

***PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD***
Norton, Virginia

AUDIT REPORT

Year ended June 30, 2015 and 2014

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

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PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The following Management Discussion and Analysis (MD&A) of the Planning District One Behavioral Health Services (PD1BHS) activities and financial performance provides the reader with an introduction and overview to the financial statements of PD1BHS for the fiscal year ended June 30, 2015.

Following this MD&A are the basic financial statements of PD1BHS together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, there is certain *required supplementary information* regarding schedule of expenditures of federal awards and schedule of insurance.

PD1BHS FINANCIAL OPERATIONS HIGHLIGHTS

PD1BHS disabilities of Mental Health, Developmental Services/Intellectual Disabilities and Substance Use revenues increased (decreased) in each area during FY 2015 as follows:

Per Year-End Report:

	FY 2015	FY 2014	% Increase (Decrease)
Mental Health	\$7,743,245	\$7,875,535	(1.7%)
Development Services	4,614,656	1,829,359	152.3%
Substance Use	1,955,921	1,982,395	(1.3%)

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

Per Audited Financial Statements:

	FY 2015	FY 2014
Operating Revenues	<u>\$8,947,827</u>	<u>\$8,390,651</u>
Operating Expenses	<u>\$8,936,544</u>	<u>8,331,870</u>
Excess before non-operating		
Gains (Losses)	11,283	58,781
Non-Operating Gains(Losses)	<u>1,317</u>	<u>(2,359)</u>
Change in net position	<u><u>\$12,600</u></u>	<u><u>\$56,422</u></u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

FINANCIAL POSITION SUMMARY

Per Audited Financial Statements:

Net position may serve over time as a useful indicator of the agencies financial position.

A condensed summary of the agency's balance sheet at June 30, 2015, is shown below:

	FY 2015	FY 2014
ASSETS	\$ 2,587,288	\$ 884,097
DEFERRED OUTFLOWS OF RESOURCES	<u>2,524</u>	<u>417,666</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,589,812</u>	<u>\$ 1,301,763</u>
LIABILITIES	\$ 1,463,870	\$ 601,420
DEFERRED INFLOWS OF RESOURCES	98,000	-
NET POSITION	<u>1,027,942</u>	<u>700,343</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	<u>\$ 2,589,812</u>	<u>\$ 1,301,763</u>

REVENUES

Per Audited Financial Statements:

A summary of operating revenues for the years ended June 30, 2015 and 2014 and the amount of and percentage change from 2015 in relation to 2014 is as follows:

	FY 2015	% of Total	FY 2014	Changes from FY 2014	% Change
Net Patient Service Revenue	\$ 3,993,861	44.6%	\$3,571,664	\$ 422,197	11.8%
State	3,767,774	42.1%	3,670,889	96,885	2.6%
Federal	836,192	9.4%	797,966	38,226	4.8%
Local	350,000	3.9%	350,000	-	0.0%
Other	<u>-</u>	<u>0.0%</u>	<u>132</u>	<u>(132)</u>	<u>(100.0%)</u>
Total	<u>\$ 8,947,827</u>	<u>100.0%</u>	<u>\$ 8,390,651</u>	<u>\$ 557,176</u>	<u>6.6%</u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

EXPENSES

Per Audited Financial Statements:

A summary of expenses for the years ended June 30, 2015 and 2014, and the amount of and percentage change from 2015 in relation to 2014 are as follows:

	FY 2015	% of Total	FY 2014	Increase (Decrease) From FY 2014	% Increase (Decrease)
Personnel Staff	\$ 308,995	3.5%	\$ 295,977	\$ 13,018	4.4%
Development	8,033	0.1%	10,638	(2,605)	(24.5%)
Depreciation	22,951	0.2%	15,405	7,546	49.0%
Facility Expense	25,305	0.3%	33,066	(7,761)	(23.5%)
Travel Expense	29,440	0.3%	28,750	690	2.4%
Contract Services	8,536,041	95.5%	7,943,300	592,741	7.5%
Other Expenses	<u>5,779</u>	<u>0.1%</u>	<u>4,734</u>	<u>1,045</u>	<u>22.1%</u>
Total	<u>\$ 8,936,544</u>	<u>100.0%</u>	<u>\$ 8,331,870</u>	<u>\$ 604,674</u>	<u>7.3%</u>

A summary of expenses by core service for the year ended June 30, 2015, and the amount of and percentage change in relation to prior year amounts is as follows:

Per Year-End Report:

	FY 2015	% of Total	FY 2014	Increase (Decrease) From 2013	% Change
MENTAL HEALTH					
250 Acute Psychiatric or SA Inpatient Services	\$ 105,660	1.5%	\$ 91,100	\$ 14,560	16.0%
310 Outpatient Services	1,976,453	28.6%	2,104,107	(127,654)	(6.1%)
320 Case Management	2,792,203	40.4%	2,519,144	273,059	10.8%
425 Rehabilitation or Habilitation	327,031	4.7%	361,946	(34,915)	(9.6%)
430 Sheltered Employment	288,644	4.2%	361,580	(72,936)	(20.2%)
521 Intensive Residential Services	419,816	6.1%	410,896	8,920	2.2%
551 Supervised Residential Services	590,611	8.6%	612,496	(21,885)	(3.6%)
581 Supportive Residential Services	<u>403,910</u>	<u>5.9%</u>	<u>444,171</u>	<u>(40,261)</u>	<u>(9.1%)</u>
	<u>\$ 6,904,328</u>	<u>100.0%</u>	<u>\$ 6,905,440</u>	<u>\$ (1,112)</u>	<u>0.0%</u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Per Fourth Quarter Report (continued):

