

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

AUDIT REPORT

Year ended June 30, 2018 and 2017

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, 2018

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, 2018.

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 2018 as follows:

Per Year-End Report:

	FY 2018	FY 2017	% Increase (Decrease)
Mental Health	\$13,462,101	\$8,941,897	50.6%
Development Services	4,818,245	4,369,558	10.3%
Substance Use	2,437,597	2,263,280	7.2%

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

Per Audited Financial Statements:

	FY 2018	FY 2017
Operating Revenues	\$10,099,154	\$9,807,806
Operating Expenses	<u>10,109,141</u>	<u>9,763,810</u>
Excess before non-operating		
Gains (Losses)	<u>(9,987)</u>	<u>43,996</u>
Non-Operating Gains(Losses)	<u>2,277</u>	<u>1,392</u>
Change in net position	<u><u>(\$7,710)</u></u>	<u><u>\$45,388</u></u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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, 2018, is shown below:

	FY 2018	FY 2017
ASSETS	\$8,759,059	\$3,025,924
DEFERRED OUTFLOWS OF RESOURCES	<u>2,277</u>	<u>\$39,731</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$8,761,336</u></u>	<u><u>\$3,065,655</u></u>
LIABILITIES	\$7,316,853	\$1,611,810
DEFERRED INFLOWS OF RESOURCES	26,591	0
NET POSITION	<u>1,417,892</u>	<u>1,453,845</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	<u><u>\$8,761,336</u></u>	<u><u>\$3,065,655</u></u>

REVENUES

Per Audited Financial Statements:

A summary of operating revenues for the years ended June 30, 2018 and 2017 and the amount of and percentage change from 2018 in relation to 2017 is as follows:

	FY 2018	% of Total	FY 2017	Changes from FY 2017	% Change
Net Patient Service Revenue	\$4,014,248	39.8%	\$4,609,701	(\$595,453)	(12.9%)
State	4,665,304	46.2%	4,002,831	662,473	16.5%
Federal	1,014,602	4.0%	790,274	224,328	28.4%
Local	<u>405,000</u>	<u>10.0%</u>	<u>405,000</u>	<u>0</u>	<u>0.0%</u>
Total	<u><u>\$10,099,154</u></u>	<u><u>100.0%</u></u>	<u><u>\$9,807,806</u></u>	<u><u>\$286,349</u></u>	<u><u>2.8%</u></u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

EXPENSES

Per Audited Financial Statements:

A summary of expenses for the years ended June 30, 2018 and 2017, and the amount of and percentage change from 2018 in relation to 2017 are as follows:

	FY 2018	% of Total	FY 2017	Increase (Decrease) From FY 2017	% Increase (Decrease)
Personnel Staff	\$340,604	3.4%	\$271,446	\$69,158	25%
Development	33,798	0.3%	35,753	(1,955)	(1%)
Depreciation	25,102	0.2%	26,601	(1,499)	(6%)
Facility Expense	29,415	0.3%	27,373	2,043	7%
Travel Expense	35,389	0.4%	24,419	10,970	45%
Contract Services	9,639,346	95.4%	9,373,359	265,987	3%
Other Expenses	<u>5,487</u>	<u>0.1%</u>	<u>4,859</u>	<u>628</u>	<u>13%</u>
Total	<u><u>\$10,104,493</u></u>	<u><u>100.0%</u></u>	<u><u>\$9,809,372</u></u>	<u><u>\$345,332</u></u>	<u><u>4%</u></u>

A summary of expenses by core service for the year ended June 30, 2018, and the amount of and percentage change in relation to prior year amounts is as follows:

	FY 2018	% of Total	FY 2017	Increase (Decrease) From 2017	% Change
MENTAL HEALTH					
250 Acute Psychiatric or SA Inpatient Services	\$184,244	2.4%	\$114,647	\$69,597	60.7%
310 Outpatient Services	2,554,152	33.6%	2,375,699	178,453	7.5%
312 Medical Services	179,699	2.4%	0	179,699	100.0%
320 Case Management	2,828,434	37.3%	2,412,217	416,217	17.3%
425 Rehabilitation or Habilitation	269,134	3.5%	281,731	(12,597)	(4.5%)
430 Sheltered Employment	319,522	4.2%	319,373	149	0.0%
521 Intensive Residential Services	480,766	6.4%	398,190	82,576	20.7%
551 Supervised Residential Services	480,848	6.4%	595,461	(114,613)	(19.2%)
581 Supportive Residential Services	281,200	3.7%	310,029	(28,829)	(9.3%)
610 Prevention	<u>3,520</u>	<u>0.1%</u>	<u>4,105</u>	<u>(585)</u>	<u>0.0%</u>
Total	<u><u>\$7,581,519</u></u>	<u><u>100.0%</u></u>	<u><u>\$6,811,452</u></u>	<u><u>\$770,067</u></u>	<u><u>11.3%</u></u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Per Fourth Quarter Report (continued):

