

**CUMBERLAND MOUNTAIN
COMMUNITY
SERVICES BOARD**

FINANCIAL STATEMENTS

June 30, 2020 and 2019

Cumberland Mountain Community Services Board

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

The following Management Discussion and Analysis (MD&A) of Cumberland Mountain Community Services Board's (CMCSB) activities and financial performance provides the reader with an introduction and overview to the financial statements of CMCSB for the fiscal year ended June 30, 2020.

Following the MD&A are the basic financial statements of CMCSB which include: The Statements of Net Position, The Statements of Revenues, Expenses, and Changes in Net Position, and The Statements of Cash Flows. In addition to the basic financial statements and accompanying notes, there are certain required supplementary information including The Schedule of Expenditures of Federal Awards, Schedule of Insurance, and VRS Pension & OPEB Note Information.

WHAT IS CMCSB?

CMCSB is one of forty (40) Community Services Boards serving the citizens of the state of Virginia. CMCSB is located in Southwest Virginia, serving the counties of Russell, Tazewell, and Buchanan. CMCSB has twenty-three (23) locations serving the citizens of our service area.

WHAT IS OUR LEGAL ENTITY?

CMCSB is a local political subdivision of Russell County (our fiscal agent), Tazewell County, and Buchanan County. Our Board of Directors is made up of three (3) members from each of the three counties we serve. Our Board of Directors is appointed by each County's Board of Supervisors. The Board of Directors employs an Executive Director to supervise the day to day operations of CMCSB. We applied for and obtained 501(c)(3) organization status from the Internal Revenue Service several years ago. Donations made to CMCSB are tax deductible.

WHAT SERVICES DO WE PROVIDE?

We provide behavioral health, developmental disability, and substance use disorder services to our three-county area. These services include, but are not limited to, medication management, outpatient counseling, case management, emergency behavioral health, day programs for the mentally ill and developmentally disabled, numerous group homes, and substance use disorder treatment and prevention.

EMPLOYMENT

We employ 410 employees in our three-county area. There are 360 full-time salaried employees with the remaining being part-time, some of which are individuals receiving services. Our service staff includes nurse practitioners, registered nurses, social workers, direct service providers, and support services providers. These positions are all supported by administrative staff who prepare the necessary billings, reporting, and various other administrative services.

WHERE DOES OUR REVENUE COME FROM?

We receive state grant funds and federal grant funds from the Department of Behavioral Health and Developmental Services (DBHDS). We sign a contract with DBHDS each year proposing the services we are going to provide with those funds. CMCSB also receives local government funds, direct federal funding, fees for the services we provide, funds from other agencies, and sales from our enterprise activities.

WHERE DOES OUR FUNDING GO?

The vast majority of our funding goes right back into the local economy through wages to our employees. There are also staff benefits, staff development, facility costs, supplies, equipment, vehicles, travel, and various types of contractual service providers.

Cumberland Mountain Community Services Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

FINANCIAL STATEMENTS

CMCSB's financial statements are prepared on an accrual basis of accounting as required by generally accepted accounting principles. The accrual basis of accounting is a basis of accounting in which revenues are recognized when earned (not collected), and expenses are recognized when incurred (not paid).

FINANCIAL POSITION ANALYSIS

CMCSB's financial position improved by \$1,685,800 for the current financial period.

LONG-TERM DEBT

Our long-term debt decreased by \$223,427 for the current financial period. No new funds were borrowed.

REQUESTS FOR INFORMATION

The MD&A information above and on the following pages is intended to provide a general overview of CMCSB's operations and finances. The audit report following the MD&A is a more technical presentation. If you have any questions about either or need additional information please contact the Chief Financial Officer, Cumberland Mountain Community Services, P.O. Box 810, Cedar Bluff, Virginia 24609.

Cumberland Mountain Community Services Board
Management's Discussion and Analysis
For the Year Ended June 30, 2020

FINANCIAL POSITION SUMMARY

	<i>2020</i>	<i>2019</i>	<i>Variance</i>
Assets:			
Current and other	\$ 13,795,109	\$ 11,270,076	\$ 2,525,033
Deferred Outflows - Pension & OPEB	2,753,115	1,180,346	1,572,769
Fixed Assets (net of depreciation)	9,159,254	9,460,481	(301,227)
Total Assets	<u>\$ 25,707,478</u>	<u>\$ 21,910,903</u>	<u>\$ 3,796,575</u>
Liabilities:			
Current Liabilities	\$ 1,065,236	\$ 844,152	\$ 221,084
Deferred Inflows - Pension & OPEB	898,362	1,070,682	(172,320)
Long-term Liabilities	16,004,100	13,947,819	2,056,281
Total Liabilities	<u>17,967,698</u>	<u>15,862,653</u>	<u>2,105,045</u>
Net Position:			
Net Investment in Capital Assets	6,322,719	6,407,354	(84,635)
Restricted State Funds	3,159,154	2,062,850	1,096,304
Restricted Other Funds	346,296	415,787	(69,491)
Unrestricted	(2,088,389)	(2,837,741)	749,352
Net Position:	<u>7,739,780</u>	<u>6,048,250</u>	<u>1,691,530</u>
Total Liabilities and Net Position	<u>\$ 25,707,478</u>	<u>\$ 21,910,903</u>	<u>\$ 3,796,575</u>

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	<i>2020</i>	<i>2019</i>	<i>Variance</i>
Operating Revenues	\$ 18,085,625	\$ 18,713,781	\$ (628,156)
Operating Expenses	(25,152,894)	(24,579,353)	(573,541)
Excess before non-operating income and expenses	(7,067,269)	(5,865,572)	(1,201,697)
Appropriations	8,692,234	8,054,771	637,463
Gain/(Loss) on Sale of Assets	(560)	35,203	(35,763)
Interest Income	67,125	79,062	(11,937)
Change in Net Position	1,691,530	2,303,464	(611,934)
Beginning Net Position	6,048,250	3,744,786	2,303,464
Ending Net Position	<u>\$ 7,739,780</u>	<u>\$ 6,048,250</u>	<u>\$ 1,691,530</u>

WAGES AND FRINGE BENEFITS COSTS

	<i>2020</i>	<i>2019</i>	<i>Variance</i>
Salaries and Wages	\$ 14,543,586	\$ 14,621,671	\$ (78,085)
Fringe Benefits	4,406,385	4,351,400	54,985
Pension Plan Expense	929,776	165,305	764,471
GLI Expense	29,407	23,000	6,407
VLDP Expense	21,340	16,000	5,340
MI Expense	318,004	244,777	73,227
Total	<u>\$ 20,248,498</u>	<u>\$ 19,422,153</u>	<u>\$ 826,345</u>

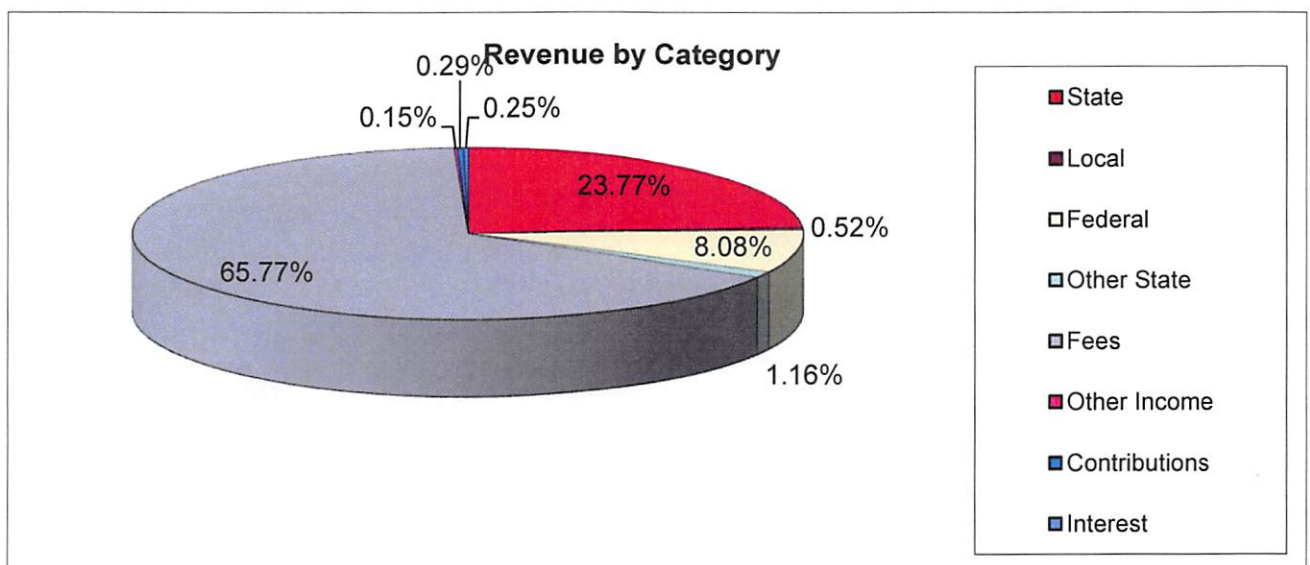
CAPITAL ASSETS

During the fiscal year CMCSB acquired various capital assets necessary for the operation of the CSB. Capital assets are assets purchased which cost in excess of \$2,500 each. The following table reflects the comparison of capital assets components as of June 30, 2019, and June 30, 2020.

