

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

AUDIT REPORT

Year ended June 30, 2016 and 2015

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

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PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

The following Management Discussion and Analysis (MD&A) of the Planning District One Behavioral Health Services (PD1BHS) activities and financial performance provides the reader with an introduction and overview to the financial statements of PD1BHS for the fiscal year ended June 30, 2016.

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

PD1BHS FINANCIAL OPERATIONS HIGHLIGHTS

PD1BHS disabilities of Mental Health, Developmental Services/Intellectual Disabilities and Substance Use revenues increased (decreased) in each area during FY 2016 as follows:

Per Year-End Report:

	FY 2016	FY 2015	% Increase (Decrease)
Mental Health	\$8,140,522	\$7,743,245	5.1%
Development Services	4,322,376	4,614,656	(6.3%)
Substance Use	1,973,726	1,955,921	0.9%

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

Per Audited Financial Statements:

	FY 2016	FY 2015
Operating Revenues	<u>\$9,282,737</u>	<u>\$8,947,827</u>
Operating Expenses	<u>\$8,906,809</u>	<u>8,936,544</u>
Excess before non-operating		
Gains (Losses)	375,928	11,283
Non-Operating Gains(Losses)	<u>4,587</u>	<u>1,317</u>
Change in net position	<u><u>\$380,515</u></u>	<u><u>\$12,600</u></u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

FINANCIAL POSITION SUMMARY

Per Audited Financial Statements:

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

A condensed summary of the agency's balance sheet at June 30, 2016, is shown below:

	FY 2016	FY 2015
ASSETS	\$ 3,271,595	\$ 2,587,288
DEFERRED OUTFLOWS OF RESOURCES	2,808	2,524
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,274,403</u>	<u>\$ 2,589,812</u>
LIABILITIES	\$ 1,778,550	\$ 1,463,870
DEFERRED INFLOWS OF RESOURCES	87,396	98,000
NET POSITION	<u>1,408,457</u>	<u>1,027,942</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	<u>\$ 3,274,403</u>	<u>\$ 2,589,812</u>

REVENUES

Per Audited Financial Statements:

A summary of operating revenues for the years ended June 30, 2016 and 2015 and the amount of and percentage change from 2016 in relation to 2015 is as follows:

	FY 2016	% of Total	FY 2015	Changes from FY 2015	% Change
Net Patient Service Revenue	\$ 3,829,102	41.2%	\$3,993,861	\$ (164,759)	(4.1%)
State	3,969,024	42.7%	3,767,774	201,250	5.3%
Federal	793,245	8.6%	836,192	(42,947)	(5.1%)
Local	372,396	4.0%	350,000	22,396	6.4%
Other	<u>318,970</u>	<u>3.5%</u>	<u>-</u>	<u>318,970</u>	<u>100.0%</u>
Total	<u>\$ 9,282,737</u>	<u>100.0%</u>	<u>\$ 8,947,827</u>	<u>\$ 334,910</u>	<u>3.7%</u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

EXPENSES

Per Audited Financial Statements:

A summary of expenses for the years ended June 30, 2016 and 2015, and the amount of and percentage change from 2016 in relation to 2015 are as follows:

	FY 2016	% of Total	FY 2015	Increase (Decrease) From FY 2015	% Increase (Decrease)
Personnel Staff	\$ 348,247	3.9%	\$ 308,995	\$ 39,252	12.7%
Development	8,800	0.1%	8,033	767	9.5%
Depreciation	24,448	0.2%	22,951	1,497	6.5%
Facility Expense	30,801	0.3%	25,305	5,496	21.7%
Travel Expense	32,301	0.4%	29,440	2,861	9.7%
Contract Services	8,457,380	95.0%	8,536,041	(78,661)	(.1%)
Other Expenses	4,832	0.1%	5,779	(947)	(16.4%)
Total	\$ 8,906,809	100.0%	\$ 8,936,544	\$ (29,735)	(.3%)

A summary of expenses by core service for the year ended June 30, 2016, and the amount of and percentage change in relation to prior year amounts is as follows:

Per Year-End Report:

MENTAL HEALTH	FY 2016	% of Total	FY 2015	Increase (Decrease) From 2015	% Change
250 Acute Psychiatric or SA Inpatient Services	\$ 61,198	0.9%	\$ 105,660	\$ (44,462)	(42.1%)
310 Outpatient Services	2,264,260	33.6%	1,976,453	287,807	14.6%
320 Case Management	2,461,480	36.5%	2,792,203	(330,723)	(11.8%)
425 Rehabilitation or Habilitation	305,834	4.5%	327,031	(21,197)	(6.5%)
430 Sheltered Employment	289,754	4.3%	288,644	1,110	0.4%
521 Intensive Residential Services	383,285	5.7%	419,816	(36,531)	(8.7%)
551 Supervised Residential Services	623,261	9.3%	590,611	32,650	5.5%
581 Supportive Residential Services	348,544	5.2%	403,910	(55,366)	(13.7%)
	\$ 6,737,616	100.0%	\$ 6,904,328	\$(166,712)	(2.4%)

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Per Fourth Quarter Report (continued):

DEVELOPMENTAL SERVICES	FY 2016	% of Total	FY 2015	Increase (Decrease) From 2015	% Change
320 Case Management Services	\$ 512,573	12.7%	\$ 560,680	\$ (48,107)	(8.6%)
425 Rehabilitation	560,574	13.9%	543,994	16,580	3.0%
430 Sheltered Employment	773,060	19.2%	818,378	(45,318)	(5.5%)
521 Intensive Residential Services	1,050,555	26.1%	1,074,876	(24,321)	(2.3%)
551 Supervised Residential Services	518,985	12.9%	449,941	69,044	15.3%
581 Supportive Residential Services	605,266	15.1%	775,868	(170,602)	(22.0%)
	<u>\$ 4,021,013</u>	<u>100.0%</u>	<u>\$ 4,223,737</u>	<u>\$(202,724)</u>	<u>(4.8%)</u>
 SUBSTANCE ABUSE	 FY 2016	 % of Total	 FY 2015	 Increase (Decrease) From 2015	 % Change
310 Outpatient	\$ 661,398	41.6%	\$ 640,146	\$ 21,252	3.3%
335 Medication Assisted Treatment	28,631	1.8%	30,118	(1,487)	100.0%
320 Case Management	533,845	33.6%	533,335	510	0.010%
501 Highly Intensive Residential	158,515	10.0%	146,265	12,250	8.4%
610 Prevention	208,462	13.1%	172,397	36,065	20.9%
	<u>\$1,590,851</u>	<u>100.0%</u>	<u>\$1,522,261</u>	<u>\$ 68,590</u>	<u>4.5%</u>
 Emergency & Ancillary	 FY 2016	 % of Total	 FY 2015	 Increase (Decrease) From 2015	 % Change
100 Emergency	\$ 600,095	67.0%	\$ 735,515	\$(135,420)	(18.4%)
318 Motivational Treatment	26,675	3.0%	24,898	1,777	7.1%
720 Assessment & Evaluation	118,396	13.2%	107,350	11,046	10.3%
620 Early Intervention	100,256	11.2%	117,095	(16,839)	(14.4%)
730 Consumer Run Services	50,000	5.6%	50,000	-	0.0%
	<u>\$ 895,422</u>	<u>100.0%</u>	<u>\$1,034,858</u>	<u>\$(139,436)</u>	<u>(13.5%)</u>

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

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

****BRIAN K. BLANTON, C.P.A.**
*** CHARLES F. LAWSON, C.P.A.**

*Member of American Institute of
Certified Public Accountants
**Virginia & Tennessee Society of
Certified Public Accountant

Founded 1948

MONROE B. THROWER, C.P.A.
(1918-2000)
M. BARDIN THROWER, JR., C.P.A.
(1946-2012)

612 Trent Street
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of net position of Planning District One Behavioral Health Services Board, as of and for the years ended June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Planning District One Behavioral Health Services Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Planning District One Behavioral Health Services Board as of June 30, 2016, and the respective changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the Schedules of Required Supplementary Information, including the Schedule of Pension Funding Progress, the Schedule of Changes in the Net Pension Liability and Related Ratios, the Schedule of Employer Pension Contributions and Notes to Required Supplementary Information, on pages 38 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

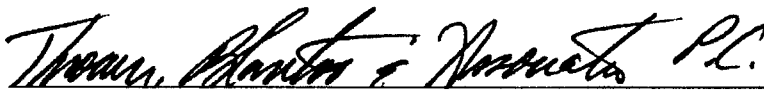
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The other supplementary information presented in Exhibit A-4 and Exhibits A-7 thru A-12, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 on our consideration of the Board's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Planning District One Behavioral Health Services Board's internal control over financial reporting and compliance.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

Norton, Virginia
November 21, 2016

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
& Consultants*

**BRIAN K. BLANTON, C.P.A.
*CHARLES F. LAWSON, C.P.A.

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612 Trent Street
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