DEVELOPMENTAL SERVICES	FY 2018	% of Total	FY 2017	Increase (Decrease) From 2017	% Change
320 Case Management Services	\$768,480	17.1%	\$570,857	\$197,623	34.6%
425 Rehabilitation	748,671	16.6%	733,318	15,353	2.1%
430 Sheltered Employment	713,479	15.8%	725,696	(12,217)	(1.7%)
521 Intensive Residential Services	960,783	21.3%	1,070,518	(109,735)	(10.3%)
551 Supervised Residential Services	721,834	16.1%	644,123	77,711	12.1%
581 Supportive Residential Services	592,937	13.1%	625,046	(32,109)	(5.1%)
	<u>\$4,506,184</u>	<u>100.0%</u>	<u>\$4,369,558</u>	<u>\$136,626</u>	<u>3.1%</u>
SUBSTANCE ABUSE	FY 2018	% of Total	FY 2017	Increase (Decrease) From 2017	% Change
310 Outpatient	\$598,072	33.9%	\$ 809,002	\$(210,930)	(26.1)%
312 Medical Services	1,679	0.1%	0	1,679	0%
313 Intensive Outpatient Services	90,168	5.1%	2,598	87,570	3,370.7%
335 Medication Assisted Treatment	53,839	3.0%	30,080	23,759	79.0%
320 Case Management	556,370	31.5%	438,390	117,980	26.9%
501 Highly Intensive Residential	204,286	11.5%	159,422	44,864	28.1%
610 Prevention	262,254	14.9%	211,925	50,329	23.7%
	<u>\$1,766,668</u>	<u>100.0%</u>	<u>\$1,651,417</u>	<u>\$ 115,251</u>	<u>7.0%</u>
Emergency & Ancillary	FY 2018	% of Total	FY 2017	Increase (Decrease) From 2017	% Change
100 Emergency	\$746,376	70.9%	\$ 667,725	\$ 78,651	11.8%
318 Motivational Treatment	95,346	9.0%	30,415	64,931	213.5%
720 Assessment & Evaluation	46,455	4.4%	121,851	(75,396)	(61.9)%
620 Early Intervention	116,276	11.0%	112,140	4,136	3.7%
730 Consumer Run Services	50,000	4.7%	50,000	-	0.0%
	<u>\$1,054,453</u>	<u>100.0%</u>	<u>\$ 982,131</u>	<u>\$ 72,322</u>	<u>7.4%</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.

Certified Public Accountants

& Consultants

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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, 2018 and 2017, 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, 2018, 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, the Schedules of Required Supplementary Information, including the other postemployment benefits (OPEB) and pension related schedules and required supplementary information, on pages 49 through 55 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-7 and Exhibits A-10 thru A-14, 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 Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 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 28, 2018

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 the basic financial statements of the Planning District One Behavioral Health Services Board, as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated November 28, 2018. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the years ended June 30, 2018 & 2017, 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 the internal control over financial reporting 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 weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free 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*.

The Board of Directors
Planning District One
Behavioral Health Services Board
Norton, VA 24273
Page 2

*(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)*

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 28, 2018

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

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 *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2018. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 Planning District One, Behavioral Health Services Board's compliance.

Opinion on Each Major Federal Program

In our opinion, Planning District One, Behavioral Health Services Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Planning District One, Behavioral Health Services Board's internal control over compliance.

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

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

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


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants
Norton, Virginia
November 28, 2018

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICE BOARD
Norton, Virginia
STATEMENTS OF NET POSITION
June 30, 2018 and June 30, 2017

EXHIBIT 1

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
ASSETS		
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 393,675	\$ 391,867
Accounts receivable	1,658,044	1,553,550
Accrued interest receivable	187	115
Prepaid insurance	-	4,025
Restricted assets:		
Cash	5,567,233	-
Net pension asset	786,788	698,133
Capital assets, net	<u>353,132</u>	<u>378,234</u>
 TOTAL ASSETS	 <u>8,759,059</u>	 <u>3,025,924</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows related to pensions	356	39,731
Deferred outflows related to other postemployment benefits	<u>1,921</u>	<u>-</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>2,277</u>	 <u>39,731</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>8,761,336</u>	 <u>3,065,655</u>
 LIABILITIES AND NET POSITION		
<u>LIABILITIES:</u>		
Compensated absences payable	\$ 64,846	\$ 58,260
Net other postemployment benefit liability	26,729	-
Due to contract agencies	1,658,045	1,553,550
Payable from restricted assets:		
Due to other agencies	<u>5,567,233</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>7,316,853</u>	 <u>1,611,810</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows related to pensions	24,512	-
Deferred inflows related to other postemployment benefits	<u>2,079</u>	<u>-</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>26,591</u>	 <u>-</u>
 <u>NET POSITION:</u>		
Net Investment in capital assets	353,132	378,234
Restricted	786,788	698,133
Unrestricted	<u>277,972</u>	<u>377,478</u>
Total Net Position	<u>1,417,892</u>	<u>1,453,845</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 <u>\$ 8,761,336</u>	 <u>\$ 3,065,655</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, 2018 and June 30, 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
OPERATING REVENUES:		
Net patient service revenue	\$ 4,014,248	\$ 4,609,701
Grant income	6,084,906	5,198,105
Other income	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>10,099,154</u>	<u>9,807,806</u>
OPERATING EXPENSES:		
Personnel	340,604	271,446
Staff development	33,798	35,753
Depreciation	25,102	26,601
Facility expense	29,415	27,373
Travel expense	35,389	24,419
Contract / program services	9,639,346	9,373,359
Other expense	<u>5,487</u>	<u>4,859</u>
Total Operating Expenses	<u>10,109,141</u>	<u>9,763,810</u>
Operating Income (loss)	<u>(9,987)</u>	<u>43,996</u>
NON-OPERATING INCOME (LOSSES):		
Investment income	2,277	1,392
Contribution income	-	-
Gain (Loss) on sale of assets	<u>-</u>	<u>-</u>
Total Non-Operating Income (Losses)	<u>2,277</u>	<u>1,392</u>
CHANGE IN NET POSITION	(7,710)	45,388
NET POSITION - BEGINNING OF YEAR, as restated	<u>1,425,602</u>	<u>1,408,457</u>
NET POSITION - END OF YEAR	<u>\$ 1,417,892</u>	<u>\$ 1,453,845</u>