DEVELOPMENTAL SERVICES	FY 2015	% of Total	FY 2014	Increase (Decrease) From 2014	% Change
320 Case Management Services	\$ 560,680	13.3%	\$ 507,741	\$ 52,939	10.4%
425 Rehabilitation	543,994	12.9%	89,269	454,725	509.4%
430 Sheltered Employment	818,378	19.4%	361,052	457,326	126.7%
521 Intensive Residential Services	1,074,876	25.4%	575,278	499,598	86.8%
551 Supervised Residential Services	449,941	10.7%	-	449,941	0.0%
581 Supportive Residential Services	775,868	18.4%	-	775,868	0.0%
	<u>\$ 4,223,737</u>	<u>100.0%</u>	<u>\$ 1,533,340</u>	<u>\$2,690,397</u>	<u>175.5%</u>
SUBSTANCE ABUSE	FY 2015	% of Total	FY 2014	Increase (Decrease) From 2014	% Change
310 Outpatient	\$ 640,146	42.1%	\$ 852,930	\$(212,784)	(24.9%)
335 Medication Assisted Treatment	30,118	2.0%	27,138	2,980	11.0%
320 Case Management	533,335	35.0%	508,163	25,172	5.0%
501 Highly Intensive Residential	146,265	9.6%	136,218	10,047	7.4%
610 Prevention	172,397	11.3%	151,987	20,410	13.4%
	<u>\$1,522,261</u>	<u>100.0%</u>	<u>\$1,676,436</u>	<u>\$(154,175)</u>	<u>(9.2%)</u>
Emergency & Ancillary	FY 2015	% of Total	FY 2014	Increase (Decrease) From 2014	% Change
100 Emergency	\$ 735,515	71.1%	\$ 558,606	\$ 176,909	31.7%
318 Motivational Treatment	24,898	2.4%	5,320	19,578	368.0%
720 Assessment & Evaluation	107,350	10.4%	93,976	13,374	14.2%
620 Early Intervention	117,095	11.3%	67,497	49,598	73.5%
730 Consumer Run Services	50,000	4.8%	50,000	-	0.0%
	<u>\$1,034,858</u>	<u>100.0%</u>	<u>\$ 775,399</u>	<u>\$ 259,459</u>	<u>33.5%</u>

Additional information may be obtained by contacting Donna Stanley, Financial Officer for Planning District One Behavioral Health Services Board at 276-679-5751.

THROWER, BLANTON & ASSOCIATES, P.C.

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Founded 1948

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Planning District One
Behavioral Health Services Board
Norton, VA 24273

Report on the Financial Statements

We have audited the accompanying statements of net position of Planning District One Behavioral Health Services Board, as of and for the years ended June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Planning District One Behavioral Health Services 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Boards, Commissions and Authorities*, 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Planning District One Behavioral Health Services Board as of June 30, 2015, and the respective changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The other supplementary information presented in Exhibit A-1 and A-5 thru A-9, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.


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

The other supplementary information presented in the exhibits listed in the first paragraph of this section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly we do not express an opinion or provide any assurance on them.

The Board of Directors
Planning District One
Behavioral Health Services Board
Norton, VA 24273
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of the Board's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Planning District One Behavioral Health Services Board's internal control over financial reporting and compliance.



THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

Norton, Virginia
November 23, 2015

THROWER, BLANTON & ASSOCIATES, P.C.

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

The Board of Directors
Planning District One
Behavioral Health Services Board
Norton, VA 24273

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Boards, Commissions and Authorities*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Planning District One Behavioral Health Services Board, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Planning District One Behavioral Health Services Board's basic financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2015, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Board's 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 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 the internal control that might be material deficiencies or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. This deficiency is listed as finding 2015-001.

Compliance and Other Matters

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


Planning District One Behavioral Health Services Board's Response to Findings

Planning District One Behavioral Health Services Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Planning District One Behavioral Health Services Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the Planning District One Behavioral Health Services Board in a separate letter dated November 23, 2015.

Purpose of this Report

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


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants
Norton, Virginia
November 23, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
Planning District One
Behavioral Health Services Board
Norton, VA 24273

Report on Compliance for Each Major Federal Program

We have audited the Planning District One Behavioral Health Services Board's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2015. The Board's major federal programs are identified in the summary of Federal Awards section of the accompanying supplemental schedules.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Planning District One Behavioral Health Services Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Planning District One Behavioral Health Services Board's internal control over compliance.

(Independent Auditor's report on Compliance for
Each Major Program and on Internal Control Over Compliance
Required by OMB Circular A-133)

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Planning District One Behavioral Health Services Board's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Planning District One Behavioral Health Services Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB A-133. Accordingly, this report is not suitable for any other purpose

Thrower, Blanton & Associates, P.C.
THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants
Norton, Virginia
November 23, 2015

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICE BOARD**
Norton, Virginia
STATEMENTS OF NET POSITION
June 30, 2015 and June 30, 2014