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

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

We have audited the basic financial statements of the Planning District One Behavioral Health Services Board, as of and for the years ended June 30, 2016 and 2015, and have issued our report thereon dated November 21, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Boards, Commissions and Authorities*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the years ended June 30, 2016 & 2015, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Board's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

Compliance and Other Matters

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

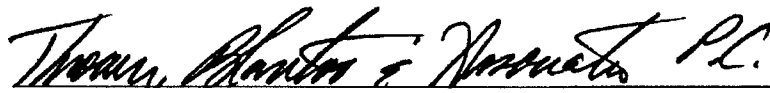
The Board of Directors
Planning District One
Behavioral Health Services Board
Norton, VA 24273

Page 2

*(Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards)*

Purpose of this Report

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



THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

Norton, Virginia

November 21, 2016

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
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Fax: (276) 679-7445

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

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

Report on Compliance for Each Major Federal Program

We have audited the Planning District One Behavioral Health Services Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2016. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Planning District One, Behavioral Health Services Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

(Independent Auditor's report on Compliance for
Each Major Program and on Internal Control Over Compliance
Required by the Uniform Guidance)

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

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

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


THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants
Norton, Virginia
November 21, 2016

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICE BOARD**

EXHIBIT 1

Norton, Virginia
STATEMENTS OF NET POSITION
June 30, 2016 and June 30, 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
ASSETS		
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 408,268	\$ 323,986
Accounts receivable less allowance for contractals	1,710,263	1,418,441
Accrued interest receivable	114	113
Prepaid insurance	-	4,252
Net pension asset	751,889	441,000
Capital assets, net	<u>401,061</u>	<u>399,496</u>
 TOTAL ASSETS	 <u>3,271,595</u>	 <u>2,587,288</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension contributions subsequent to measurement date	<u>2,808</u>	<u>2,524</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>2,808</u>	 <u>2,524</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>3,274,403</u>	 <u>2,589,812</u>
 LIABILITIES AND NET POSITION		
<u>LIABILITIES:</u>		
Accounts payable	\$ -	\$ -
Compensated absences payable	60,727	45,429
Due to contract agencies	<u>1,717,823</u>	<u>1,418,441</u>
 TOTAL LIABILITIES	 <u>1,778,550</u>	 <u>1,463,870</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Net difference between projected and actual investment earnings on pension plan investments	<u>87,396</u>	<u>98,000</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>87,396</u>	 <u>98,000</u>
 <u>NET POSITION:</u>		
Invested in capital assets	401,061	399,496
Restricted	751,889	441,000
Unrestricted	<u>255,507</u>	<u>187,446</u>
Total Net Position	<u>1,408,457</u>	<u>1,027,942</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSIITON	 <u>\$ 3,274,403</u>	 <u>\$ 2,589,812</u>

See accompanying notes to financial statements

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**

EXHIBIT 2

Norton, Virginia

**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
June 30, 2016 and June 30, 2015**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
OPERATING REVENUES:		
Net patient service revenue	\$ 3,829,102	\$ 3,993,861
Grant income	5,134,665	4,953,966
Other income	318,970	-
	<u>9,282,737</u>	<u>8,947,827</u>
OPERATING EXPENSES:		
Personnel	348,247	308,995
Staff development	8,800	8,033
Depreciation	24,448	22,951
Facility expense	30,801	25,305
Travel expense	32,301	29,440
Contract / program services	8,457,380	8,536,041
Other expense	4,832	5,779
	<u>8,906,809</u>	<u>8,936,544</u>
Operating Income (loss)	<u>375,928</u>	<u>11,283</u>
NON-OPERATING INCOME (LOSSES):		
Investment income	1,351	1,317
Contribution income	-	-
Gain (Loss) on sale of assets	3,236	-
	<u>4,587</u>	<u>1,317</u>
CHANGE IN NET POSITION	380,515	12,600
NET POSITION - BEGINNING OF YEAR, as restated	<u>1,027,942</u>	<u>1,015,342</u>
NET POSITION - END OF YEAR	<u>\$ 1,408,457</u>	<u>\$ 1,027,942</u>