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICE BOARD**
Norton, Virginia
STATEMENTS OF CASH FLOWS
June 30, 2018 and June 30, 2017

EXHIBIT 3

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipt from customer and users	\$ 3,909,754	\$ 4,766,414
Appropriations from governments	6,081,776	5,198,105
Payments to suppliers	(4,064,553)	(9,634,061)
Payments to employees	<u>(360,142)</u>	<u>(344,476)</u>
Net Cash Provided (Used) by Operating Activities	<u>5,566,835</u>	<u>(14,018)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of vehicle	-	-
Purchase of property and equipment	<u>-</u>	<u>(3,774)</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(3,774)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on cash and short-term investments	<u>2,206</u>	<u>1,391</u>
Net Cash Provided (Used) by Investing Activities	<u>2,206</u>	<u>1,391</u>
Net Change in Cash and Cash Equivalents	5,569,041	(16,401)
Cash and Cash Equivalents, Beginning of Year	<u>391,867</u>	<u>408,268</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,960,908</u>	<u>\$ 391,867</u>
Displayed as:		
Cash and Cash Equivalents-Unrestricted	\$ 393,675	\$ 391,867
Restricted Cash	<u>5,567,233</u>	<u>-</u>
	<u>\$ 5,960,908</u>	<u>\$ 391,867</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)	\$ (9,987)	\$ 43,996
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	25,102	26,601
Net pension obligation	(24,768)	(70,563)
(Increase) decrease in patient accounts receivable	(104,494)	156,713
(Increase) decrease in prepaid assets	4,025	(4,025)
Increase (decrease) in accounts payable	-	-
Increase (decrease) in compensated absences payable	6,586	(2,467)
Increase (decrease) in other post-employment benefits	(1,356)	-
Increase (decrease) in due to agencies	<u>5,671,727</u>	<u>(164,273)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,566,835</u>	<u>\$ (14,018)</u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 2017 financial statements have been reclassified to conform to the 2018 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, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 allocated 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.

Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets-consists of historical cost of capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, constructions or improvement of those assets.
- Restricted-consists of assets that are restricted by the Board's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on share revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted-all other net position is reported in this category.

Deferred Outflows/Inflows of Resources

The Board reports deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period.

Employer pension and other postemployment benefit (OPEB) contributions made after the net pension liability measurement date of June 30, 2017 and prior to the reporting date of June 30, 2018, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2018. This will be applied to the net pension and OPEB liabilities in the next fiscal year.

Differences between the projected and actual pension and OPEB earnings as of the actuarial measurement date of June 30, 2017 have been reported as a deferred inflow of resources. This difference will be recognized in pension and OPEB expense over a closed five-year period

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

Other Postemployment Benefits (OPEB)

Group Life Insurance

The VRS Group Life Insurance Program is a multiple employer, cost sharing plan. It provided coverage to state employees, teacher, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

Health Insurance Credit Program

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provided the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

3. 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).

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

3. CASH AND CASH EQUIVALENTS (continued)

Fair Value Measurement

The Authority categorized the fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority does not have any investments at June 30, 2018 that are measured using Level 1, 2, or 3 inputs.

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, 2018, the Board held bank certificates of deposits which equaled 3% 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%
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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	\$ -
Deposits	5,781,853
Investments – Certificates of Deposit	179,055
	<u>\$ 5,960,908</u>
Statement of net position:	
Cash and cash equivalents	\$ 393,675
Restricted cash and cash equivalents	5,567,233
	<u>\$ 5,960,908</u>

Interest Rate Risk:

As of June 30, 2018, the investment balance of \$179,055 was comprised of certificates of deposits with a weighted average maturity of seven months.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	June 30, 2018	June 30, 2017
Land and improvements	<u>\$ 98,000</u>	<u>\$ 98,000</u>
Capital assets, non-depreciable	<u>\$ 98,000</u>	<u>\$ 98,000</u>
 Equipment	 \$ 58,615	 \$ 58,615
Vehicles	42,532	62,077
Buildings and improvements	<u>268,705</u>	<u>268,705</u>
Capital assets, depreciable	<u>\$ 369,852</u>	<u>\$ 389,397</u>
Less: Total accumulated depreciation	<u>(114,720)</u>	<u>(109,163)</u>
Total Capital assets, depreciable, net	<u>\$ 255,132</u>	<u>\$ 280,234</u>
 Total Capital assets, net	 <u>\$ 353,132</u>	 <u>\$ 378,234</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.

5. 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 Earned Per Month</u>	<u>Days Earned 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 07/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/18</u>
<u>\$58,260</u>	<u>\$38,269</u>	<u>\$(31,683)</u>	<u>\$64,846</u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

6. SURETY BONDS

During the year ended June 30, 2018 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 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 \$4,014,248 and \$4,609,701 at June 30, 2018, and June 30, 2017, 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.

9. 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, 2018

9. 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.</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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</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, and they have not taken a refund.</p> <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>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>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>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 30, 2014: the plan's effective date for opt-in member was July 1, 2014 <p>*Non-Eligible Members</p>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

<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>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>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 Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.</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>
<p>Creditable Service Creditable service includes active service. Members earn creditable</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service Defined Benefit Component: 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</p>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

<p>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>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> <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>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

		<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>
<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:</p>	<p>Service Retirement Multiplier VRS:</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u></p>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

<p>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>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>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>Defined Benefit Component: 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>
<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>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>Earliest Unreduced Retirement Eligibility Defined Benefit Component: 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>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

<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>Political subdivisions hazardous duty employees: Same as Plan 1.</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 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><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>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><u>Eligibility:</u> Same as Plan 1</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> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

<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></p> <p>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>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage</p> <p>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>Disability Coverage</p> <p>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>Disability Coverage</p> <p>Employees of political subdivision and (including Plan 1 and 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>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

		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.
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. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2016 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>5</u>
Total inactive members	7
Active members	<u>3</u>
Total covered employees	<u><u>19</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, 2018 was 0% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$ 0 and \$ 0 for the years ended June 30, 2018 and June 30, 2017, respectively.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

Net Pension Liability

The Board's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

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:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set Forward 2 years, 110% of rates; females 125% of rates.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

Actuarial Assumptions – General Employees (continued)

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set Forward 2 years, 110% of rates; females 125% of rates.