EXHIBIT 1

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 323,986	\$ 290,846
Accounts receivable less allowance for contractals	1,418,441	590,851
Accrued interest receivable	113	118
Prepaid insurance	4,252	2,282
Net pension asset	441,000	-
Capital assets, net	<u>399,496</u>	<u>417,666</u>
 TOTAL ASSETS	 <u>\$ 2,587,288</u>	 <u>\$ 1,301,763</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred pensions	<u>2,524</u>	<u>-</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>2,524</u>	 <u>-</u>
 TOTAL ASSETS AND DEFERED OUTFLOWS OF RESOURCES	 <u><u>\$ 2,589,812</u></u>	 <u><u>\$ 1,301,763</u></u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Compensated absences payable	45,429	10,601
Due to contract agencies	<u>1,418,441</u>	<u>590,819</u>
 TOTAL LIABILITIES	 <u>1,463,870</u>	 <u>601,420</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred pensions	<u>98,000</u>	<u>-</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u><u>98,000</u></u>	 <u><u>-</u></u>
<u>NET POSITION</u>		
Invested in capital assets	399,496	417,666
Unrestricted	<u>628,446</u>	<u>282,677</u>
Total Net Position	<u>1,027,942</u>	<u>700,343</u>
 TOTAL LIABILITIES, DEFERED INFLOWS OF RESOURCES AND NET POSITION	 <u><u>\$ 2,589,812</u></u>	 <u><u>\$ 1,301,763</u></u>

See accompanying notes to financial statements

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**

EXHIBIT 2

Norton, Virginia

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

June 30, 2015 and June 30, 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
OPERATING REVENUES:		
Net patient service revenue	\$ 3,993,861	\$ 3,571,664
Grant income	4,953,966	4,818,855
Other income	<u>-</u>	<u>132</u>
Total Operating Revenues	<u>8,947,827</u>	<u>8,390,651</u>
OPERATING EXPENSES:		
Personnel	308,995	295,977
Staff development	8,033	10,638
Depreciation	22,951	15,405
Facility expense	25,305	33,066
Travel expense	29,440	28,750
Contract / program services	8,536,041	7,943,300
Other expense	<u>5,779</u>	<u>4,734</u>
Total Operating Expenses	<u>8,936,544</u>	<u>8,331,870</u>
Operating Income (loss)	<u>11,283</u>	<u>58,781</u>
NON-OPERATING GAINS (LOSSES):		
Investment income	1,317	922
Contribution income	-	-
Gain (Loss) on sale of assets	<u>-</u>	<u>(3,281)</u>
Total Non-Operating Gains (Losses)	<u>1,317</u>	<u>(2,359)</u>
CHANGE IN NET POSITION	12,600	56,422
NET POSITION - BEGINNING OF YEAR - AS RESTATED	<u>1,015,342</u>	<u>643,921</u>
NET POSITION - END OF YEAR	<u>\$ 1,027,942</u>	<u>\$ 700,343</u>

See accompanying notes to financial statements

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICE BOARD**

EXHIBIT 3

Norton, Virginia
STATEMENTS OF CASH FLOWS
June 30, 2015 and June 30, 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipt from customer and users	\$ 3,166,271	\$ 3,447,520
Appropriations from governments	4,953,966	4,818,855
Payments to suppliers	(7,778,946)	(7,886,304)
Payments to employees	(304,690)	(310,454)
Net Cash Provided (Used) by Operating Activities	<u>36,601</u>	<u>69,617</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of vehicle	-	15,999
Purchase of property and equipment	(4,782)	(82,557)
Net Cash Provided (Used) by Financing Activities	<u>(4,782)</u>	<u>(66,558)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on cash and short-term investments	<u>1,321</u>	<u>941</u>
Net Cash Provided (Used) by Investing Activities	<u>1,321</u>	<u>941</u>
Net Change in Cash and Cash Equivalents	33,140	4,000
Cash and Cash Equivalents, Beginning of Year	<u>290,846</u>	<u>286,846</u>
Cash and Cash Equivalents, End of Year	<u>\$ 323,986</u>	<u>\$ 290,846</u>
SUPPLEMENTAL DATA:		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET		
CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 11,283	\$ 58,781
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	22,951	15,405
Net pension obligation	(30,524)	-
(Increase) decrease in patient accounts receivable	(827,590)	(124,276)
(Increase) decrease in prepaid assets	(1,970)	(698)
Increase (decrease) in accounts payable	-	-
Increase (decrease) in compensated absences payable	34,829	(3,839)
Increase (decrease) in due to contract agencies	<u>827,622</u>	<u>124,244</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 36,601</u>	<u>\$ 69,617</u>

See accompanying notes to financial statements

June 30, 2015

1. **DESCRIPTION OF AGENCY**

Reporting Entity

The Board operates as an agent for the Counties of Wise, Scott and Lee, and the City of Norton, in the establishment and operation of community mental health and developmental services/intellectual disabilities and substance use programs as provided for in Chapter 5 of Title 37.2 of the Code of Virginia, relating to the Virginia Department of Mental Health and Developmental Services. In addition, the Board provides a system of community mental health, developmental services/intellectual disabilities, and substance use services which relate to and are integrated with existing and planned programs.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

In June 1999, the Governmental Accounting Standards Board ("GASB") issued *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for governmental entities throughout the United States. The objective of this statement is to enhance the understanding and usefulness of the external financial reports of governmental entities to the citizenry, legislative and oversight bodies, and investors and creditors.

Basis of Presentation

The financial statements of the Board have been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America for governmental health care reporting entities.

Property, Plant and Equipment

Property, plant and equipment are reported on the basis of cost. Donated items are recorded at fair market value at the date of donation. Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. The general range of estimated useful lives for buildings and land improvements is 20 to 40 years and the general range for equipment is 5 to 20 years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Advertising

Advertising costs are charged to operations when incurred.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. The reclassifications have no impact on previously reported operating income.