See accompanying notes to financial statements

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICE BOARD**

EXHIBIT 3

Norton, Virginia
STATEMENTS OF CASH FLOWS
June 30, 2016 and June 30, 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipt from customer and users	\$ 3,537,280	\$ 3,166,271
Appropriations from governments	5,134,665	4,953,966
Payments to suppliers	(8,236,093)	(7,778,946)
Payments to employees	<u>(330,143)</u>	<u>(304,690)</u>
Net Cash Provided (Used) by Operating Activities	<u>105,709</u>	<u>36,601</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of vehicle	-	
Purchase of property and equipment	<u>(22,777)</u>	<u>(4,782)</u>
Net Cash Provided (Used) by Financing Activities	<u>(22,777)</u>	<u>(4,782)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on cash and short-term investments	<u>1,350</u>	<u>1,321</u>
Net Cash Provided (Used) by Investing Activities	<u>1,350</u>	<u>1,321</u>
Net Change in Cash and Cash Equivalents	84,282	33,140
Cash and Cash Equivalents, Beginning of Year	<u>323,986</u>	<u>290,846</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 408,268</u></u>	<u><u>\$ 323,986</u></u>
SUPPLEMENTAL DATA:		
Cash paid for income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 375,928	\$ 11,283
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	24,448	22,951
Net pension obligation	(321,776)	(30,524)
(Increase) decrease in patient accounts receivable	(291,822)	(827,590)
(Increase) decrease in prepaid assets	4,252	(1,970)
Increase (decrease) in accounts payable	-	-
Increase (decrease) in compensated absences payable	15,297	34,829
Increase (decrease) in due to contract agencies	<u>299,382</u>	<u>827,622</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 105,709</u></u>	<u><u>\$ 36,601</u></u>

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. DESCRIPTION OF AGENCY

Reporting Entity

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

Basis of Presentation

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

Property, Plant and Equipment

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

Use of Estimates

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

Net Patient Service Revenue

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

Advertising

Advertising costs are charged to operations when incurred.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. The reclassifications have no impact on previously reported operating income.

Cash Equivalents

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

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

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

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

Pensions

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance 07/01/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/16</u>	<u>Allowance for Depr.</u>	<u>Book Value</u>
Equipment, furniture & fixtures	\$477,069	\$47,777	\$(41,223)	\$483,623	\$(82,562)	\$401,061

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

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

4. CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES

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

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

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

<u>Balance 07/01/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/16</u>
\$45,429	\$34,322	\$(19,024)	\$60,727

5. PENSION PLAN

Plan Description

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

The System Administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>9</u>
Inactive members:	
Vested inactive members	2
Non-vested Inactive members	0
Inactive members active elsewhere in VRS	<u>5</u>
Total inactive members	7
Active members	<u>3</u>
Total covered employees	<u><u>19</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

If the employer used the certified rate: The Board's contractually required contribution rate for the year ended June 30, 2016 was 1.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$ 14,605 and \$ 13,127 for the years ended June 30, 2016 and June 30, 2015, respectively.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

Net Pension Liability

The Board's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Board's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

Actuarial Assumptions – General Employees (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of disability retirement

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

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

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:

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Board's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at June 30, 2014	\$ 1,109,364	\$ 1,550,858	\$ (441,494)
Changes for the year:			
Service Cost	28,625	-	28,625
Interest	75,503	-	75,503
Differences between expected and actual experience	(332,363)	-	(332,363)
Contributions - employer	-	2,523	(2,523)
Contributions - employee	-	10,603	(10,603)
Net investment income	-	70,040	(70,040)
Benefit payments, including refunds of employee contributions	(61,504)	(61,504)	-
Administrative expenses	-	(994)	994
Other changes	-	(12)	12
Net changes	(289,739)	20,656	(310,395)
Balance at June 30, 2015	\$ 819,625	\$ 1,571,514	\$ (751,889)

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

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

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN (CONTINUED)

	<u>(6.00%)</u>	<u>Rate (7.00%)</u>	<u>(8.00%)</u>
Net Pension Liability	<u>\$ (677,158)</u>	<u>\$ (751,889)</u>	<u>\$ (531,783)</u>

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

For the year ended June 30, 2016, the Board recognized pension expense of \$2,808. At June 30, 2016, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 43,352
Change in assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 44,044
Employer contributions subsequent to the measurement date	\$ 2,808	\$ -
Total	<u>\$ 2,808</u>	<u>\$ 87,396</u>

\$2,808 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5- PENSION PLAN *(CONTINUED)*

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

Year ended June 30

2017	(60,487)
2018	(17,135)
2019	(17,134)
2020	7,360
2021	-
Thereafter	-
	<hr/>
	\$ (87,396)

Payables to the Pension Plan

At June 30, 2016, the Board reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

6. SURETY BONDS

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

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

7. CONTRACTED SERVICES

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

8. NET PATIENT REVENUE

Patient service revenue subject to audit and retroactive adjustments by third-party payors totaled approximately \$3,829,102 and \$3,993,861 at June 30, 2016, and June 30, 2015, respectively.