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

Largest 10 -- Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. 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 Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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, 2019, 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, 2019 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.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. PENSION PLAN (CONTINUED)

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, 2016	\$ 850,820	\$ 1,548,953	\$ (698,133)
Changes for the year:			
Service Cost	34,562	-	34,562
Interest	57,368	-	57,368
Benefit Changes	-	-	-
Differences between expected and actual experience	13,591	-	13,591
Assumption changes	4,607	-	4,607
Contributions - employer	-	(15)	15
Contributions - employee	-	13,511	(13,511)
Net investment income	-	186,556	(186,556)
Benefit payments, including refunds	-	-	-
Refunds of employee contributions	(62,563)	(62,563)	-
Administrative expenses	-	(1,104)	1,104
Other changes	-	(165)	165
Net changes	47,565	136,220	(88,655)
Balance at June 30, 2017	\$ 898,385	\$ 1,685,173	\$ (786,788)

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. 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>\$ (702,794)</u>	<u>\$ (786,788)</u>	<u>\$ (859,445)</u>

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

For the year ended June 30, 2018, the Board recognized pension expense of \$(24,783). At June 30, 2018, 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	\$ 266	\$ -
Change in assumptions	90	-
Net difference between projected and actual earnings on pension plan investments	-	24,512
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 356</u>	<u>\$ 24,512</u>

The \$0 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, 2019. 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, 2018

9. PENSION PLAN (CONTINUED)

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

Year ended June 30

2019	(16,364)
2020	7,774
2021	413
2022	(15,979)
2023	-
Thereafter	-
	<hr/>
\$	(24,156)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2017, the Board reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

Specific information for the GLI Program OPEB is available at:

<https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

General Employee Health Insurance Credit Program

All full time, salaried permanent employees of participating political divisions are automatically covered by the VRS Political Subdivision Health Insurance Credit (HIC) Program upon employment. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the HIC Program is available at

<https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

The GLI and HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. The GLI plan is considered a multiple employer, cost sharing plan. The HIC plan is considered a multi-employer, agent plan.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>2</u>
Inactive members:	
Vested inactive members	0
Non-vested inactive members	0
Inactive members	<u>0</u>
Total inactive members	2
Active members	<u>3</u>
Total covered employees	<u>5</u>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508, as amended, and may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$ 1,314
June 30, 2017 Contribution	\$ 1,276

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans

General Employee Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1402(E)</i> and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.24% of covered employee compensation.
June 30, 2018 Contribution	\$ 607
June 30, 2017 Contribution	\$ 589

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net GLI OPEB liabilities were measured as of June 30, 2017 and the total GLI OPEB liabilities used to calculate the net GLI OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was:

Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$ 20,000
June 30, 2017 proportion	0.00133 %
June 30, 2016 proportion	0.00131 %
June 30, 2018 expense	\$ 0

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a)-(b)
Balance at June 30, 2016	\$ 8,882	\$ 2,050	\$ 6,832
Changes for the year:			
Service Cost	139	-	139
Interest	591	-	591
Benefit Changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	(18)	-	(18)
Contributions - employer	-	589	(589)
Net investment income	-	217	(217)
Benefit payments	(867)	(867)	-
Administrative expenses	-	(3)	3
Other changes	-	12	(12)
Net changes	(155)	(52)	(103)
Balance at June 30, 2017	\$ 8,727	\$ 1,998	\$ 6,729

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans

At June 30, 2018, the board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	1,000
Net difference between projected and actual earnings on OPEB plan investments	-	1,000
Changes in proportion		-
Employer contributions subsequent to the measurement date	1,314	-
Total	<u>\$ 1,314</u>	<u>\$ 2,000</u>

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	13
Net difference between projected and actual earnings on OPEB plan investments	-	66
Changes in proportion		-
Employer contributions subsequent to the measurement date	607	-
Total	<u>\$ 607</u>	<u>\$ 79</u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans

The deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2019	\$ (2,000)
2020	-
2021	-
2022	-
2023	-
Thereafter	-
	<u>\$ (2,000)</u>

General Employee Health Insurance Credit Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2019	\$ (21)
2020	(21)
2021	(19)
2022	(18)
2023	-
Thereafter	-
	<u>\$ (79)</u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	
• Teachers	3.5 – 4.75%
	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 7.0%

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 9.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 2,942,426
Plan fiduciary net position	1,437,586
Employers' net OPEB liability (asset)	\$ 1,504,840
Plan fiduciary net position as a percentage of total OPEB liability	48.86%

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans

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

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans

Discount Rate

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

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

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

	1.00 % Decrease	Current Discount	1.00 % Increase
	(6.00 %)	Rate	(8.00 %)
		(7.00 %)	
GLI Net OPEB Liability	\$ 26,000	\$ 20,000	\$ 15,000
General Employee HIC Net OPEB Liability	\$ 7,368	\$ 6,729	\$ 6,166