	Balance June 30, 2019	Additions/ Deletions	Balance June 30, 2020
Equipment and Furniture	\$ 1,956,456	\$ (263,606)	\$ 1,692,850
Vehicles	1,480,642	-	1,480,642
Leasehold Improvements	179,333	-	179,333
Construction-in-Progress	-	65,970	65,970
Land, buildings & Improvements	13,269,217	24,462	13,293,679
Total	16,885,648	(173,174)	16,712,474
Less Accumulated Depreciation	7,425,167	128,053	7,553,220
Net Investment in Capital Assets	<u>\$ 9,460,481</u>	<u>\$ (301,227)</u>	<u>\$ 9,159,254</u>

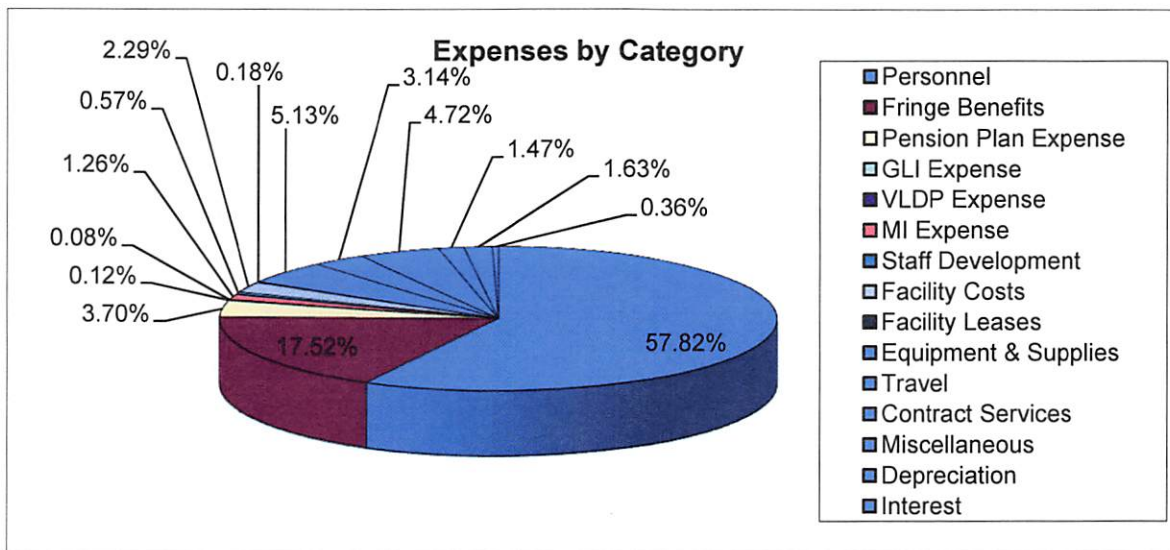
REVENUE SUMMARY BY CATEGORY

	2020	2019	Variance
State	\$ 6,381,894	\$ 5,938,068	\$ 443,826
Local	139,996	119,996	20,000
Federal	2,170,344	1,996,707	173,637
Other State	311,016	272,648	38,368
Fees	17,654,382	18,357,861	(703,479)
Other Income	41,145	118,129	(76,984)
Contributions	78,522	346	78,176
Interest	67,125	79,062	(11,937)
Total	<u>\$ 26,844,424</u>	<u>\$ 26,882,817</u>	<u>\$ (38,393)</u>



EXPENSE SUMMARY BY CATEGORY

	<i>2020</i>	<i>2019</i>	<i>Variance</i>
Personnel	\$ 14,543,586	\$ 14,621,671	\$ (78,085)
Fringe Benefits	4,406,385	4,351,400	54,985
Pension Plan Expense	929,776	165,305	764,471
GLI Expense	29,407	23,000	6,407
VLDP Expense	21,340	16,000	5,340
MI Expense	318,004	244,777	73,227
Staff Development	143,086	170,020	(26,934)
Facility Costs	576,210	637,854	(61,644)
Facility Leases	45,540	29,565	15,975
Equipment & Supplies	1,291,066	1,200,027	91,039
Travel	789,210	853,286	(64,076)
Contract Services	1,186,408	1,408,467	(222,059)
Miscellaneous	370,384	336,636	33,748
Depreciation	411,009	421,012	(10,003)
Interest	91,483	100,333	(8,850)
Total	\$ 25,152,894	\$ 24,579,353	\$ 573,541



SUMMARY OF SERVICES PROVIDED (cash basis as reported to DBHDS)

	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Mental Health:			
Acute Psychiatric	47	5	\$ 14,888
Outpatient	8,694	660	982,189
Medical	5,720	1,021	956,356
Case Management	35,399	1,849	3,636,473
Day Treatment	11,103	45	532,393
Amubulatory Crisis Stabilization	2,419	55	243,470
Rehabilitation	77,357	133	1,210,152
Residential Crisis Stabilization	946	87	733,696
Intensive Residential Services	366	1	79,797
Supportive Residential Services	6,327	51	385,765
Prevention	N/A	N/A	46,086
			\$ 8,821,265

Developmental Services:	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Outpatient	35	11	\$ 4,261
Case Management	10,716	344	1,304,512
Habilitation	157,764	123	1,867,843
Community Intermediate Care Facilities	6,600	19	2,276,921
Intensive Residential - Group Homes	14,441	44	2,575,045
Supportive Residential Services	50,504	44	1,241,122
			<u>\$ 9,269,704</u>

Substance Abuse:	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Outpatient	6,808	631	\$ 923,713
Medication Assisted Treatment Services	3,432	149	909,748
Case Management	3,638	240	498,998
Highly Intensive Residential Services	1,949	211	582,170
Prevention	N/A	N/A	316,701
			<u>\$ 3,231,330</u>

Part C Systems:	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Early Intervention	8,883	358	<u>\$ 745,720</u>

Outside a Program Area:	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Emergency	3,890	780	\$ 1,583,180
Consumer Run Services	N/A	44	10,705
			<u>\$ 1,593,885</u>

Administration & Program Support Costs			<u>\$ 3,586,751</u>
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cumberland Mountain Community Services Board
Cedar Bluff, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Cumberland Mountain Community Services Board (the "Organization"), a political subdivision, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

*Members of American Institute
of Certified Public Accountants*

*Members of Virginia Society of
Certified Public Accountants*

*Members of National Association of
Certified Valuation Analysts*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of Cumberland Mountain Community Services Board, as of June 30, 2020 and 2019, and the changes in its nets assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cumberland Mountain Community Services Board's basic financial statements. The schedule of insurance is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administration 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, dated October 30, 2020, on our consideration of Cumberland Mountain Community Services Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Cumberland Mountain Community Services Board's internal control over financial reporting and compliance.



