
Contributions from participating local governments	2,447,700	-	-	-	2,447,700
Interest income	15,154	-	16	-	15,170
Unrealized gain	-	42,859	-	-	42,859
Interest expense and other fees	-	(425,186)	-	-	(425,186)
Rental income	-	2,270,141	18,366	(2,175,603)	112,904
Other income	371,438	83,385	-	(2,400)	452,423
Net nonoperating revenue	29,262,624	1,971,199	18,382	(2,178,003)	29,074,202
Change in net position before transfers	283,355	800,517	(13,412)	-	1,070,460
Transfers in (out)	(260,125)	260,125	-	-	-
Change in net position	23,230	1,060,642	(13,412)	-	1,070,460
NET POSITION, at July 1	6,371,635	16,392,888	355,126	-	23,119,649
NET POSITION, at June 30	\$ 6,394,865	\$ 17,453,530	\$ 341,714	\$ -	\$ 24,190,109

REGION TEN COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

	Region Ten Community Services Board	Region Ten Community Services Board, Inc.	Pine Ridge Residence, Inc.	Inter- Company Eliminations	Total
OPERATING ACTIVITIES					
Receipts from clients, private insurers, Medicaid, and others	\$ 24,169,168	\$ -	\$ -	\$ -	\$ 24,169,168
Payments to suppliers	(20,972,291)	(328,217)	(19,571)	2,178,003	(19,142,076)
Payments to and for employees	(29,496,279)	-	-	-	(29,496,279)
Other receipts (repayments)	128,072	-	(900)	-	127,172
Net cash used in operating activities	(26,171,330)	(328,217)	(20,471)	2,178,003	(24,342,015)
NON-CAPITAL FINANCING ACTIVITIES					
Contributions from local, state, and federal governments	29,910,145	-	-	-	29,910,145
Other receipts	538,412	2,353,311	(11,723)	(2,178,003)	701,997
Transfers	(260,125)	260,125	-	-	-
Net cash provided by (used in) non-capital financing activities	30,188,432	2,613,436	(11,723)	(2,178,003)	30,612,142
CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(37,376)	(308,498)	-	-	(345,874)
Principal paid on debt	-	(618,839)	-	-	(618,839)
Interest paid on debt	-	(436,340)	-	-	(436,340)
Net cash used in capital and related financing activities	(37,376)	(1,363,677)	-	-	(1,401,053)
INVESTING ACTIVITIES					
Interest received	15,154	-	16	-	15,170
Net increase (decrease) in cash and cash equivalents	3,994,880	921,542	(32,178)	-	4,884,244
CASH AND CASH EQUIVALENTS					
Beginning at July 1	1,973,469	1,106,746	70,186	-	3,150,401
Ending at June 30	\$ 5,968,349	\$ 2,028,288	\$ 38,008	\$ -	\$ 8,034,645

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

	Region Ten Community Services Board	Region Ten Community Services Board, Inc.	Pine Ridge Residence, Inc.	Inter- Company Eliminations	Total
RECONCILIATION TO STATEMENT OF NET POSITION					
Cash and cash equivalents	\$ 4,870,902	\$ 2,006,965	\$ 6,523	\$ -	\$ 6,884,390
Cash and cash equivalents, restricted	1,097,447	21,323	31,485	-	1,150,255
	<u>\$ 5,968,349</u>	<u>\$ 2,028,288</u>	<u>\$ 38,008</u>	<u>\$ -</u>	<u>\$ 8,034,645</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES					
Operating loss	\$ (28,979,269)	\$ (1,170,682)	\$ (31,794)	\$ 2,178,003	\$ (28,003,742)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	234,662	837,043	12,223	-	1,083,928
Pension expense net of employer contribution	(227,992)	-	-	-	(227,992)
Other postemployment expense net of employer contribution	77,643	-	-	-	77,643
(Increase) decrease in:					
Accounts receivable, net	1,068,063	-	-	-	1,068,063
Prepaid expenses and other	511,081	-	-	-	511,081
Increase (decrease) in:					
Accounts payable	1,048,376	5,422	-	-	1,053,798
Accrued payroll and related liabilities	(32,874)	-	-	-	(32,874)
Security deposits payable – included in other liabilities	-	-	(900)	-	(900)
Amounts held for clients, payable from restricted assets	128,072	-	-	-	128,072
Compensated absences – included in long-term liabilities	908	-	-	-	908
Net cash used in operating activities	<u>\$ (26,171,330)</u>	<u>\$ (328,217)</u>	<u>\$ (20,471)</u>	<u>\$ 2,178,003</u>	<u>\$ (24,342,015)</u>

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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
Region Ten Community Services Board
Charlottesville, 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 Region Ten Community Services Board (the "Board"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 30, 2020.

Internal Control over Financial Reporting

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

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 Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance 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 Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 30, 2020

REGION TEN COMMUNITY SERVICES BOARD

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 Board'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