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. SUMMARY OF PENSION AND OTHER POSTEMPLOYMENT BENEFIT ELEMENTS

A summary of pension and other postemployment benefit (OPEB) related financial statement elements is as follows:

	Business-Type Activities
Net pension asset	
VRS-Defined Benefit Pension Plan	\$ 786,788
Total net pension asset	<u>\$ 786,788</u>
Deferred outflows of resources - Related to Pensions	
Deferred outflow-Differences in expected/ actual and assumptions	
VRS-Defined Benefit Pension Plan	356
Total deferred outflow of resources - Pensions	<u>\$ 356</u>
Deferred outflows of resources - OPEB	
Deferred outflow-Contributions after the measurement date	
VRS-HIC-General Employees-Cost Sharing-Multiple-Employer	607
VRS-GLI-OPEB Program	1,314
Total deferred outflow of resources - OPEB	<u>\$ 1,921</u>
Net OPEB liability	
VRS-HIC-General Employees-Cost Sharing-Multiple-Employer	6,729
VRS-GLI	20,000
Total net OPEB liability	<u>\$ 26,729</u>
Deferred inflows of resources - Related to Pensions	
Deferred inflow-Differences in expected/ actual and assumptions	
VRS-Defined Benefit Pension Plan	\$ 24,512
Total deferred inflow of resources - Pensions	<u>\$ 24,512</u>
Deferred inflows of resources - OPEB	
Deferred inflows-Differences in expected/actual and assumption	
VRS-HIC-General Employees-Cost Sharing-Multiple-Employer	\$ 79
VRS-GLI-Cost Sharing-Multiple-Employer	2,000
Total deferred inflow of resources - OPEB	<u>\$ 2,079</u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12. 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, 2018, and June 30, 2017, respectively.

13. 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.

14. 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	\$ 22,639	\$ 40,054	\$ 8,708	\$ 102,749	\$ 174,150
County of Scott	13,689	24,219	5,265	62,127	105,300
County of Lee	14,216	25,151	5,467	64,516	109,350
City of Norton	2,106	3,726	810	9,558	16,200
TOTAL LOCAL FUNDS	<u>\$ 52,650</u>	<u>\$ 93,150</u>	<u>\$20,250</u>	<u>\$ 238,950</u>	<u>\$ 405,000</u>

15. COMMITMENTS AND CONTINGENCIES

Grant Audit

Federal programs in which the Board participates were audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of the Uniform Guidance, 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.

16. RESTATEMENT OF NET POSITION

The Board implemented the financial reporting provisions of the Statements described in Note 10 for the fiscal year ended June 30, 2018. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures relating to other postemployment benefits (OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for OPEB. The implementation of these Statements resulted in the following restatement of net position:

Net Position as reported at June 30, 2017	\$ 1,453,845
Implementation of GASB 75	<u>(28,243)</u>
Net Position as restated at June 30, 2017	<u>\$ 1,425,602</u>

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 28, 2018, which is the date that the Company's financial statements were available to be issued.

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
Norton, Virginia
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS
June 30, 2018

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2017	1,661,657	916,376	(745,281)	181.33%	245,386	-303.72%
June 30, 2016	1,579,595	863,522	(716,073)	182.92%	235,949	-303.49%
June 30, 2015	1,524,004	827,790	(696,214)	184.11%	212,067	-328.30%
June 30, 2014	1,426,272	798,744	(627,528)	178.56%	203,910	-307.75%
June 30, 2013	1,358,767	1,114,023	(244,744)	121.97%	196,092	-124.81%
June 30, 2012	1,571,344	1,250,476	(320,868)	125.66%	188,571	-170.16%
June 30, 2011	1,562,466	1,209,490	(352,976)	129.18%	188,571	-187.18%
June 30, 2010	1,517,650	1,152,032	(365,618)	131.74%	181,321	-201.64%
June 30, 2009	1,500,099	1,065,294	(434,805)	140.82%	181,321	-239.80%
June 30, 2008	1,475,666	1,016,387	(459,279)	145.19%	174,348	-263.43%

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
 Norton, Virginia
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 34,562	\$ 29,768	\$ 28,625	\$ 27,364
Interest	57,368	55,186	75,503	74,262
Changes of benefit term:	-	-	-	-
Differences between expected and actual experience	13,591	8,737	(332,363)	-
Changes in assumptions	4,607	-	-	-
Benefit payments, including refunds of employee contributions	(62,563)	(62,496)	(61,504)	(106,285)
Net change in total pension liability	47,565	31,195	(289,739)	(4,659)
Total pension liability - beginning	850,820	819,625	1,109,364	1,114,023
Total pension liability - ending	\$ 898,385	\$ 850,820	\$ 819,625	\$ 1,109,364
Plan fiduciary net position				
Contributions - employer	\$ (15)	\$ 2,808	\$ 2,523	\$ -
Contributions - employee	13,511	11,797	10,603	10,183
Net investment income	186,556	26,336	70,040	219,094
Benefit payments, including refunds of employee contributions	(62,563)	(62,496)	(61,504)	(106,285)
Administrative expense	(1,104)	(995)	(994)	(1,251)
Other	(165)	(11)	(12)	11
Net change in total pension liability	136,220	(22,561)	20,656	121,752
Total pension liability - beginning	1,548,953	1,571,514	1,550,858	1,429,106
Total pension liability - ending	\$ 1,685,173	\$ 1,548,953	\$ 1,571,514	\$ 1,550,858
Political subdivision's net pension liability - ending	\$ (786,788)	\$ (698,133)	\$ (751,889)	\$ (441,494)
Plan fiduciary net position as a percentage of the total pension liability	<u>187.58%</u>	<u>182.05%</u>	<u>191.74%</u>	<u>139.80%</u>
Covered - employee payroll	\$ 245,386	\$ 235,949	\$ 212,067	\$ 203,910
Political subdivision's net pension liability as a percentage of covered-employee payroll	<u>-320.63%</u>	<u>-295.88%</u>	<u>-354.55%</u>	<u>-216.51%</u>

1) Fiscal year 2015 (plan year 2014) was the first year of GASB 68 implementation; therefore only four years are shown herein.