Hicok, Brown and Company
Certified Public Accountants

October 30, 2020, except for the Schedule of Expenditures of Federal Awards, as
to which the date is July 26, 2022

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

Statements of Net Position

June 30, 2020 and 2019

Assets and Deferred Outflows of Resources

CURRENT ASSETS:	<u>2020</u>	<u>2019</u>
Cash and Investments	\$ 10,719,723	\$ 8,166,730
Accounts Receivable, Net of allowance of \$696,515 and \$723,889 at June 30, 2020 and 2019 respectively	1,802,829	2,162,401
Receivable - Drug Court	-	52,387
Receivable - DMAS Cost Reports	-	61,724
Miscellaneous Receivables	76,337	91,186
Due from DBHDS	361,738	-
Total Current Assets	<u>12,960,627</u>	<u>10,534,428</u>
Capital Assets		
(net of accumulated depreciation)	<u>9,159,254</u>	<u>9,460,481</u>
Prepaid Insurance	629,858	589,810
Prepaid Expense	22,114	25,668
St. Chivas Loan	117	3,928
Assets held for Trust Beneficiaries	98,909	35,266
Assets held for Outside Entities	83,484	80,976
Total Other Noncurrent Assets	<u>834,482</u>	<u>735,648</u>
Deferred Outflows - Pension Liability	1,907,873	852,515
Deferred Outflows - GLI OPEB	240,087	178,853
Deferred Outflows - VLDP OPEB	35,642	20,009
Deferred Outflows - MI OPEB	569,513	128,969
TOTAL ASSETS	<u>\$ 25,707,478</u>	<u>\$ 21,910,903</u>

Liabilities, Deferred Inflows of Resources, and Net Position

CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 222,409	\$ 215,574
Current portion of accrued leave	512,410	213,202
Accounts Payable - Operations	40,215	102,681
Accrued Wages	44,544	61,768
Payroll Withholdings	32,179	22,200
Due to VRS	125,040	114,964
Miscellaneous Payable	114	29,792
Accrued Interest	3,233	1,744
Deferred Revenue	7,860	39,230
Due to DMAS Cost Reports	77,232	42,997
Total Current Liabilities	<u>1,065,236</u>	<u>844,152</u>
LONG-TERM LIABILITIES:		
Due to Trust Beneficiaries	98,909	35,266
Net Pension Liability	6,309,578	4,870,576
Net GLI OPEB Liability	907,201	892,000
Net VLDP OPEB Liability	18,218	7,000
Net MI OPEB Liability	4,309,129	3,629,580
Long-term debt - less current portion	2,614,126	2,837,553
Bond Issuance Capitalized Costs	(9,236)	(10,069)
Accrued leave - less current portion	1,756,175	1,685,913
Total Long-Term Liabilities	<u>16,004,100</u>	<u>13,947,819</u>
Deferred Inflows - Pension Liability	720,116	897,321
Deferred Inflows - GLI OPEB	97,914	82,000
Deferred Inflows - VLDP OPEB	1,609	2,000
Deferred Inflows - MI OPEB	78,723	89,361
NET POSITION:		
Net Investment in Capital Assets	6,322,719	6,407,354
Restricted State Funds	3,159,154	2,062,850
Restricted Other Funds	346,296	415,787
Unrestricted	(2,088,389)	(2,837,741)
Total Net Position	<u>7,739,780</u>	<u>6,048,250</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 25,707,478</u>	<u>\$ 21,910,903</u>

Accompanying Notes Are An Integral Part of These Statements

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

Statements of Revenues and Expenses and Changes in Net Position

For the Years Ended June 30, 2020 and 2019

OPERATING REVENUES:	<u>2020</u>	<u>2019</u>
Net client fees and insurance reimbursement	\$ 17,654,382	\$ 18,357,861
Other Income	120,227	83,272
Miscellaneous State Funds	311,016	272,648
TOTAL OPERATING REVENUES	<u>18,085,625</u>	<u>18,713,781</u>
OPERATING EXPENSES:		
Personnel	14,543,586	14,621,671
Fringe Benefits	4,406,385	4,351,400
Pension Plan Expense	929,776	165,305
GLI Expense	29,407	23,000
VLDP Expense	21,340	16,000
MI Expense	318,004	244,777
Staff Development	143,086	170,020
Facility Costs	576,210	637,854
Facility Leases	45,540	29,565
Equipment & Supplies	1,291,066	1,200,027
Travel	789,210	853,286
Contract Services	1,186,408	1,408,467
Miscellaneous	370,384	336,636
Interest Expense	91,483	100,333
Depreciation	411,009	421,012
TOTAL OPERATING EXPENSES	<u>25,152,894</u>	<u>24,579,353</u>
OPERATING INCOME (LOSS)	<u>(7,067,269)</u>	<u>(5,865,572)</u>
NON-OPERATING INCOME:		
Appropriations:		
Appropriations from the Commonwealth of VA	6,381,894	5,938,068
Appropriations from Local Government	139,996	119,996
Appropriations from Federal Government	2,170,344	1,996,707
Gain/(Loss) on Sale of Assets	(560)	35,203
Interest Income	67,125	79,062
TOTAL NON-OPERATING INCOME	<u>8,758,799</u>	<u>8,169,036</u>
CHANGE IN NET POSITION	1,691,530	2,303,464
NET POSITION - Beginning of Year	<u>6,048,250</u>	<u>3,744,786</u>
NET POSITION - End of Year	<u>\$ 7,739,780</u>	<u>\$ 6,048,250</u>

Accompanying Notes Are An Integral Part of These Statements

CUMBERLAND MOUNTAIN COMMUNITY SERVICES

Statements of Cash Flows (Direct Method)

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for Client Services	\$ 18,075,678	\$ 18,592,531
Receipts for Miscellaneous	444,144	229,629
Payments to Employees	(14,191,340)	(14,739,986)
Payments to Vendors	(9,811,164)	(9,801,927)
Interest Payments on Debt	(90,649)	(99,499)
Net Cash Used by Operations	<u>(5,573,331)</u>	<u>(5,819,252)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State and Federal Appropriations	8,242,887	7,990,137
Local Government Appropriations	139,996	119,996
Net Cash from Non-Capital Financing Activities	<u>8,382,883</u>	<u>8,110,133</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Increase in due from St. Benedicts	-	-
(Increase)/Decrease in due from Chivas	3,811	(1,046)
Purchase of capital assets	(110,343)	(634,034)
Net Cash Used by Capital and Related Financing Activities	<u>(323,124)</u>	<u>(843,219)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Gain/(Loss) on Asset Disposal	(560)	35,203
Interest Income	67,125	79,062
Net Cash From Investing Activities	<u>66,565</u>	<u>114,265</u>
Net Change in Cash and Cash Equivalents	2,552,993	1,561,927
Balance - Beginning of the Year	8,166,730	6,604,803
Balance - End of the Year	<u>\$ 10,719,723</u>	<u>\$ 8,166,730</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Income (loss)	\$ (7,067,269)	\$ (5,865,572)
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	411,009	421,012
Changes in Assets and Liabilities		
Changes in Current Assets (Increase) Decrease:		
Accounts Receivable	359,572	209,051
Receivable DMAS - Cost Reports	61,724	25,619
Miscellaneous Receivables	15,410	(45,315)
Prepaid Insurance	(40,048)	(24,379)
Prepaid Expense	3,554	(25,668)
Deferred Outflows - Pension Liability	(1,055,358)	64,871
Deferred Outflows - GLI OPEB	(61,234)	(74,749)
Deferred Outflows - VLDP OPEB	(15,633)	(6,240)
Deferred Outflows - MI OPEB	(440,544)	(128,969)
Restricted Cash - Outside Entities	(2,508)	(80,976)

Accompanying Notes Are An Integral Part of These Statements

CUMBERLAND MOUNTAIN COMMUNITY SERVICES

Statement of Cash Flows (Direct Method) continued

For the Years Ended June 30, 2020 and 2019

Changes in Current Liabilities Increase (Decrease):		
Accounts Payable	(62,466)	29,614
Accrued Wages	(17,224)	(13,831)
Current Portion of Accrued Leave	299,208	(16,083)
Payroll Withholdings	9,979	(6,338)
Miscellaneous Payable	(29,678)	21,623
Deferred Revenue	(31,370)	21,609
Due to DMAS Cost Reports	34,235	42,997
Due to VRS	10,076	(14,428)
Accrued Interest Expense	1,489	29
Bond Issuance Costs	833	834
Net Pension Liability	1,439,002	(160,899)
Net GLI OPEB Liability	15,201	52,000
Net VLDP OPEB Liability	11,218	2,000
Net MI OPEB Liability	679,549	299,509.00
Deferred Inflows - Pension Liability	(177,205)	(436,534)
Deferred Inflows - GLI OPEB	15,914	(12,000.00)
Deferred Inflows - VLDP OPEB	(391)	1,000.00
Deferred Inflows - MI OPEB	(10,638)	(10,638.00)
Long-term portion of accrued leave	70,262	(88,401)
Net Cash Used by Operations	<u>\$ (5,573,331)</u>	<u>\$ (5,819,252)</u>

Accompanying Notes Are An Integral Part of These Statements

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - DESCRIPTION OF AGENCY

Reporting Entity

Cumberland Mountain Community Services Board (CMCSB) operates as a local political subdivision for the counties of Buchanan, Russell (fiscal agent), and Tazewell in the establishment and operation of behavioral health, developmental disabilities, and substance use disorders as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950) as amended relating to the Virginia Department of Behavioral Health and Developmental Services. St. Benedict's Corporation is included as a blended component unit in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

CMCSB is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. For financial reporting purposes, the Board utilizes the enterprise fund method of accounting using the accrual basis. On the accrual basis of accounting revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place.