Cash Equivalents

The Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns on Combined Statements – Overview

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position and results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Budgets and Budgetary Accounting

The Board adopts an annual budget in accordance with the cash basis of accounting. The budget is presented to the Department in the form of a Performance Contract. In FY 2015, the Department of Behavioral Health and Development Services changed from a yearly performance contract to a biennial performance contract with revisions to Exhibits A, E, F, G and H for the 2nd year of the biennial performance contract.

The following is a detail of the budgeting process of Planning District One, Behavioral Health Services Board:

1. Letters of Notification and Performance Contract forms are received from the Department of Behavioral Health and Developmental Services.
2. Mental Health, Developmental Services and Substance Abuse forms and Letter of Notification are sent to the contracting agencies along with the amounts of local dollars to be received from Wise, Lee, Scott and the City of Norton (Local match). A notice of the amount of Administration Overhead accessed to each program is also sent. (Administration overhead is based on a percentage of total budget for each disability).
3. The Administration Budget is prepared by the Financial Officer, based on prior year historical data.
4. The Mental Health, Developmental Services and Substance Abuse Performance Contracts are completed by the contracting agencies and returned to the PD1BHS office where they are checked for accuracy and completeness.
5. The Performance Contract and all budgets are then approved by the Finance Committee of PD1BHS and then presented to the Board of Directors of PD1BHS for full board approval. The Chairperson of the Board and the Executive Director signs the Performance Contract.
6. A complete copy of the 1st year of the biennial Performance Contract is mailed to the Administrators of Lee, Scott and Wise Counties for approval by the Board of Supervisors and also to the Manager of the City of Norton for approval by the City Council.
7. Signature page, Exhibit B, Exhibit D (if applicable), Exhibit F (two pages), Exhibit G and Exhibit J (if applicable) of the Performance Contract are mailed to the Department. All other exhibits are entered into the CARS software and uploaded directly to the Department's secured website.
8. The Department reviews the Performance Contract, the Commissioner signs the signature page which is returned to PD1BHS to be signed by the Chairperson and Executive Director again. The signature page with original signatures of the Commission, Chairperson and Executive Director is returned to the Department.

Pensions

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>07/01/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/15</u>	<u>Allowance</u> <u>for Depr.</u>	<u>Book</u> <u>Value</u>
Equipment, furniture & fixtures	<u>\$472,287</u>	<u>\$4,782</u>	<u>\$ -</u>	<u>\$477,069</u>	<u>\$77,573</u>	<u>\$399,496</u>

Fixed assets from years prior to June 30, 1998, were accounted for in a General Fixed Asset Account Group under governmental fund accounting. Under this method depreciation was not maintained. Fixed assets from previous years were deemed to be fully depreciated. Fixed assets acquired in years after July 01, 1998, will be depreciated accordingly.

Planning District One, Behavioral Health Services Board retains title to vehicles purchased by its contracting agencies as an internal control mechanism. During the year ended June 30, 2004, it was determined to remove these assets from the records of Planning District One, Behavioral Health Services Board. These assets are reflected on the contracting agencies financial records.

4. CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", Planning District One, Behavioral Health Services Board has accrued the liability arising from outstanding claims and judgments and compensated absences.

Board employees earn Paid Time Off (PTO) according to the following schedule:

<u>Years of Service</u>	<u>Days</u> <u>Earned</u> <u>Per Month</u>	<u>Days</u> <u>Earned</u> <u>Per Year</u>
1 - 3 years	2.25	27
4 - 10 years	2.75	33
11 - 20 years	3.25	39
Over 20 years	3.50	42

<u>Balance</u> <u>07/01/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/15</u>
<u>\$10,601</u>	<u>\$54,319</u>	<u>\$(19,491)</u>	<u>\$45,429</u>

5. PENSION PLAN

Plan Description

All full-time, salaried permanent employees of the Board are automatically covered by VRS Retirement Plan upon employment. This 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 set out in the table below:

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

RETIREMENT PLAN PROVISIONS		
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 20, 2014: the plan's effective date for opt-in member was July 1, 2014

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

		<p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier is 1.00%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employee: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

<p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none">• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.• The member retires on disability.• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	<p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
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PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at an approximate normal cost./After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>9</u>
Inactive members:	
Vested inactive members	2
Non-vested Inactive members	0
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	8
Active members	<u>3</u>
Total covered employees	<u><u>20</u></u>

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

If the employer used the certified rate: The Board's contractually required contribution rate for the year ended June 30, 2015 was 1.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$ 13,127 and \$ 10,867 for the years ended June 30, 2015 and June 30, 2014, respectively.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

Net Pension Liability

The Board's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Board's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, 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 return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

Actuarial Assumptions – General Employees (continued)

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Board's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at June 30, 2013	\$ 1,114,023	\$ 1,429,106	\$ (315,083)
Changes for the year:			
Service Cost	27,364	-	27,364
Interest	74,262	-	74,262
Differences between expected and actual experience	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	10,183	(10,183)
Net investment income	-	219,094	(219,094)
Benefit payments, including refunds of employee contributions	(106,285)	(106,285)	-
Administrative expenses	-	(1,251)	1,251
Other changes	-	11	(11)
Net changes	(4,659)	121,752	(126,411)
Balance at June 30, 2014	\$ 1,109,364	\$ 1,550,858	\$ (441,494)