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
 Norton, Virginia
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
2018	\$ 12,637	\$ 12,637	\$ -	\$ 252,749	5.00%
2017	\$ 12,269	\$ 12,269	\$ -	\$ 245,386	5.00%
2016	\$ 14,605	\$ 14,605	\$ -	\$ 235,949	6.19%
2015	\$ 13,127	\$ 13,127	\$ -	\$ 212,067	6.19%
2014	\$ 10,867	\$ 10,867	\$ -	\$ 203,910	5.33%
2013	\$ 11,184	\$ 11,184	\$ -	\$ 196,092	5.70%
2012	\$ 9,429	\$ 9,429	\$ -	\$ 188,571	5.00%
2011	\$ 9,429	\$ 9,429	\$ -	\$ 188,571	5.00%
2010	\$ 9,066	\$ 9,066	\$ -	\$ 181,321	5.00%
2009	\$ 9,066	\$ 9,066	\$ -	\$ 181,321	5.00%

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
 Norton, Virginia
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	2017 HIC
Total OPEB liability	
Service cost	\$ 139
Interest	591
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(18)
Benefit payments	(867)
Net change in total OPEB liability	(155)
Total OPEB liability - beginning	8,882
Total OPEB - ending	<u>\$ 8,727</u>
 Plan fiduciary net position	
Contributions - employer	\$ 589
Net investment income	217
Benefit Payments	(867)
Administrative expense	(3)
Other	12
Net change in plan fiduciary net position	(52)
Plan fiduciary net position - beginning	2,050
Plan fiduciary net position - ending	<u>\$ 1,998</u>
 Political subdivision's net OPEB liability - ending	<u>\$ 6,729</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	<u>22.89%</u>
 Covered payroll	<u>\$ 245,387</u>
 Political subdivision's OPEB liability as a percentage of covered payroll	<u>2.74%</u>

1) Fiscal year 2018 (plan year 2017) was the first year of GASB 75 implementation; therefore only one year

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
 Norton, Virginia
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2018

*	Employer's	Employer's		Employer's	Plan
Fiscal	Portion	Proportionate		Proportionate Share	Fiduciary
Year	of the	Share of the	Employer's	of the Net OPEB	Net Position
Ended	Net OPEB	Net OPEB	Covered	Liability (Asset)	as a % of the
30-Jun	Liability (Asset)	Liability (Asset)	Payroll	as % of its	Total
				Covered Payroll	OPEB Liability
VRS-Group Life Insurance-General Employees					
2018	0.00133%	\$ 20,000	\$ 245,387	8.15%	48.86%

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

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

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

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS**
June 30, 2018

Fiscal Year	Contractually Required Contribution	Contributions Related to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
VRS-Group Life Insurance-General Employees					
2018	\$ 1,314	\$ 1,314	\$ -	\$ 252,749	0.52%

Fiscal Year	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
VRS-Health Insurance Credit-General Employees					
2018	\$ 607	\$ 607	\$ -	\$ 252,749	0.24%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

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

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
Norton, Virginia
Notes to Required Supplemental Information
For the Year Ended June 30, 2018

Note 1. Changes of benefit terms -

Pension

There have been no actuarial material changes to the Systems benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan Members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 -- Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)		Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates		Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates		Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates		Lowered rates
Salary Scale		No change
Line of Duty Disability		Increase rate from 14% to 20%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)		Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates		Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates		Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates		Lowered rates
Salary Scale		No change
Line of Duty Disability		Increase rate from 14% to 15%

Largest 10 -- Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)		Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates		Lowered rates at older ages
Withdrawal Rates		Adjusted rates to better fit experience
Disability Rates		Increased rates
Salary Scale		No change
Line of Duty Disability		Increase rate from 60% to 70%

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**

EXHIBIT A-7

Norton, Virginia
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION
Year Ended June 30, 2018

	Administration	Mental Health	Substance Abuse	Developmental Services	Totals
OPERATING REVENUES:					
Net patient service revenue	\$ -	\$ 2,718,376	\$ -	\$ 1,295,872	\$ 4,014,248
GRANTS:					
State funds	513,162	2,984,828	984,828	182,486	4,665,304
Local funds	52,650	93,150	20,250	238,950	405,000
Federal grants	-	105,925	858,442	50,235	1,014,602
Total Grant Funds	565,812	3,183,903	1,863,520	471,671	6,084,906
Other	-	-	-	-	-
Total Operating Revenues	565,812	5,902,279	1,863,520	1,767,543	10,099,154
OPERATING EXPENSES:					
Personnel	340,604	-	-	-	340,604
Staff development	33,798	-	-	-	33,798
Depreciation	25,102	-	-	-	25,102
Facility expense	29,415	-	-	-	29,415
Travel expense	35,389	-	-	-	35,389
Contract services	106,004	5,902,279	1,863,520	1,767,543	9,639,346
Other expense	5,487	-	-	-	5,487
Total Operating Expenses	575,799	5,902,279	1,863,520	1,767,543	10,109,141
Operating Income	(9,987)	-	-	-	(9,987)
NON-OPERATING GAINS:					
Investment income	1,889	-	-	-	1,889
Gain on sale of assets	388	-	-	-	388
Total Non-Operating Gains	2,277	-	-	-	2,277
Excess of Revenue and Gains Over Expenses	\$ (7,710)	\$ -	\$ -	\$ -	\$ (7,710)