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

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

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Gross patient service revenue	\$9,683,927	\$9,463,826
Revenue deductions and adjustments	<u>(5,854,825)</u>	<u>(5,469,965)</u>
Net patient service revenue	<u>\$3,829,102</u>	<u>\$3,993,861</u>

9. CASH AND CASH EQUIVALENTS

Deposits

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

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable law, including regulations, the Board permits investments in U. S. Treasury Securities, U. S. agency securities, prime quality commercial paper, non-negotiable

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

9. CASH AND CASH EQUIVALENTS (continued)

certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Fair Value Measurement

The Authority categorized the fair value measurement of its investments based on the hierarchy establish by generally accepts accounting principles. Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority does not have any investments at June 30, 2016 that are measured using Level 1, 2, or 3 inputs.

Credit Risk:

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

As of June 30, 2016, the Board held bank certificates of deposits which equaled 43% of its total deposits balance.

Concentration of Credit Risk:

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

Powell Valley National Bank	100%
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Custodial Credit Risk:

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

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

	Primary Government
Deposits and investments:	
Cash on hand	\$ -
Deposits	231,899
Investments – Certificates of Deposit	176,369
	<u>\$ 408,268</u>
Statement of net position:	
Cash and cash equivalents	<u>\$ 408,268</u>

Interest Rate Risk:

As of June 30, 2016, the investment balance of \$176,369 was comprised of certificates of deposits with a weighted average maturity of seven months.

PLANNING DISTRICT ONE BEHAVIORAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

10. ALLOWANCE FOR CONTRACTUAL ADJUSTMENTS

The Board calculates its allowance for contractual adjustments using historical collection data. The allowances totaled \$0 and \$0 at June 30, 2016, and June 30, 2015, respectively.

11. RISK MANAGEMENT

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

12. LOCAL FUNDING

The following is a summary of local funding by locality:

	<u>Admini- stration</u>	<u>Mental Health</u>	<u>Substance Abuse</u>	<u>Developmental Services</u>	<u>Total</u>
County of Wise	\$ 20,817	\$ 36,830	\$ 8,006	\$ 94,477	\$ 160,130
County of Scott	12,587	22,269	4,841	57,126	96,823
County of Lee	13,071	23,126	5,027	59,323	100,547
City of Norton	1,936	3,426	745	8,789	14,896
TOTAL LOCAL FUNDS	<u>\$ 48,411</u>	<u>\$ 85,651</u>	<u>\$18,619</u>	<u>\$ 219,715</u>	<u>\$ 372,396</u>

13. COMMITMENTS AND CONTINGENCIES

Grant Audit

Federal programs in which the Board participates were audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of the Uniform Guidance, all major federal assistance programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by our audit, the Federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Litigation

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

14. RESTATEMENT OF NET POSITION

An adjustment, in the amount of \$315,000 was made to beginning net position for the 2015 fiscal year for the purpose of recording the adoption of GASB Statement 68, "Accounting and Reporting for Pensions".

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 21, 2016, which is the date that the Company's financial statements were available to be issued.

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
Norton, Virginia
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2015	1,524,004	827,790	(696,214)	184.11%	212,067	-328.30%
June 30, 2014	1,426,272	798,744	(627,528)	178.56%	203,910	-307.75%
June 30, 2013	1,358,767	1,114,023	(244,744)	121.97%	196,092	-124.81%
June 30, 2012	1,571,344	1,250,476	(320,868)	125.66%	188,571	-170.16%
June 30, 2011	1,562,466	1,209,490	(352,976)	129.18%	188,571	-187.18%
June 30, 2010	1,517,650	1,152,032	(365,618)	131.74%	181,321	-201.64%
June 30, 2009	1,500,099	1,065,294	(434,805)	140.82%	181,321	-239.80%
June 30, 2008	1,475,666	1,016,387	(459,279)	145.19%	174,348	-263.43%
June 30, 2007	1,338,214	983,236	(354,978)	136.10%	167,642	-211.75%
June 30, 2006	1,153,700	829,034	(324,666)	139.16%	189,488	-171.34%