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	<u>(6.00%)</u>	<u>Rate (7.00%)</u>	<u>(8.00%)</u>
Net Pension Liability	\$ <u>(337,175)</u>	\$ <u>(441,494)</u>	\$ <u>(531,783)</u>

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

For the year ended June 30, 2015, the Board recognized pension expense of \$(28,440). At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 97,971
Employer contributions subsequent to the measurement date	\$ 2,524	\$ -
Total	\$ <u>2,524</u>	\$ <u>97,971</u>

\$2,524 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

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

Year ended June 30

2016	(24,493)
2017	(24,493)
2018	(24,493)
2019	(24,492)
Thereafter	-
\$	(97,971)

Payables to the Pension Plan

At June 30, 2015, the Town reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**Schedule of Employer Contributions
For the Year Ended June 30, 2015**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as of % of Covered Employee Payroll (5)
2015	\$ 13,127	\$ 13,127	\$ -	\$ 212,067	6.19%

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

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered employee payroll

Column 2 – Actual employer contribution remitted to VRS

Column 3 – Employer's covered employee payroll amount for the fiscal year ended June 30, 2015.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5- PENSION PLAN (CONTINUED)

Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios

	2014
Total pension liability	
Service cost	\$ 27,364
Interest	74,262
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit Payments, including refunds of employee contributions	(106,285)
Net change in total pension liability	(4,659)
Total pension liability - beginning	1,114,023
Total pension liability - ending (a)	<u>\$ 1,109,364</u>
 Plan fiduciary net position	
Contributions - employer	\$ -
Contributions - employee	10,183
Net investment income	219,094
Benefit Payments, including refunds of employee contributions	(106,285)
Administrative expense	(1,251)
Other	11
Net change in plan fiduciary net position	121,752
Plan fiduciary net position - beginning	1,429,106
Plan fiduciary net position - ending (b)	<u>\$ 1,550,858</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ (441,494)</u>
 Plan fiduciary net position as a percentage of the total	
Pension liability	139.80%
 Covered-employee payroll	\$ 203,910
 Political subdivision's net pension liability as a percentage of covered-employee payroll	-216.51%

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

6. SURETY BONDS

During the year ended June 30, 2015 the employees designated in the following schedule were under bond in the amounts indicated:

<u>Name and Title</u>	<u>Surety</u>	<u>Amount</u>
All employees and members of the Board of Directors	VA Risk II Pool	\$10,000

7. CONTRACTED SERVICES

- A. Mental Health, Developmental Services/Intellectual Disability and Substance Use
Planning District One Behavioral Health Services Board contracts with Frontier Health Services, Inc. of Gray, Tennessee, for the provision of mental health developmental Services/intellectual disability and substance use services.

8. NET PATIENT REVENUE

Patient service revenue subject to audit and retroactive adjustments by third-party payors totaled approximately \$3,993,861 and \$3,571,664 at June 30, 2015, and June 30, 2014, respectively.

A summary of the payment arrangement with major third-party payors follows:

Medicaid. Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per patient day. Inpatient, non-acute services, and certain outpatient services rendered to Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Board is reimbursed at a tentative rate with final settlement determined after audits thereof by the Medicaid program.

The following table sets forth the detail of net patient service revenue:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Gross patient service revenue	\$9,463,826	\$6,373,828
Revenue deductions and adjustments	(5,469,965)	(2,802,164)
Net patient service revenue	<u>\$3,993,861</u>	<u>\$3,571,664</u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

9. CASH AND CASH EQUIVALENTS

Deposits

All cash of the Board is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et. seq.* of the *Code of Virginia*, or covered by federal depository insurance.

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable law, including regulations, the Board permits investments in U. S. Treasury Securities, U. S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Credit Risk:

As required by state statute, the Board requires that commercial paper have a short-term debt rating of no less than "A-1" (or equivalent) from a nationally recognized statistical rating organization.

As of June 30, 2015, the Board held bank certificates of deposits which equaled 43% of its total deposits balance.

Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

Powell Valley National Bank	100%
-----------------------------	------

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all of the Board's investments are held in a safe deposit box in the Board's name.

The above items are reflected in the financial statements as follows:

	Primary Government
Deposits and investments:	
Cash on hand	\$ 0
Deposits	148,824
Investments – Certificates of Deposit	175,162
	<u>\$ 323,986</u>
Statement of net position:	
Cash and cash equivalents	<u>\$ 323,986</u>

Interest Rate Risk:

As of June 30, 2015, the investment balance of \$175,162 was comprised of certificates of deposits with a weighted average maturity of seven months.

10. ALLOWANCE FOR CONTRACTUAL ADJUSTMENTS

The Board calculates its allowance for contractual adjustments using historical collection data. The allowances totaled \$0 and \$0 at June 30, 2015, and June 30, 2014, respectively.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

11. RISK MANAGEMENT

Planning District One Behavioral Health Services Board carries commercial insurance policies to guard against risks of loss, including workers' compensation, employee health and accident insurance, facility insurance, professional liability insurance, and directors and officers professional liability insurance.