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

EXHIBIT A-8

	Federal Catalog Number		Passed-Through to Subrecipients	Federal Expenditures
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	\$	635,092	\$ 635,092
Block Grants for Prevention and Treatment of Substance Abuse	93.788	\$	140,628	\$ 140,628
SA Federal Virginia Project LINK/PPW	93.243	\$	82,722	\$ 82,722
Block Grants for Community Mental Health Services	93.958		105,925	105,925
				<u>964,367</u>
Total Department of Health and Human Services				<u>964,367</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		50,235	50,235
Total Early Intervention Services (IDEA) Cluster:				<u>50,235</u>
Total Department of Education:				<u>50,235</u>
TOTAL		\$	1,014,602	\$ 1,014,602

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) included the federal award activity of the Planning District One Behavioral Health Services Board under programs of the federal government of the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of Planning District One Behavioral Health Services Board, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Planning District One Behavioral Health Services Board.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C--INDIRECT COST RATE

Planning District One Behavioral Health Services Board has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
SCHEDULE OF FINDINGS AND QUESTIONED COST
Year Ended June 30, 2018

EXHIBIT A-9

SUMMARY OF AUDITOR'S RESULTS:

1. The Auditor's report expresses an unmodified opinion on the financial statements of Planning District One, Behavioral Health Services Board.
2. No significant deficiencies relating to the audit of the financial statements of Planning District One, Behavioral Health Services Board are reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of 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. No significant deficiencies relating to the audit of the major federal award programs reported in the Report On Compliance For Each Major Program And Internal Control Over Compliance Required By The Uniform Guidance. No material weaknesses are reported.
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. Audit findings that are required to be reported in accordance with 2CFR section 200.516(a) are reported in this schedule.
7. The programs tested as major programs were:
Substance Abuse and Mental Health Services Projects of Regional and National Significance (CFDA #93.243)
Opioid STR (CFDA # 93.788)
8. The threshold for distinguishing type A and B programs was \$750,000.
9. Planning District One, Behavioral Health Services Board was determined to be a low-risk auditee.

FINDINGS – GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT:

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT:

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, 2018

EXHIBIT A-10

BOARD OF DIRECTORS

Delores Belcher
1122 N.W. Spruced Street
Norton, VA 24273

Virginia Meador
PO Box 565
Big Stone Gap, VA 24219

Sandra Craft
P.O. Box 176
Gate City, VA 24251

Judy Roberts
5882 US Highway 421
Pennington Gap, VA 24277

Randy Gilmer
8693 Nickelsville Highway
Nickelsville, VA 24271

Bobby Cassell
PO Box 1166
Norton, VA 24273

Michael O'Donnell
One College Avenue
Wise, VA 24293

Susan Widener
P.O. Box 157
Ben Hur, VA 24218-0157

MANAGEMENT TEAM

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

Sharon Taylor
Director of Case Management Services
43 Champions Ave.
Big Stone Gap, VA 24219

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

Kenneth Taylor, Director of Child & Adolescent Services
& Prevention
43 Champions Ave.
Big Stone Gap, VA 24219

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

Michael Halcomb
Director of Emergency Services
43 Champions Ave.
Big Stone Gap, VA 24219

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

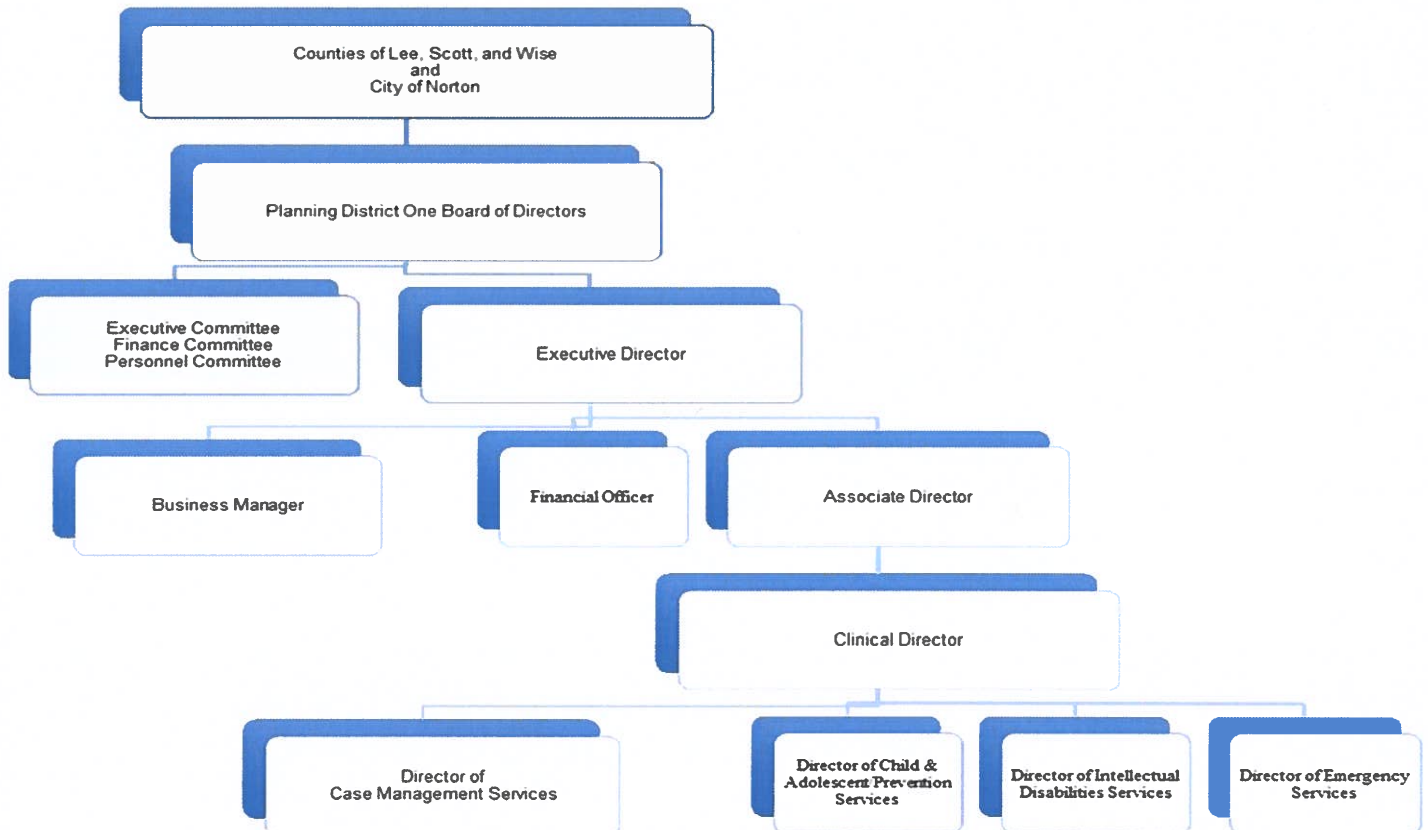
Eric Greene
Clinical Director
43 Champions Ave.
Big Stone Gap, VA 24219