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

	2014	2015
Total pension liability		
Service cost	\$ 27,364	\$ 28,625
Interest	74,262	75,503
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(332,363)
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(106,285)	(61,504)
Net change in total pension liability	<u>(4,659)</u>	<u>(289,739)</u>
Total pension liability - beginning	1,114,023	1,109,364
Total pension liability - ending	<u><u>\$ 1,109,364</u></u>	<u><u>\$ 819,625</u></u>
Plan fiduciary net position		
Contributions - employer	\$ -	\$ 2,523
Contributions - employee	10,183	10,603
Net investment income	219,094	70,040
Benefit payments, including refunds of employee contributions	(106,285)	(61,504)
Administrative expense	(1,251)	(994)
Other	11	(12)
Net change in total pension liability	<u>121,752</u>	<u>20,656</u>
Total pension liability - beginning	1,429,106	1,550,858
Total pension liability - ending	<u><u>\$ 1,550,858</u></u>	<u><u>\$ 1,571,514</u></u>
Political subdivision's net pension liability - ending	<u><u>\$ (441,494)</u></u>	<u><u>\$ (751,889)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u>139.80%</u>	<u>191.74%</u>
Covered - employee payroll	<u>\$ 203,910</u>	<u>\$ 212,067</u>
Political subdivision's net pension liability as a percentage of covered-employee payroll	<u>-216.51%</u>	<u>-354.55%</u>

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

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
 Norton, Virginia
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
JUNE 30, 2016

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 13,127	\$ 13,127	\$ -	\$ 212,067	6.19%
2016	\$ 14,605	\$ 14,605	\$ -	\$ 235,949	6.19%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only two years are shown herein.
 Additional years will be included as they become available

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
Norton, Virginia
Notes to Required Supplemental Information
For the Year Ended June 30, 2016

Changes of benefit terms - There have been no significant changes to the Systems benefits provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits.

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

Largest 10 - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

Largest 10 - LEOS

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

All Others (Non 10 Largest) - LEOS

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

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
Norton, Virginia
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION
Year Ended June 30, 2016

EXHIBIT A-4

	Administration	Mental Health	Substance Abuse	Developmental Services	Totals
OPERATING REVENUES:					
Net patient service revenue	\$ -	\$ 2,879,306	\$ -	\$ 949,796	\$ 3,829,102
GRANTS:					
State funds	557,096	2,254,145	1,018,041	139,742	3,969,024
Local funds	48,411	85,651	18,619	219,715	372,396
Federal grants	-	108,264	623,417	61,564	793,245
Total Grant Funds	605,507	2,448,060	1,660,077	421,021	5,134,665
Other	318,970	-	-	-	318,970
Total Operating Revenues	924,477	5,327,366	1,660,077	1,370,817	9,282,737
OPERATING EXPENSES:					
Personnel	348,247	-	-	-	348,247
Staff development	8,800	-	-	-	8,800
Depreciation	24,448	-	-	-	24,448
Facility expense	30,801	-	-	-	30,801
Travel expense	32,301	-	-	-	32,301
Contract services	99,120	5,327,366	1,660,077	1,370,817	8,457,380
Other expense	4,832	-	-	-	4,832
Total Operating Expenses	548,549	5,327,366	1,660,077	1,370,817	8,906,809
Operating Income	375,928	-	-	-	375,928
NON-OPERATING GAINS:					
Investment income	1,351	-	-	-	1,351
Gain on sale of assets	3,236	-	-	-	3,236
Total Non-Operating Gains	4,587	-	-	-	4,587
Excess of Revenue and Gains Over Expenses	\$ 380,515	\$ -	\$ -	\$ -	\$ 380,515

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
Norton, Virginia
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

EXHIBIT A-5

	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services:		
Pass Through Payments:		
Department of Behavioral Health and Developmental Services:		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	\$ 623,417
Block Grants for Community Mental Health Services	93.958	<u>108,264</u>
		<u>731,681</u>
Total Department of Health and Human Services		<u>731,681</u>
Department of Education:		
Pass Through Payments:		
Department of Behavioral Health and Developmental Services:		
Early Intervention Services (IDEA) Cluster:		
Special Education - Grants for Infants and Families	84.181	61,564
Total Early Intervention Services (IDEA) Cluster:		<u>61,564</u>
Total Department of Education:		<u>61,564</u>
TOTAL		<u>\$ 793,245</u>

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
SCHEDULE OF FINDINGS AND QUESTIONED COST
Year Ended June 30, 2016

EXHIBIT A-6

SUMMARY OF AUDITOR'S RESULTS:

1. The Auditor's report expresses an unmodified opinion on the financial statements of Planning District One, Behavioral Health Services Board.
2. No significant deficiencies relating to the audit of the financial statements of Planning District One, Behavioral Health Services Board are reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of non-compliance material to the financial statements of Planning District One, Behavioral Health Services Board, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the Audit.
4. No significant deficiencies relating to the audit of the major federal award programs reported in the Report On Compliance For Each Major Program And Internal Control Over Compliance Required By The Uniform Guidance. No material weaknesses are reported.
5. The Auditor's report on compliance for the major federal award programs for Planning District One, Behavioral Health Services Board expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2CFR section 200.516(a) are reported in this schedule.
7. The programs tested as major programs were: Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959)
8. The threshold for distinguishing type A and B programs was \$750,000.
9. Planning District One, Behavioral Health Services Board was determined to be a low-risk auditee.