12. LOCAL FUNDING

The following is a summary of local funding by locality:

	<u>Admini- stration</u>	<u>Mental Health</u>	<u>Substance Abuse</u>	<u>Developmental Services</u>	<u>Total</u>
County of Wise	\$ 19,565	\$ 34,615	\$ 7,525	\$ 88,795	\$ 150,500
County of Scott	11,830	20,930	4,550	53,690	91,000
County of Lee	12,285	21,735	4,725	55,755	94,500
City of Norton	1,820	3,220	700	8,260	14,000
TOTAL LOCAL FUNDS	<u>\$ 45,500</u>	<u>\$ 80,500</u>	<u>\$17,500</u>	<u>\$ 206,500</u>	<u>\$ 350,000</u>

13. COMMITMENTS AND CONTINGENCIES

Grant Audit

Federal programs in which the Board participates were audited in accordance with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133. Pursuant to the provisions of Circular A-133, all major federal assistance programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by our audit, the Federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Litigation

In regard to litigation involving Planning District One, Behavioral Health Services Board, neither management nor legal counsel is aware of any material contingent liabilities that could affect the financial statements.

14. RESTATEMENT OF NET POSITION

An adjustment, in the amount of \$315,000 was made to beginning net position for the purpose of recording the adoption of GASB Statement 68, "Accounting and Reporting for Pensions".

15. CHANGE IN ACCOUNTING PRINCIPLE

The Board implemented Governmental Accounting Standards (GASB) Statement No. 68, "Accounting and Reporting for Pensions: an amendment of GASB Statement No. 27." This Statement replaces the requirement of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statement No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The incorporation of the change resulted in a restatement of beginning net position.

SUPPLEMENTARY INFORMATION

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
Norton, Virginia
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION
Year Ended June 30, 2015

EXHIBIT A-1

	Administration	Mental Health	Substance Abuse	Developmental Services	Totals
OPERATING REVENUES:					
Net patient service revenue	\$ -	\$ 2,769,922	\$ -	\$ 1,223,939	\$ 3,993,861
GRANTS:					
State funds	463,171	2,176,905	986,440	141,258	3,767,774
Local funds	45,500	80,500	17,500	206,500	350,000
Federal grants	-	108,672	652,701	74,819	836,192
Total Grant Funds	508,671	2,366,077	1,656,641	422,577	4,953,966
Other	-	-	-	-	-
Total Operating Revenues	508,671	5,135,999	1,656,641	1,646,516	8,947,827
OPERATING EXPENSES:					
Personnel	308,995	-	-	-	308,995
Staff development	8,033	-	-	-	8,033
Depreciation	22,951	-	-	-	22,951
Facility expense	25,305	-	-	-	25,305
Travel expense	29,440	-	-	-	29,440
Contract services	96,885	5,135,999	1,656,641	1,646,516	8,536,041
Other expense	5,779	-	-	-	5,779
Total Operating Expenses	497,388	5,135,999	1,656,641	1,646,516	8,936,544
Operating Income	11,283	-	-	-	11,283
NON-OPERATING GAINS:					
Investment income	1,317	-	-	-	1,317
Gain on sale of assets	-	-	-	-	-
Total Non-Operating Gains	1,317	-	-	-	1,317
Excess of Revenue and Gains Over Expenses	\$ 12,600	\$ -	\$ -	\$ -	\$ 12,600

See accompanying notes to financial statements

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
Norton, Virginia
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

EXHIBIT A-2

	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services:		
Pass Through Payments:		
Department of Behavioral Health and Developmental Services:		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	\$ 652,701
Block Grants for Community Mental Health Services	93.958	<u>108,672</u>
		<u>761,373</u>
Total Department of Health and Human Services		<u>761,373</u>
Department of Education:		
Pass Through Payments:		
Department of Behavioral Health and Developmental Services:		
Early Intervention Services (IDEA) Cluster:		
Special Education - Grants for Infants and Families	84.181	74,819
Total Early Intervention Services (IDEA) Cluster:		<u>74,819</u>
Total Department of Education:		<u>74,819</u>
 TOTAL		 <u><u>\$ 836,192</u></u>

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
SCHEDULE OF FINDINGS AND QUESTIONED COST
Year Ended June 30, 2015

EXHIBIT A-3

SUMMARY OF AUDIT RESULTS:

1. The Auditor's report expresses an unmodified opinion on the financial statements of Planning District One, Behavioral Health Services Board.
2. One significant deficiency was disclosed during the audit of the financial statements and is disclosed in the Auditor's Report on Internal Controls and Compliance on Pages 10 – 11. The deficiency is not considered a material weakness.
3. No instances of non-compliance material to the financial statements of Planning District One, Behavioral Health Services Board, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the Audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the Auditor's report on internal control over compliance in accordance with OMB Circular A-133. The deficiency is not reported as a material weakness.
5. The Auditor's report on compliance for the major federal award programs for Planning District One, Behavioral Health Services Board expresses an unmodified opinion on all major federal programs.
6. Any audit findings that are required to be reported in accordance with Section 501(a) of OMB Circular A-133 are reported in this schedule.
7. Major Programs: Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959)
8. The threshold for distinguishing type A and B programs was \$300,000.
9. Planning District One, Behavioral Health Services Board was determined to be a low-risk auditee.

Significant Deficiency:

Internal Controls:

#RC2015-001 Condition:

Condition: Our study and evaluation disclosed several weaknesses in internal accounting control resulting from the lack of separation of duties because of the small number of employees available. **Effect:** Because of the existing weaknesses in the internal control system, we performed more substantive tests rather than rely on the controls. **Planned Corrective Action:** Management is reviewing its policies and procedures in order to implement changes that will remedy this deficiency in future years.