Regina Lawson
Director of Intellectual Disabilities Services
622 Powell Avenue
Big Stone Gap, VA 24219

See accompanying notes to financial statements

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
ORGANIZATIONAL CHART
June 30, 2018

EXHIBIT A-11



See accompanying notes to financial statements

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
SCHEDULE OF BASIC CLIENT STATISTICS
June 30, 2018

EXHIBIT A-12

	<u>2018</u>	<u>2017</u>
MENTAL HEALTH:		
Unduplicated Clients Served	2,847	3,485
Residential Client Days	7,034	7,972
 SUBSTANCE ABUSE:		
Unduplicated Clients Served	640	803
Residential Client Days	544	529
 DEVELOPMENTAL SERVICES:		
Unduplicated Clients Served	265	276
Residential Client Days	3,938	4,500
 SERVICES OUTSIDE OF PROGRAM AREA:		
Unduplicated Clients Served	1,619	2,762

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, 2018

<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	07/01/17 - 07/01/18	\$ -	\$ 645
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	07/01/17 - 07/01/18	500	1,141
CMB82853S	COMMERCIAL UMBRELLA COVERAGE Aggregate Limit Each Occurrence Limit Personal/Advertising Injury Limit	1,000,000 1,000,000 1,000,000	07/01/17 - 07/01/18	\$ -	400
BA82851S	COMMERCIAL AUTO Liability Medical Expenses Uninsured Motorist	1,000,000 5,000 1,000,000	07/01/17 - 07/01/18	500	1,489
CR89460S	CRIME AND FIDELITY Employee Theft - Per Occurrence Forgery or Alteration - Per Occurrence	250,000 250,000	07/01/17 - 07/01/18	1,000	350
	PUBLIC OFFICIALS/MEDICAL MALPRACTICE General Liability Each Occurrence Medical Malpractice Each Occurrence	1,000,000 2,000,000	07/01/17 - 06/30/18	1,000	558

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
FOURTH QUARTER RECONCILIATION
Year Ended June 30, 2018

	Mental Health	Substance Abuse	Developmental Services	Totals
REVENUES:				
Per Year-End Report	\$ 13,462,101	\$ 2,437,597	\$ 4,818,245	\$20,717,943
Revenue accrual adjustment	305,790	-	(223,731)	82,059
Admin. Program expense	(248,175)	(260,407)	(10,530)	(519,112)
Transfers	(348,566)	-	348,566	-
Medicaid and other fees paid directly to contract agency - including waiver revenue	(2,081,320)	(268,670)	(2,587,233)	(4,937,223)
Workshop income reported by contract agency	-	-	(251,374)	(251,374)
In Kind	-	-	(26,400)	(26,400)
Donations	(100)	-	-	-
Fiscal Agent Funds	<u>(5,187,451)</u>	<u>(45,000)</u>	<u>(300,000)</u>	<u>(5,532,451)</u>
Per Audit Report (Exhibit A-4)	<u>\$ 5,902,279</u>	<u>\$ 1,863,520</u>	<u>\$ 1,767,543</u>	<u>\$ 9,533,342</u>
EXPENDITURES:				
Per Year-End Report	\$ 8,119,234	\$ 2,283,406	\$ 4,506,184	\$14,908,824
Expense accrual adjustment	305,790	-	(223,731)	82,059
Admin. Program expense	(248,175)	(260,407)	(10,530)	(519,112)
Transfers	(348,566)	-	348,566	-
Medicaid and other fees paid directly to contract agency - including waiver revenue	(1,925,904)	(159,479)	(2,575,172)	(4,660,555)
Workshop fees reported by contract agency	-	-	(251,374)	(251,374)
In Kind	-	-	(26,400)	(26,400)
Donations	<u>(100)</u>	<u>-</u>	<u>-</u>	<u>(100)</u>
Per Audit Report (Exhibit A-4)	<u>\$ 5,902,279</u>	<u>\$ 1,863,520</u>	<u>\$ 1,767,543</u>	<u>\$ 9,533,342</u>