The Board applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

Budgets and Budgetary Accounting

CMCSB's annual budget is a management tool that assists users in analyzing financial activity for its fiscal year ending June 30. CMCSB's largest funding source is fee-for-service payments, primarily from Medicaid and other insurers. Federal, state and local appropriations are also significant revenue sources that have fiscal periods that may or may not coincide with CMCSB's fiscal year. These appropriations normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of CMCSB's dependency on uncertain fee revenues and on federal, state, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. CMCSB's annual budget differs from that of a local government due to the uncertain nature of fee-for-service payments from other payers.

The resultant annual budget is subject to constant change within the fiscal year due to:

- The extent to which fee revenues are realized;
- Increase/decreases in actual appropriations from those estimated;
- Unanticipated appropriations not included in the budget; and
- Expected appropriations that fail to materialize.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CMCSB considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts

CMCSB evaluates its accounts receivables based on historical write-off percentages for all receivables except private pay, which is based on historical collections. A charge to income to absorb possible credit losses is made based on these percentages.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Client Fees and Insurance Reimbursements

Net client fees and insurance reimbursements are reported at the net realizable amounts from clients, third party payers and others for services rendered. Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement. Net patient service revenue is considered to be operating revenue. All expenses are related to patient services and therefore considered to be operating expenses. Other income related to patient services may be considered operating revenue.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The estimated useful lives of property and equipment are as follows using the straight-line method:

	<u>Years</u>
Buildings	40
Leasehold Improvements	10
Furniture, equipment and vehicles	5

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Advertising

Advertising costs are charged to operations when incurred.

Risk Management

CMCSB is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CMCSB purchases commercial insurance for all risks of loss noted above.

Net Position

Net position is the difference between assets and liabilities. Net position is classified as net investment in capital assets, temporarily restricted, and unrestricted. Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets. Temporarily restricted net position consists of assets that are restricted by CMCSB creditors (for example, through debt covenants), by grantors (both federal and state), and by other contributors. Unrestricted net position consists of all other net position reported.

When net position balance resources are available for a specific purpose in more than one classification, it is the policy of CMCSB to use the most restrictive funds first in the following order: restricted and unrestricted as they are needed.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Organization has several items that qualify for reporting in this category. It is comprised of certain items related to the measurement of the net pension and OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement dates. For more detailed information on these items, refer to the related notes.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Organization has several items that qualify for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows. For more detailed information on these items, refer to the related notes.

Pensions

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS and OPEB liabilities, deferred outflows and deferred inflows related to OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB, VRS VLDP OPEB and MI OPEB plans and the additions to/deductions from the Plan's net fiduciary position have been determined on the same basis as they were reported by VRS and the Organization's actuary. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

NOTE 3 - CASH AND INVESTMENTS

Deposits: At year-end the carrying value of CMCSB's deposits with banks and savings institutions and the bank balances which are covered by federal depositor insurance or collateralized in accordance with the Virginia Security for Public Deposits Act is as follows:

	<u>2020</u>	<u>2019</u>
Carrying Value	\$10,899,836	\$8,280,692
Balance	\$11,364,318	\$9,335,535
Collateralized Balance	\$11,364,318	\$9,335,535

Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans institutions. Of the bank balances, \$-0- was uninsured and uncollateralized in banks or savings and loan institutions not qualifying under the Act at June 30, 2020 and 2019.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments: CMCSB has no active investments.

Statement of Liquidity:

The following table provides CMCSB's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. CMCSB has an open line of credit in the amount of \$1,000,000 for remodeling The Laurels facility. No advances have been received as of June 20, 2020 on this line of credit.

Current assets, excluding non-financial assets, at year end	\$ 13,795,109
Less: Prepaid expenses	(651,972)
Assets pledged as collateral for line of credit	(1,000,000)
Assets held for Trust Beneficiaries	(98,909)
Assets held for Outside Entities	<u>(83,484)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,960,744</u>

NOTE 4 - ACCOUNTS RECEIVABLE

- A. Amounts due from clients and/or third party providers for services provided to clients.
- B. Amounts due for jobs performed by our staff and consumers at our workshop for outside entities.
- C. The amount computed for the allowance for doubtful accounts is \$696,515 for 2020 and \$723,889 for 2019.

NOTE 5 - CHANGES IN PROPERTY AND EQUIPMENT

The changes in property and equipment, net of depreciation are shown below.

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
Equipment and Furniture	\$ 1,956,456	\$ 19,910	\$ 283,516	\$ 1,692,850
Vehicles	1,480,642	-	-	1,480,642
Leasehold Improvements	179,333	-	-	179,333
Construction-in-Progress	-	65,970	-	65,970
Land, Building & Improvements	<u>13,269,217</u>	<u>24,462</u>	<u>-</u>	<u>13,293,679</u>
Total	<u>16,885,648</u>	<u>110,342</u>	<u>283,516</u>	<u>16,712,474</u>
Less: Accumulated Depreciation	<u>7,425,167</u>	<u>411,009</u>	<u>282,956</u>	<u>7,553,220</u>
Net Investment in Fixed Assets	<u>\$ 9,460,481</u>	<u>\$ (300,667)</u>	<u>\$ 560</u>	<u>\$ 9,159,254</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 5 – CHANGES IN PROPERTY AND EQUIPMENT (Continued)

Cumberland Mountain Community Services Board's current capitalization policy is to capitalize single assets with a cost of at least \$2,500. CMCSB has contracted to remodel The Laurels facility at an estimated cost of \$578,000. Construction costs as of June 30, 2020 were \$65,970.

NOTE 6 - LONG-TERM DEBT

A detail of long-term debt at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
LAUREL's PROJECT		
June, 2000, U.S. Rural Housing Programs Rural Development loan in the amount of \$770,000. Monthly interest and principal payments of \$3,966 @ 4.50% interest amortized over a total of 348 months.	\$ 382,475	\$ 412,121
June, 2000, U.S. Rural Housing Programs Rural Development loan in the amount of \$100,000. Monthly interest and principal payments of \$515 @ 4.50% interest amortized over a total of 348 months.	<u>48,610</u>	<u>52,506</u>
Total Laurel's Project	\$ 431,085	\$ 464,627
ST. BENEDICT'S ALLISON BUILDING LOAN		
August, 2016, First Bank & Trust original loan of \$3,712,500 on the Allison Building was refinanced with First Bank & Trust. Monthly interest and principal payments of \$21,153 @ 3.0% interest amortized over a total of 180 months. There were Bond issuance costs of \$12,500 which are being amortized over 180 months.	<u>\$2,405,450</u>	<u>\$2,588,500</u>
Total Debt	\$2,836,535	\$3,053,127
Less Current Portion	<u>222,409</u>	<u>215,574</u>
Long-term debt	<u>\$2,614,126</u>	<u>\$2,837,553</u>

Estimated maturities of long-term debt for succeeding years are as follows:

Year ended June 30:

2021	\$ 222,409
2022	229,463
2023	236,749
2024	244,275
2025	252,050
2026-2030	1,384,145
2031-2032	<u>267,444</u>
	<u>\$2,836,535</u>

The Rural Development loans require a debt service reserve to be established and accumulated at the rate of 10% of the monthly debt payment until a sum equal to no less than one annual installment is accumulated. At June 30, 2020, no payments were required.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7 - COMPENSATED ABSENCES

CMCSB has accrued the liability arising from compensated absences. CMCSB employees can accumulate unused annual and sick leave, along with compensatory and flex time, according to the agency personnel policy and are paid upon termination. Employees are allowed to sell back to the Agency accrued sick and annual hours in excess of maximum carryover hours (240 hours). Compensatory and flex time in excess of 240 hours must be paid to employees. These amounts in excess of 240 hours are listed as Short-term Liabilities. CMCSB's outstanding compensated absences obligation is as follows:

	<u>2020</u>	<u>2019</u>
Amount available for buy-out (short-term)	\$ 512,410	\$ 213,202
Amount carried over (long-term)	<u>1,756,175</u>	<u>1,685,913</u>
	<u>\$2,268,585</u>	<u>\$1,899,115</u>

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

Plan Description

All full-time, salaried permanent employees of CMCSB 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 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:

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit 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.
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. 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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.	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. 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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • 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 members was July 1, 2014 *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees 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.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pretax 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.	Retirement Contributions Same as Plan 1.	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.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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.	Service Credit Same as Plan 1.	Service Credit Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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. Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
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 service credit. 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. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting Defined Benefit Component: 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

		Vesting continued: Defined Contributions Component: 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. Members are always 100% vested in the contributions that they make. 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. • 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. Distributions not required, except as governed by law.
Calculating the Benefit The Basic Benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under Plan 1. Defined Contribution Component: 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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. 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. Defined Contribution Component: Not applicable.
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: At age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	Earliest Reduced Retirement Eligibility VRS: At age 60 with at least five years (60 months) of service credit.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: At age 60 with at least five years (60 months) of service credit. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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%.	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%.	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Cost-of-Living Adjustment (COLA) in Retirement continued: Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • 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. • 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.	Cost-of-Living Adjustment (COLA) in Retirement continued: Eligibility: Same as Plan 1. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement continued: Eligibility: Same as Plan 1 and Plan 2. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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 VRS refunded service as service credit in their plan. Prior service credit 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 Defined Benefit Component: Same as Plan 1, with the following exception: Hybrid Retirement Plan members are ineligible for ported service. Defined Contribution Component: Not applicable.
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Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	96
Inactive members:	
Vested	21
Non-Vested	42
LTD	
Active elsewhere in VRS	44
Total Inactive Members	<u>107</u>
Active Members	291
Total Covered Employees	<u>494</u>

Contributions

The contribution requirement for active employees is governed by Section 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.

CMCSB's contractually required employer contribution rate for the fiscal year ended June 30, 2020, was 6.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Cumberland Mountain Community Services Board were \$1,264,929 and \$1,214,838 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For CMCSB, the net pension liability was measured as of June 30, 2019. The total pension liability used

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35%
Investment rate of return	6.75 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 39,799,961	\$ 34,929,385	\$ 4,870,576
Changes for the year:			
Service cost	911,214	-	911,214
Interest	2,728,138	-	2,728,138
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(89,033)	-	(89,033)
Contributions – employer	-	697,847	(697,847)
Contributions – employee	-	516,991	(516,991)
Net investment income	-	2,326,505	(2,326,505)
Benefit payments, including refunds of employee contributions	(1,653,126)	(1,653,126)	-
Administrative expenses	-	(22,829)	22,829
Other changes	-	(1,469)	1,469
Net changes	3,302,921	1,863,919	1,439,002
Balances at June 30, 2019	\$ 43,102,882	\$ 36,793,304	\$ 6,309,578

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's Net Pension Liability	\$12,628,865	\$6,309,578	\$1,305,617

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

For the year ended June 30, 2020, CMCSB recognized pension expense of \$929,776. At June 30, 2020 CMCSB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,868	\$ 240,559
Changes of assumptions	1,092,648	171,860
Net difference between projected and actual earnings on pension plan investments	-	307,697
Employer contributions subsequent to the measurement date	723,357	-
Total	<u>\$ 1,907,873</u>	<u>\$ 720,116</u>

\$723,357 reported as deferred outflows of resources related to pensions resulting from CMCSB's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Schedule of Amortization of Deferred Inflows and Outflows of Resources

Year Ended June 30:	
2021	\$63,356
2022	(66,939)
2023	303,819
2024	164,164
2025	-
Thereafter	-

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2020, a payable in the amount of \$103,542 was due to VRS for the June, 2020 legally required contributions to the pension plan. This was drafted by VRS on July 10, 2020.

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS

General Information about the Group Life Insurance Program

Summary of Significant Accounting Policies

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS	
Eligible Employees	
The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:	
• City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board	
Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.	

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

Benefit Amounts

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

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

Reduction in benefit Amounts

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

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,463 effective July 1, 2020.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$152,251 and \$143,166 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, CMCSB reported a liability of \$907,201 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .05575% as compared to .05876% at June 30, 2018.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$29,407. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,334	\$ 11,766
Net difference between projected and actual earning on GLI OPEB program investments	\$ -	\$ 18,635
Change in assumptions	\$ 57,275	\$ 27,356
Changes in proportionate share	\$ 62,064	\$ 40,157
Employer contributions subsequent to the measurement date	\$ 60,414	\$ -
Total	\$ 240,087	\$ 97,914

\$60,414 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30

FY 2021	\$11,652
FY 2022	\$11,653
FY 2023	\$19,545
FY 2024	\$22,173
FY 2025	\$14,027
Thereafter	\$ 2,709

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 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 Life Mortality Table 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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net GLI OPEB Liability

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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

Long-Term Expected Rate of Return

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

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

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

Discount Rate

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

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	1.00% Decrease <u>5.75%</u>	Current Discount <u>Rate 6.75%</u>	1.00% Increase <u>7.75%</u>
Employer's proportionate share of The Group Life Insurance Program	\$ 1,191,811	\$ 907,201	\$ 676,390

Group Life Insurance Program Fiduciary Net Position

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

Payables to the VRS Group Life Insurance OPEB Plan

At June 30, 2020, CMCSB reported a payable of \$12,536 for the outstanding amount of contributions to the group life insurance plan required for the year ended June 30, 2020. This was drafted by VRS on July 10, 2020.

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability 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.

General Information about the Political Subdivision Employee Virginia Local Disability Program

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS	
Eligible Employees	
The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits	
Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:	
• Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.	

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

Benefit Amounts

The Political Subdivision Employee Virginia Local Disability Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability –

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability –

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2020, was 0.72% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$25,920 and \$20,009 for the years ended June 30, 2020 and June 30, 2019, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2020, the political subdivision reported a liability of \$18,218 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2019, and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 0.89930% as compared to 0.94509% at June 30, 2018.

For the year ended June 30, 2020, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$21,340. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,138	\$ 560
Net difference between projected and actual earnings on VLDP OPEB program investments	\$ 62	\$ -
Change in assumptions	\$ 522	\$ 697
Changes in proportion and differences between Employer contributions and proportionate share of contributions	\$ -	\$ 352
Employer contributions subsequent to the measurement date	\$ 25,920	\$ -
Total	\$ 35,642	\$ 1,609

\$25,920 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

Year ended June 30

FY 2021	\$ 1,687
FY 2022	\$ 1,675
FY 2023	\$ 1,665
FY 2024	\$ 1,684
FY 2025	\$ 1,613
Thereafter	\$ (211)

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 percent
Salary increases, including inflation – Political Subdivision Employees	3.5 percent – 5.95 percent
Investment rate of return	6.75 percent, including inflation*

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

Mortality rates – Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net Political Subdivision Employee VLDP OPEB Liability

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

	Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$ 3,989
Plan Fiduciary Net Position	<u>1,962</u>
Political Subdivision net VLDP OPEB Liability (Asset)	<u>\$ 2,027</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	49.19%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS 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 VRS 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:

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program 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, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB 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 Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

	1.00% Decrease 5.75%	Current Discount Rate 6.75%	1.00% Increase 7.75%
Political subdivision's proportionate share of the VRS Political Subdivision VLDP OPEB Plan Net VLDP OPEB Liability	\$20,951	\$18,218	\$15,828

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

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

Payables to the Political Subdivision Employee Virginia Local Disability Program OPEB Plan

At June 30, 2020, CMCSB reported a payable of \$12,405 for the outstanding amount of contributions to the Virginia Local Disability Program plan required for the year ended June 30, 2020. This was drafted by VRS on July 10, 2020.

NOTE 11 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS FOR RETIREES

Health Plan Eligibility

Participants in CMCSB's OPEB plan must retire directly from active employment and be eligible for an immediate pension benefit from the Virginia Retirement System (VRS) to be eligible for health benefits upon retirement. VRS retirement eligibility requirements are as follows:

VRS General Employees' Plan 1:

Plan 1 includes all members vested as of January 1, 2013.

- Attain age 50 with at least 10 years of service with VRS for a reduced pension benefit, or
- Attain age 55 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.

VRS General Employees' Plan 2 and Hybrid Plan:

Plan 2 includes all members not vested as of January 1, 2013, and members hired on or after July 1, 2010. The Hybrid Plan includes members hired on or after January 1, 2014, or by member election.

- Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or
- Attain Social Security Normal Retirement Age with at least 5 years of service with VRS for an unreduced pension benefit.

Health Plan Benefits

Health benefits include medical, dental, and vision coverage. Retirees under age 65 are eligible to enroll in the Key

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 11 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS FOR RETIREES (Continued)

Advantage 500 plan. Retirees age 65 and over are eligible to enroll in the Key Advantage 65 plan.