FINDINGS – GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT:

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT:

None

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
**SCHEDULE OF BOARD OF DIRECTORS
AND MANAGEMENT TEAM**
June 30, 2016

EXHIBIT A-7

BOARD OF DIRECTORS

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

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

Randy Gilmer
8693 Nickelsville Highway
Nickelsville, VA 24271

Michael O'Donnell
One College Avenue
Wise, VA 24293

Virginia Meador
PO Box 565
Big Stone Gap, VA 24219

Judy Roberts
5882 US Highway 421
Pennington Gap, VA 24277

Loretta Stapleton
PO Box 389
Big Stone Gap, VA 24219

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

MANAGEMENT TEAM

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

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

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

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

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

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

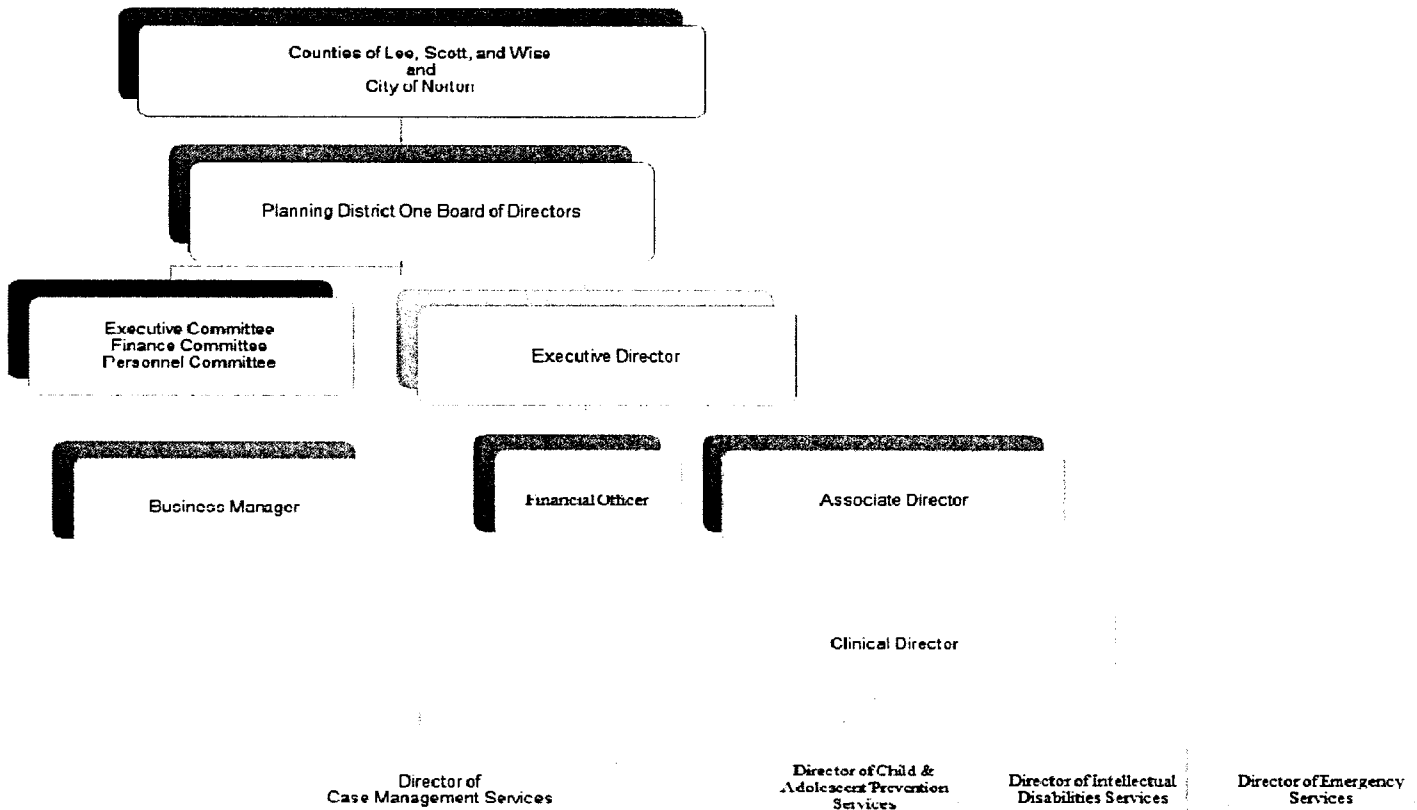
Kenneth Taylor, Director of Child & Adolescent Services
& Prevention
43 Champions Ave.
Big Stone Gap, VA 24219