	<u>Federal Catalog Number</u>	<u>Questioned Cost</u>
Department of Health and Human Services:		
Pass Through Payments:		
Department of Behavioral Health and Developmental Services:		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	NONE
Block Grants for Community Mental Health Services	93.958	NONE
Department of Education:		
Pass Through Payments:		
Department of Behavioral Health and Developmental Services:		
Special Education-Grants for Infants and Families	84.181	NONE

See accompanying notes to financial statements

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
SCHEDULE OF BOARD OF DIRECTORS
AND MANAGEMENT TEAM
June 30, 2015

EXHIBIT A-4

BOARD OF DIRECTORS

Sandra Craft
P.O. Box 176
Gate City, VA 24251
05/05/14 – 06/30/17

Michael O'Donnell
One College Avenue
Wise, VA 24293
10/01/13 – 09/30/16

Sarah Davis
PO Box 298
Norton, VA 24273
08/03/12 – 12/31/15

Robert Robbins
10278 Norton-Coeburn Road
Coeburn, VA 24230
02/09/12 – 02/08/15

Randy Gilmer
8693 Nickelsville Highway
Nickelsville, VA 24271
12/07/14 – 12/31/17

Loretta Stapleton
PO Box 389
Big Stone Gap, VA 24219
10/01/13 – 09/30/16

Judy Roberts
5882 US Highway 421
Pennington Gap, VA 24277
01/21/2014 – 06/30/2017

Susan Widener
P.O. Box 157
Ben Hur, VA 24218-0157
04/01/2011 – 06/30/2014

MANAGEMENT TEAM

Sandy O'Dell, Executive Director
PO Box 1130
Norton, VA 24273

Sharon Taylor
Director of Mental Health Services
3169 2nd Avenue E.
Big Stone Gap, VA 24219

Lisa Kilgore, Business Manager
PO Box 1130
Norton, VA 24273

Kenneth Taylor, Director of Child & Adolescent Services
& Prevention
3169 2nd Avenue E.
Big Stone Gap, VA 24219

Donna Stanley, Financial Officer
PO Box 1130
Norton, VA 24273

Michael Halcomb
Director of Crisis Services
3169 2nd Avenue E.
Big Stone Gap, VA 24219

Dr. Teresa Kidd, Associate Director
P.O. Box 9054
Johnson City, TN 37615

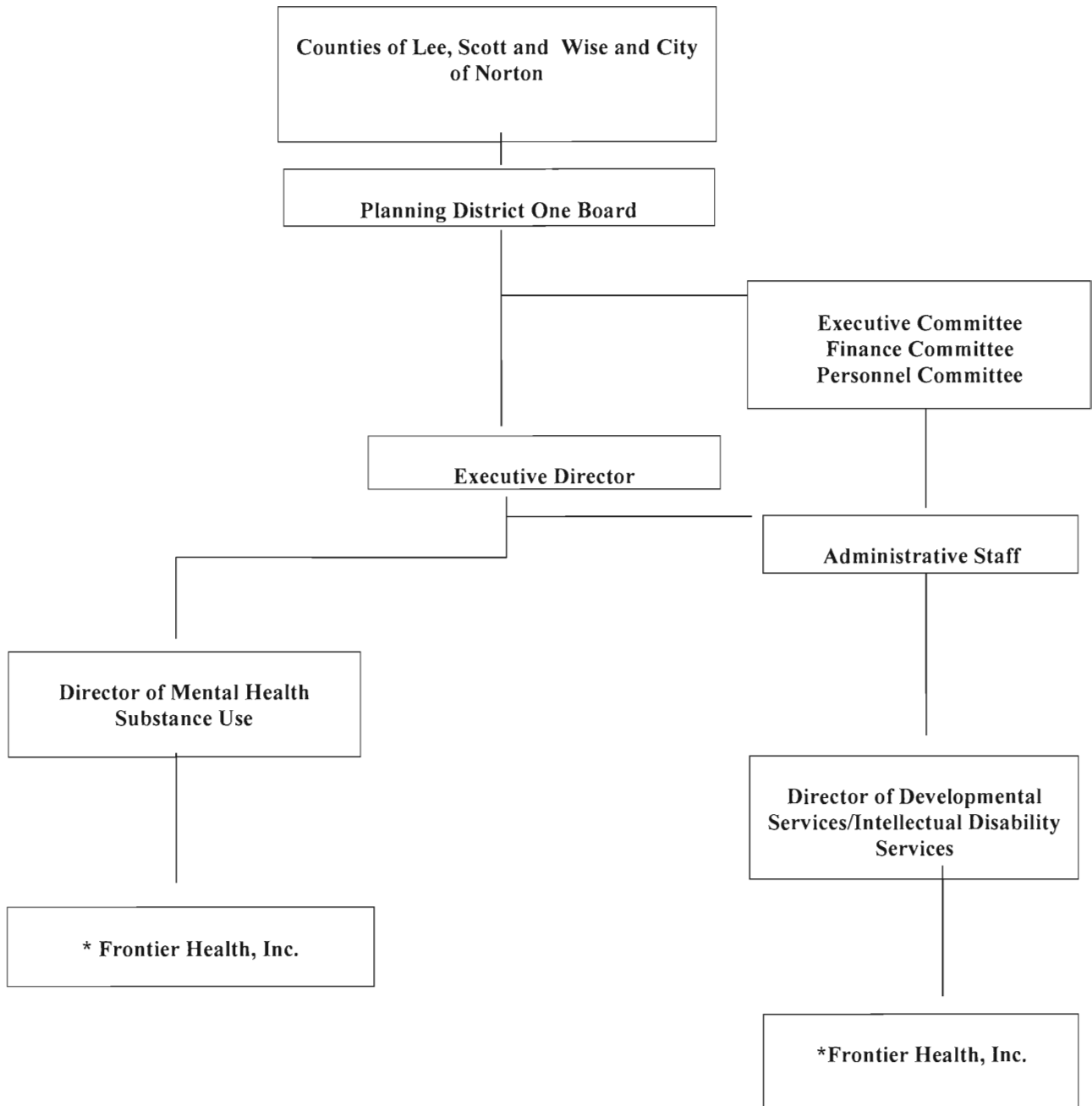
Regina Lawson
Developmental Services/Intellectual Disability Director
PO Drawer II
Big Stone Gap, VA 24219