Retirees with a retirement date on or after May 1, 2018, are eligible for health benefits for their lifetime. Retirees with a retirement date between July 1, 2000, and May 1, 2018, are eligible for health benefits for a period of five years immediately following the date of retirement or attaining Medicare eligibility, whichever comes first. After such time, these retirees are no longer eligible to enroll in any of CMCSB's health plan offerings.

Retirees may elect to cover their spouse and any eligible dependent children, provided they are enrolled in CMCSB's health plan as of the date of retirement. If the retiree predeceases the spouse, the surviving spouse is eligible to continue coverage for their lifetime.

The monthly premiums show below are for the 12-month period beginning July 1, 2020.

<u>Plan</u>	<u>Retiree</u>	<u>Dual</u>	<u>Family</u>
Key Advantage 500	\$780.00	\$1,442.00	\$2,105.00
Key Advantage 65 (with Dental and Vision)	\$201.00	\$402.00	N/A

Retiree and Employer Contributions

Retirements between July 1, 2000, and May 1, 2018

CMCSB contributes a percentage of the retiree-only premium for a period of five years from the date of retirement or attaining Medicare eligibility, whichever comes first. (For purposes of this valuation, we relied on retiree contribution amounts provided in the June 30, 2018, census data for pre-May 1, 2018, retirees.)

Retirements on or after May 1, 2018, with 25 or More Years of Service

CMCSB contributes a percentage of the retiree-only premium according to the schedule below. The contribution is provided for a period of 10 years from the date of retirement.

Years of Service with CMCSB	% of Retiree-Only Premium Paid by CMCSB
25 to 29	50%
30 or More	75%

Retirements on or after May 1, 2018, with Less than 25 Years of Service

The retiree is responsible for 100% of the premium cost.

All retirees are responsible for 100% of the premium cost for their eligible spouses and dependents.

Disability Retirement Benefit

Disabled retirees have the same eligibility requirements and benefits as other retirees.

Death Benefit

The plan does not include a pre-retirement death benefit.

Withdrawal Benefit

The plan does not include a withdrawal benefit.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 11 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS FOR RETIREES (Continued)

Benefit Service

Benefit service is credited from the date of hire with CMCSB.

Participant Data as of June 30, 2018

Actives	270
Retirees	8
Beneficiaries	0
Spouses of Retirees	0
Total	<u>278</u>

Actuarial Assumptions and Methods

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

Discount Rate

A 2.21% discount rate for measuring the plan's June 30, 2020, Total OPEB Liability. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

Valuation Date	June 30, 2018
Measurement Date	June 30, 2020
Actuarial cost method	Entry Age Normal
Inflation	2.50 %
Pre-65 (Post-65) Medical Trend Rate	5.70% (3.70%) to 4.00% over 55 years
Salary increases including inflation	Graded Scale
Disability Rates	25%
Mortality	
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.
Post-Disablement	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 11 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS FOR RETIREES (Continued)

Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2019	\$ 3,629,580
Changes for the year:	
Service cost	121,933
Interest on total OPEB liability	129,748
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	517,505
Benefit payments	(89,637)
Balance as of June 30, 2020	<u>\$ 4,309,129</u>

Sensitivity Analysis

The following presents the total OPEB liability of CMCSB, calculated using the discount rate of 2.21%, as well as what CMCSB's liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate.

	1% Decrease 1.21%	Discount Rate 2.21%	1% Increase 3.21%
Total OPEB Liability	\$4,784,168	\$4,309,129	\$3,877,000

The following presents the total OPEB liability of CMCSB, calculated using the current healthcare cost trend rates, as well as what CMCSB's liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$3,663,179	\$4,309,129	\$5,099,253

OPEB Expense, Deferred Outflows of Resource, and Deferred Inflows of Resources

For the year ended June 30, 2020, CMCSB recognized an OPEB expense of \$318,004.

At June 30, 2020, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	(78,723)	569,513
Total	<u>\$(78,723)</u>	<u>\$569,513</u>

Amounts currently reported as deferred outflows or resources and deferred inflows of resources related to this OPEB will be recognized in OPEB expense as follows:

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 11 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS FOR RETIREES (Continued)

Year ended June 30:	
2021	\$ 66,323
2022	66,323
2023	66,323
2024	66,323
2025	66,323
Thereafter*	159,175

* Note that additional future deferred inflows and outflows or resources may impact these numbers.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Leases

As of June 30, 2020, CMCSB had lease agreements for various facilities. The following is a schedule by years of future minimum rental payments for operating leases with terms of at least one year.

<u>Year Ending June 30</u>	<u>St. Benedict's</u>	<u>Other</u>	<u>Amount</u>
2021	\$ 455,760	\$ 45,862	\$ 501,622
2022	-	46,092	46,092
2023	-	46,428	46,428
2024	-	26,195	26,195
2025	-	-	-
Total Minimum Rentals	<u>\$ 455,760</u>	<u>\$ 164,577</u>	<u>\$ 620,337</u>

Federally Assisted Grant Programs

CMCSB participates in a number of federally assisted grant programs. Although CMCSB has been audited in accordance with the provisions of Uniform Guidance, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, CMCSB believes such disallowances, if any, will not be significant.

NOTE 13 - SURETY BONDS

The examination disclosed that 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>
Blanket	National Grange Mutual Insurance	\$30,000 per loss

NOTE 14 - LOCAL REVENUES

Local match revenues include contributions by our local governments and the general public. Local revenues are as follows:

	<u>2020</u>	<u>2019</u>
Tazewell County	\$ 80,000	\$ 60,000
Russell County	39,996	39,996
Buchanan County	<u>20,000</u>	<u>20,000</u>
Local Government Appropriations	\$ 139,996	\$ 119,996
Feeding America	77,282	-
General Public	<u>1,240</u>	<u>346</u>
	<u>\$ 218,518</u>	<u>\$ 120,342</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 15 – BLENDED COMPONENT UNIT

St. Benedicts Corporation is a component unit of CMCSB. St. Benedicts Corporation, a separate non-stock, non-profit 501(c)(3) corporation organized under the provisions of Chapter 2 of the Virginia Stock Corporation Act, owns land and various facilities that CMCSB leases. CMCSB appoints board members of St. Benedicts Corporation and sets the lease rate; therefore, is included in these financial statements as a blended component unit.

St. Benedicts Corporation's condensed financial statements are included below. Intercompany revenues, expenses, assets, and liabilities have been eliminated in these financial statements.

St. Benedicts Corporation Statements of Net Position June 30, 2020 & 2019

ASSETS:	<u>2020</u>	<u>2019</u>
Cash	\$ 650,872	\$ 499,072
Capital Assets (net of accumulated depreciation)	<u>5,949,153</u>	<u>6,142,343</u>
TOTAL ASSETS	<u>\$ 6,600,025</u>	<u>\$ 6,641,415</u>
Accounts Payable	\$ -	\$ -
Accrued Interest	1,489	1,855
First Bank & Trust - Main B Loan	2,405,450	2,588,500
Bond Issuance Capitalized Costs	(9,236)	(10,069)
Due to Cumberland Mountain CSB	<u>6,011</u>	<u>14,253</u>
TOTAL LIABILITIES	<u>2,403,714</u>	<u>2,594,539</u>
NET POSITION:		
Net Investment in Capital Assets	3,551,450	3,562,057
Unrestricted	644,861	484,819
Rounding	<u>-</u>	<u>-</u>
TOTAL FUND EQUITY	<u>4,196,311</u>	<u>4,046,876</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 6,600,025</u>	<u>\$ 6,641,415</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 15 – BLENDED COMPONENT UNIT (Continued)

St. Benedicts Corporation
Statement of Revenues, Expenditures, and Changes
In Net Position
For the years ended June 30, 2020 & 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Rental Income	\$ 455,754	\$ 456,534
Miscellaneous Income	-	500
TOTAL OPERATING REVENUES	<u>455,754</u>	<u>457,034</u>
OPERATING EXPENDITURES:		
Taxes & License	7,063	6,551
Professional Fees	2,160	300
Interest Expense	71,253	80,467
Repairs & Maintenance	4,991	5,121
Depreciation	220,802	218,820
Miscellaneous	50	308
TOTAL OPERATING EXPENDITURES	<u>306,319</u>	<u>311,567</u>
OPERATING INCOME (LOSS)	<u>149,435</u>	<u>145,467</u>
NON-OPERATING INCOME:		
Gain/(Loss) on Sale of Assets	-	4,402
Change in Net Position	149,435	149,869
Beginning Net Position	<u>4,046,876</u>	<u>3,897,007</u>
Ending Net Position	<u>\$ 4,196,311</u>	<u>\$ 4,046,876</u>