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

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

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD
Norton, Virginia
ORGANIZATIONAL CHART
June 30, 2016

EXHIBIT A-8



See accompanying notes to financial statements

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
SCHEDULE OF BASIC CLIENT STATISTICS
June 30, 2016

EXHIBIT A-9

	<u>2016</u>	<u>2015</u>
MENTAL HEALTH:		
Unduplicated Clients Served	3,586	3,353
Residential Client Days	7,783	7,933
SUBSTANCE ABUSE:		
Unduplicated Clients Served	1,106	1,011
Residential Client Days	520	537
DEVELOPMENTAL SERVICES:		
Unduplicated Clients Served	271	283
Residential Client Days	4,937	5,171
SERVICES OUTSIDE OF PROGRAM AREA:		
Unduplicated Clients Served	2,707	2,736

PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICE BOARD
 Norton, Virginia
SCHEDULE OF PROPERTY AND CASUALTY INSURANCE
 For the Year Ending June 30, 2016

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

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**
Norton, Virginia
FOURTH QUARTER RECONCILIATION
Year Ended June 30, 2016

	<u>Mental Health</u>	<u>Substance Abuse</u>	<u>Developmental Services</u>	<u>Totals</u>
REVENUES:				
Per Year-End Report	\$ 8,140,522	\$ 1,973,726	\$ 4,322,376	\$ 14,436,624
Revenue accrual adjustment	281,036	-	17,615	298,651
Admin. Program expense	(389,548)	(163,773)	(9,682)	(563,003)
Transfers	-	-	-	-
Medicaid and other fees paid directly to contract agency - including waiver revenue	(2,457,435)	(149,876)	(2,708,690)	(5,316,001)
Workshop income reported by contract agency	(247,209)	-	(246,802)	(494,011)
In Kind	-	-	(4,000)	(4,000)
Donations	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Per Audit Report (Exhibit A-4)	<u>\$ 5,327,366</u>	<u>\$ 1,660,077</u>	<u>\$ 1,370,817</u>	<u>\$ 8,358,260</u>
EXPENDITURES:				
Per Year-End Report	\$ 7,260,517	\$ 1,963,372	\$ 4,021,013	\$ 13,244,902
Expense accrual adjustment	288,596	-	17,614	306,210
Admin. Program expense	(316,310)	(163,772)	(9,682)	(489,764)
Transfers	-	-	-	-
Medicaid and other fees paid directly to contract agency - including waiver revenue	(1,658,228)	(139,523)	(2,407,326)	(4,205,077)
Workshop fees reported by contract agency	(247,209)	-	(246,802)	(494,011)
In Kind	-	-	(4,000)	(4,000)
Donations	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Per Audit Report (Exhibit A-4)	<u>\$ 5,327,366</u>	<u>\$ 1,660,077</u>	<u>\$ 1,370,817</u>	<u>\$ 8,358,260</u>

**PLANNING DISTRICT ONE
BEHAVIORAL HEALTH SERVICES BOARD**

Norton, Virginia

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - FEDERAL AWARDS
Year Ended June 30, 2016**

Department of Health and Human Services

Department of Behavioral Health and Developmental Services

2015-001 Block Grants for Prevention and Treatment of Substance Abuse (93.959)
Block Grants for Community Mental Health Services (93.958)

Finding: Our study and evaluation disclosed several weaknesses in internal accounting controls resulting from the lack of separation of duties because of the small number of employees available.

Effect: Because of the existing weaknesses in the internal control system, we performed more substantive tests rather than rely on the controls.

Planned Corrective Action: During 2016, Management implemented policies and controls necessary to insure proper segregation of duties.

Status: Finding has been corrected.

Department of Education

Department of Behavioral Health and Developmental Services

2015-001 Special Education - Grants for Infants and Families (84.181)

Finding: Our study and evaluation disclosed several weaknesses in internal accounting controls resulting from the lack of separation of duties because of the small number of employees available.

Effect: Because of the existing weaknesses in the internal control system, we performed more substantive tests rather than rely on the controls.

Planned Corrective Action: During 2016, Management implemented policies and controls necessary to insure proper segregation of duties.

Status: Finding has been corrected.