Eric Greene
Director of Substance Use Disorders
3169 2nd Avenue E.
Big Stone Gap, VA 24219

See accompanying notes to financial statements

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
ORGANIZATIONAL CHART
June 30, 2015

EXHIBIT A-5



* Indicates contracted services.

See accompanying notes to financial statements

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
SCHEDULE OF BASIC CLIENT STATISTICS
June 30, 2015

EXHIBIT A-6

	<u>2015</u>	<u>2014</u>
MENTAL HEALTH:		
Unduplicated Clients Served	3,353	3,192
Residential Client Days	7,933	8,105
 SUBSTANCE ABUSE:		
Unduplicated Clients Served	1,011	843
Residential Client Days	537	541
 DEVELOPMENTAL SERVICES:		
Unduplicated Clients Served	283	272
Residential Client Days	5,171	4,716
 SERVICES OUTSIDE OF PROGRAM AREA:		
Unduplicated Clients Served	5,143	2,543

See accompanying notes to financial statements

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICE BOARD
Norton, Virginia
SCHEDULE OF PROPERTY AND CASUALTY INSURANCE
For the Year Ending June 30, 2015

<u>POLICY #</u>	<u>COVERAGE</u>	<u>AMOUNT</u>	<u>PERIOD</u>	<u>DEDUCTIBLE</u>	<u>PREMIUM</u>
WC 82852S	WORKERS COMPENSATION: Bodily Injury by Accident - Each Accident Bodily Injury by Disease - Policy Limit Bodily Injury by Disease - Each Employee	\$100,000 500,000 100,000	07/01/15 - 07/01/16	\$ -	\$ 683
BOP82854S	BUSINESS OWNERS COVERAGE: Any one occurrence Products-Completed Operations Other Than Products-Completed Operations Medical expenses per person Building Personal Property Employee Dishonesty	2,000,000 4,000,000 4,000,000 10,000 300,000 75,000 25,000	07/01/15 - 07/01/16	500	967
CMB82853S	COMMERICAL UMBRELLA COVERAGE Aggregate Limit Each Occurrence Limit Personal/Advertising Injury Limit	1,000,000 1,000,000 1,000,000	07/01/15 - 07/01/16	\$ -	400
BA82851S	COMMERCIAL AUTO Liability Medical Expenses Uninsured Motorist	1,000,000 5,000 1,000,000	07/01/15 - 07/01/16	500	1,294
CR89460S	CRIME AND FIDELITY Employee Theft - Per Occurrence Forgery or Alteration - Per Occurrence	250,000 250,000	07/01/15 - 07/01/16	1,000	350
	PUBLIC OFFICIALS/MEDICAL MALPRACTICE General Liability Each Occurrence Medical Malpractice Each Occurrence	1,000,000 2,000,000	07/01/15 - 06/30/16	1,000	558

See accompanying notes to financial statements

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
Norton, Virginia
YEAR-END RECONCILIATION
Year Ended June 30, 2015

	<u>Mental Health</u>	<u>Substance Abuse</u>	<u>Developmental Services</u>	<u>Totals</u>
REVENUES:				
Per Year-End Report	\$ 7,743,245	\$ 1,955,921	\$ 4,614,656	\$ 14,313,822
Revenue accrual adjustment	495,397	-	316,076	811,473
Admin. Program expense	(287,186)	(175,685)	(9,100)	(471,971)
Transfers	-	-	-	-
Medicaid and other fees paid directly to contract agency - including waiver revenue	(2,550,425)	(123,595)	(3,021,322)	(5,695,342)
Workshop income reported by contract agency	(251,194)	-	(249,794)	(500,988)
In Kind	-	-	(4,000)	(4,000)
Donations	(13,838)	-	-	(13,838)
Per Audit Report	<u>\$ 5,135,999</u>	<u>\$ 1,656,641</u>	<u>\$ 1,646,516</u>	<u>\$ 8,439,156</u>
EXPENDITURES:				
Per Year-End Report	\$ 7,503,734	\$ 1,957,713	\$ 4,223,737	\$ 13,685,184
Expense accrual adjustment	495,397	-	316,076	811,473
Admin. Program expense	(253,529)	(175,685)	(9,100)	(438,314)
Transfers	-	-	-	-
Medicaid and other fees paid directly to contract agency - including waiver revenue	(2,344,571)	(125,387)	(2,630,403)	(5,100,361)
Workshop fees reported by contract agency	(251,194)	-	(249,794)	(500,988)
In Kind	-	-	(4,000)	(4,000)
Donations	(13,838)	-	-	(13,838)
Per Audit Report	<u>\$ 5,135,999</u>	<u>\$ 1,656,641</u>	<u>\$ 1,646,516</u>	<u>\$ 8,439,156</u>