St. Benedicts Corporation
Statements of Cash Flows (Direct Method)
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for Rental Income	\$ 455,754	\$ 456,534
Receipts for Miscellaneous	0	500
Payments to Vendors	(14,264)	(12,280)
Interest Payments on Debt	(70,786)	(77,778)
Net Cash Used by Operations	<u>370,704</u>	<u>366,976</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of debt	-	-
Payment on debt	(183,050)	(176,059)
Purchase of capital assets	(27,612)	(147,086)
Net Cash Used by Capital and Related Financing Activities	<u>(210,662)</u>	<u>(323,145)</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 15 – BLENDED COMPONENT UNIT (Continued)

CASH FLOW FROM INVESTING ACTIVITIES:

Gain/(Loss) on Asset Disposal	-	4,402
Due to Cumberland Mountain CSB	8,242	2,791
Net Cash From Investing Activities	<u>8,242</u>	<u>7,193</u>
Net Change in Cash and Cash Equivalents	151,800	51,024
Balance - Beginning of the Year	<u>499,072</u>	<u>448,048</u>
Balance - End of the Year	<u>\$ 650,872</u>	<u>\$ 499,072</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:

Operating Income (loss)	\$ 149,435	\$ 145,467
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	220,802	218,820
Changes in Assets and Liabilities		
Changes in Current Assets (Increase) Decrease:		
Accounts Payable	-	-
Accrued Interest	(366)	1,855
Bond Issuance Costs	<u>833</u>	<u>834</u>
Net Cash Used by Operations	<u>\$ 370,704</u>	<u>\$ 366,976</u>

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated as of October 30, 2020, which is the date the financial statements were available to be issued.

NOTE 17 – ACCOUNTING ESTIMATE CHANGE

There were no accounting estimate changes for the fiscal year ending June 30, 2020.

SUPPLEMENTAL INFORMATION

Cumberland Mountain Community Services
Schedule of Expenditures of Federal Awards - Cash Basis
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identifier or Pass Through Entity Number	Disbursements/ Expenditures
Department of Health and Human Services:			
Direct Payments:			
Substance Abuse and Mental Health Projects - Regional & National (SAMSHA)	93.243	15TI26061A	\$ 116,221
CARES Act - Healthcare Relief Program	93.498		5,419
Pass through Payments:			
VA Department of Behavioral Health:			
Mental Health Block Grant (SED C&A)	93.958		51,021
Mental Health Block Grant (Adult SMI)	93.958		25,714
Mental Health Block Grant	93.958		78,579
			155,314
Substance Abuse Block Grant (Alcohol/Drug Treatment)	93.959 *		740,952
Substance Abuse Block Grant (Sarpos Funding)	93.959 *		45,571
Substance Abuse Block Grant (Women)	93.959 *		29,978
Substance Abuse Block Grant (Prevention)	93.959 *		159,555
Substance Abuse Block Grant (Treatment)	93.959 *		2,638
			978,694
Opioid STR (Recovery)	93.788		13,317
Opioid Response - Recovery	93.788		220,159
Opioid Response - Treatment	93.788		208,596
Opioid Response - Prevention	93.788		96,957
			539,029
VA Rural Communities Opioid Response Program - Planning	93.912		56,628
			56,628
Total Department of Health and Human Services:			1,851,305
Department of Treasury:			
Direct Payments:			
Tazewell County DA Funds	21.XXX		21,682
Total Department of Treasury:			21,682
Department of Education:			
Pass through Payments:			
VA Department of Behavioral Health:			
Infants and Toddlers with Disabilities 09/30/20	84.181		57,712
Total Department of Education:			57,712
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants	10.766	55 005 0540944560	464,627
Community Facilities Loans and Grants	10.766	55 005 0540944560	734
Total Department of Agriculture:			465,361
Total Expenditures of Federal Awards			\$ 2,396,060

* Denotes Major Program
See Accompanying Notes to Schedule of Expenditures of Federal Awards

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Cumberland Mountain Community Services Board has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance except for the SAMHSA Treatment Drug Court (15) Grant.

Note 4 – Pass-Through Entities

Pass-through entity identifying numbers are presented when available.

Note 5 – Awards to Subrecipients

No awards were passed to subrecipients for year ended June 30, 2020

Note 6 – Loan Program Balances

The balance owed to the Department of Agriculture at June 30, 2020, is \$431,085 for Community Facilities Loans and Grants.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SCHEDULE OF INSURANCE

FOR THE YEAR ENDED JUNE 30, 2020

Insurance Coverage	Ins. Co. / Agent/ Policy #	Policy Period	Limits of Liability		Deductible	Annual Premium
Property	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	Real Property Personal Property Business Income	\$16,082,097 \$ 1,895,400 \$ 100,000	\$1,000 \$25,000 for Flood Earthquake	\$ 20,665
Inland Marine	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	Inland Marine	\$15,113	\$1,000	Included
Computers Electronic Data Processing	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	Hardware Software	\$ 704,500 \$ Included	\$1,000	\$ 827
Boiler & Machinery	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	Direct Damage Business Income & Extra Expense Water Damage	\$125,000,000 \$ 1,000,000 \$ 250,000	\$1,000	\$ 1,834
General Liability	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	Aggregate Occurrence Medical	None \$ 2,000,000 \$ 5,000/Pers \$10,000/ Accident	\$0	\$ 20,461
Public Officials Liability	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	Occurrence Aggregate	\$ 2,000,000 \$ 2,000,000	\$5,000	\$ 7,922
Automobile Liability Physical Damage	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	BI/PD Uninsured Motorist Medical Payments Non-Owned/Hired	\$ 2,000,000 Statutory \$ 5,000 \$ 1,000,000	\$250	\$ 61,287
Crime	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	Employee Dishonesty Forgery or Alteration Money & Securities	\$ 250,000 \$ 250,000 \$ 250,000	\$250	\$ 775
Increased Limits – GL & Auto	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	Occurrence Aggregate	\$ 3,000,000 \$ 3,000,000	None	\$ 7,039
Environmental Liability	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	Above Ground Pollution Exposure	\$1,000,000	\$25,000	Included
Cyber Risk	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	Per Occurrence Per Member Aggregate	\$500,000 \$5,000,000	None	Included
Workers Compensation	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-19	7/1/19 Through 7/1/20	BI Each Accident BI by Disease (per person) BI by Disease (per accident)	\$ 1,000,000 \$ 1,000,000 \$ 1,000,000	N/A	\$195,656
Surety Bond	Co: National Grange Mutual Insurance Ag: MSA Group Pol. #: S2620464	02/21/20 Through 02/21/21	Employee dishonesty	\$ 30,000	\$ 250	\$ 810
					Total	\$317,276

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SUPPLEMENTARY INFORMATION

JUNE 30, 2020

VRS Pension Supplementary Information

Schedule of Changes in CMCSB's Net Pension Liability and Related Ratios

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 911,214	\$ 881,534	\$ 886,085	\$ 882,836	\$ 906,042	\$ 859,063
Interest	2,728,138	2,573,714	2,465,328	2,356,207	2,198,322	2,064,113
Changes in benefit terms	-	-	-	-	-	-
Changes of assumptions	1,405,728	-	(506,654)	-	-	-
Differences between expected and actual experience	(89,033)	155,625	(145,099)	(570,340)	145,698	-
Benefit Payments, including refunds of employee contributions	(1,653,126)	(1,156,521)	(1,146,049)	(1,073,609)	(915,521)	(1,096,278)
Net change in total pension liability	3,302,921	2,454,352	1,553,611	1,595,094	2,334,541	1,826,898
Total pension liability – beginning	39,799,961	37,345,609	35,791,998	34,196,904	31,862,363	30,035,465
Total pension liability – ending (a)	\$ 43,102,882	\$ 39,799,961	\$ 37,345,609	\$ 35,791,998	\$ 34,196,904	\$ 31,862,363
Plan fiduciary net position						
Contributions – employer	\$ 697,847	\$ 855,583	\$ 798,762	\$ 810,272	\$ 811,710	\$ 915,959
Contributions – employee	516,991	537,641	508,928	478,831	469,626	497,872
Net investment income	2,326,505	2,400,835	3,518,834	501,761	1,226,232	3,600,926
Benefit Payments, including refunds of employee contributions	(1,653,126)	(1,156,521)	(1,146,049)	(1,073,609)	(915,521)	(1,096,278)
Administrative expense	(22,829)	(20,119)	(19,757)	(17,053)	(16,190)	(18,968)
Other	(1,469)	(2,168)	(3,158)	(209)	(262)	189
Net change in plan fiduciary net position	1,863,919	2,615,251	3,657,560	699,993	1,575,595	3,899,700
Plan fiduciary net position – beginning	34,929,385	32,314,134	28,656,574	27,956,581	26,380,986	22,481,286
Plan fiduciary net position – ending (b)	\$ 36,793,304	\$ 34,929,385	\$ 32,314,134	\$ 28,656,574	\$ 27,956,581	\$ 26,380,986
CMCSB's net pension liability – ending (a) - (b)	\$ 6,309,578	\$ 4,870,576	\$ 5,031,475	\$ 7,135,424	\$ 6,240,323	\$ 5,481,377
Plan fiduciary net position as a percentage of the total pension liability	85.36%	87.76%	86.53%	80.06%	81.75%	82.80%
Covered employee payroll	\$ 10,895,628	\$ 11,145,314	\$ 10,260,082	\$ 9,442,444	\$ 9,402,810	\$ 9,706,990
CMCSB's net pension liability as a percentage of covered-employee payroll	57.91%	43.70%	49.04%	75.57%	66.37%	56.47%

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SUPPLEMENTARY INFORMATION

JUNE 30, 2020

VRS Pension Supplementary Information (Continued)

Schedule of Employer Contributions For the Years Ended June 30, 2011 through 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2020	\$ 723,357	\$ 723,357	\$ -	\$ 11,551,398	6.26%
2019	\$ 697,867	\$ 697,867	\$ -	\$ 10,895,628	6.41%
2018	\$ 855,583	\$ 855,583	\$ -	\$ 11,145,314	7.68%
2017	\$ 798,762	\$ 798,762	\$ -	\$ 10,260,082	7.79%
2016	\$ 810,272	\$ 810,272	\$ -	\$ 9,442,444	8.58%
2015	\$ 816,707	\$ 816,707	\$ -	\$ 9,402,810	8.69%
2014	\$ 915,959	\$ 915,959	\$ -	\$ 9,706,990	9.44%
2013	\$ 855,462	\$ 855,462	\$ -	\$ 9,350,904	9.15%
2012	\$ 1,080,060	\$ 1,080,060	\$ -	\$ 8,766,624	12.32%
2011	\$ 1,051,313	\$ 1,051,313	\$ -	\$ 8,879,544	11.84%

Notes to Required Supplementary Information

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SUPPLEMENTARY INFORMATION

JUNE 30, 2020

VRS Group Life Supplementary Information

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program For the Measurement Dates of June 30, 2019, 2018, and 2017

	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.05575%	0.05876%	0.05583%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 907,201	\$ 892,000	\$ 840,000
Employer's Covered Payroll	\$10,895,628	\$11,145,314	\$10,260,082
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.33%	8.00%	8.19%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

Schedule of Employer Contributions For the Years Ended June 30, 2011 through 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 60,414	\$ 60,414	\$ -	\$ 11,621,960	0.52%
2019	\$ 56,853	\$ 56,853	\$ -	\$ 10,895,628	0.52%
2018	\$ 58,104	\$ 58,104	\$ -	\$ 11,145,314	0.52%
2017	\$ 53,552	\$ 53,552	\$ -	\$ 10,260,082	0.52%
2016	\$ 45,444	\$ 45,444	\$ -	\$ 9,442,444	0.48%
2015	\$ 45,281	\$ 45,281	\$ -	\$ 9,402,810	0.48%
2014	\$ 46,617	\$ 46,617	\$ -	\$ 9,706,990	0.48%
2013	\$ 43,604	\$ 43,604	\$ -	\$ 9,350,904	0.47%
2012	\$ 25,089	\$ 25,089	\$ -	\$ 8,766,624	0.29%
2011	\$ 24,527	\$ 24,527	\$ -	\$ 8,879,544	0.28%

Notes to Required Supplementary Information

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

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SUPPLEMENTARY INFORMATION

JUNE 30, 2020

VRS Group Life Supplementary Information (Continued)

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

VRS VLDP Supplementary Information

Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program For the Measurement Dates of June 30, 2019, 2018, and 2017

	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.89930%	0.94509%	0.86242%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 18,218	\$ 7,000	\$ 5,000
Employer's Covered Payroll	\$2,779,028	\$2,294,833	\$1,583,667
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.6556%	0.305%	0.3157%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	49.19%	51.39%	38.40%

Schedule of Employer Contributions For the Years Ended June 30, 2014 through 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 25,920	\$ 25,920	\$ -	\$ 3,601,796	0.72%
2019	\$ 20,009	\$ 20,009	\$ -	\$ 2,779,028	0.72%
2018	\$ 13,769	\$ 13,769	\$ -	\$ 2,294,833	0.60%
2017	\$ 9,502	\$ 9,502	\$ -	\$ 1,583,667	0.60%
2016	\$ 4,425	\$ 4,425	\$ -	\$ 737,500	0.60%
2015	\$ 1,545	\$ 1,545	\$ -	\$ 257,500	0.60%
2014	\$ 228	\$ 228	\$ -	\$ 38,000	0.60%

Notes to Required Supplementary Information

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SUPPLEMENTARY INFORMATION

JUNE 30, 2020

VRS VLDP Supplementary Information (Continued)

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

Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Health Insurance Benefits for Retirees OPEB Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios For Fiscal Year Ending June 30, 2020, 2019, and 2018

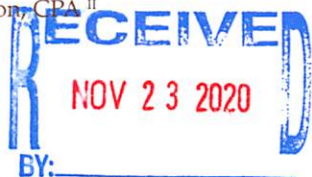
	2020	2019	2018
Service cost	\$ 121,933	\$ 108,612	\$ 112,184
Interest on total OPEB liability	129,748	131,450	120,199
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-
Effect of assumption changes or inputs	517,505	144,322	(110,637)
Benefit payments	(89,637)	(84,875)	(73,300)
Net change in total OPEB liability	679,549	299,509	48,446
Total OPEB liability beginning	3,629,580	3,330,071	3,281,625
Total OPEB liability ending	4,309,129	3,629,580	3,330,071
Covered payroll	\$10,537,677	\$ 10,537,677	\$ 10,537,677
Total OPEB liability as a % of covered payroll	40.89%	34.44%	31.60%

Notes to Required Supplementary Information

Significant Changes: There have been no significant changes between the valuation date and fiscal year end.

COMPLIANCE REPORTS

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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

To the Board of Directors
Cumberland Mountain Community Services Board
Cedar Bluff, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Cumberland Mountain Community Services Board, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Cumberland Mountain Community Services Board's basic financial statements, and have issued our report thereon dated October 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cumberland Mountain Community Services 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cumberland Mountain Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Cumberland Mountain Community Services Board's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cumberland Mountain Community Services 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*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Hicok, Brown & Company".

Hicok, Brown and Company
Certified Public Accountants

October 30, 2020

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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

To the Board of Directors
Cumberland Mountain Community Services Board
Cedar Bluff, Virginia

Report on Compliance for Each Major Federal Program

We have audited Cumberland Mountain Community 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 Cumberland Mountain Community Services Board's major federal programs for the year ended June 30, 2020. Cumberland Mountain Community Services Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cumberland Mountain Community Services 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 Cumberland Mountain Community Services 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 of Cumberland Mountain Community Services Board's compliance.

Opinion on Each Major Federal Program

In our opinion, Cumberland Mountain Community 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, 2020.

Report on Internal Control Over Compliance

Management of Cumberland Mountain Community 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 Cumberland Mountain Community Services 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 Cumberland Mountain Community 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.



Hicok, Brown and Company
Certified Public Accountants

October 30, 2020

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

I. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS:

An unqualified opinion was issued on the financial statements.

There were no material weaknesses in internal control over financial reporting to disclose.

There were no significant deficiencies in internal control over financial reporting to disclose.

The audit did not disclose any noncompliance material to the financial statements.

FEDERAL AWARDS:

There were no material weaknesses in internal control over major programs to disclose.

There were no significant deficiencies in internal control over major programs to disclose.

An unmodified opinion was issued on compliance for major programs.

The audit did not disclose any audit findings required to be reported in accordance with Uniform Guidance.

Major programs are:

93.959 Block Grants for Prevention and Treatment of Substance Abuse

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000.

The auditee qualified as a low-risk auditee.

II. FINANCIAL STATEMENTS FINDINGS

- a. None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

- a. None

IV. STATUS OF PRIOR AUDIT FINDINGS

- a. There were no findings for the year ended June 30, 2019.