DANVILLE-PITTSYLVANIA
COMMUNITY SERVICES

FINANCIAL REPORT

JUNE 30, 2021

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DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

OFFICERS, DIRECTORS, AND MANAGEMENT
For the Year Ended June 30, 2021

Board of Directors

Officers

William Allgood - Chairperson

Kimberly Van Der Hyde - Vice Chairperson

Dr. Frank Wickers - Member-at-Large

Lorrie Eanes-Brooks - Member-at-Large

Michael Mondul - Secretary

Directors

Matthew Bailey

Joseph Chambers

Geary Davis

Gwendolyn Edwards

Rufus Fuller, III

Emily Hill

Shelby Irving

Jacqueline Satterfield

Robert Warren

R. J. Weaver

Management

Executive Director
James F. Bebeau, LPC

Director of Finance
Mary Beth Clement, CPA

Division Directors

Sandy Irby - Behavioral Health Services

Sara Craddock - Developmental Services

Amanda Oakes - Prevention Services Director

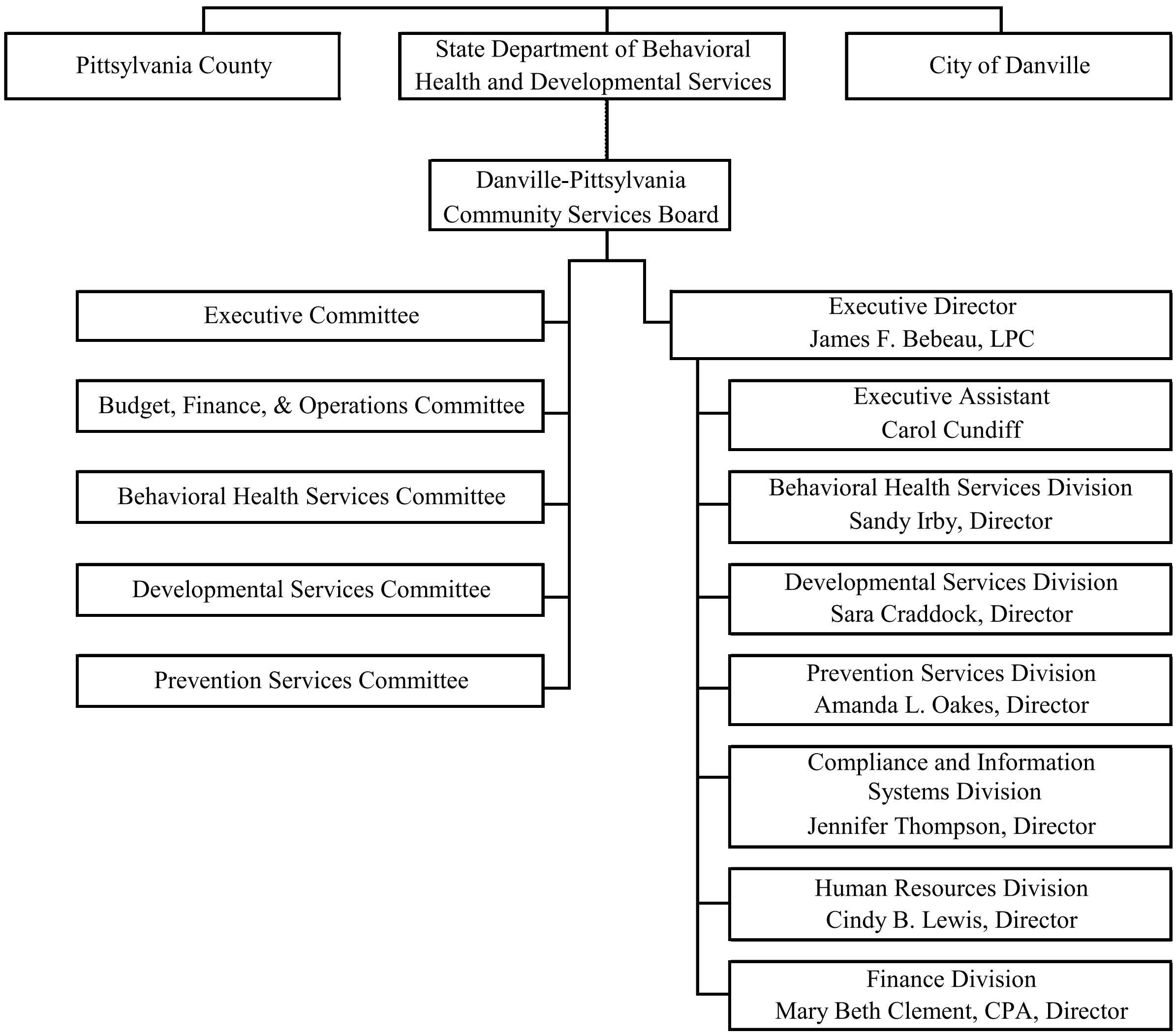
Cindy Lewis - Human Resources Director

Jennifer Thompson - Compliance and Information Systems Director

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

ORGANIZATIONAL CHART

For the Year Ended June 30, 2021



HHN&Co.

Harris, Harvey, Neal & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Danville-Pittsylvania Community Services
Danville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Danville-Pittsylvania Community Services, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Danville-Pittsylvania Community Services, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–15 and certain pension and group life insurance information on pages 54-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Danville-Pittsylvania Community Services' basic financial statements. The schedule of current property and casualty insurance is presented for purposes of additional analysis and are not a required part of the 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2021, on our consideration of the Danville-Pittsylvania Community Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Danville-Pittsylvania Community Services' 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 Danville-Pittsylvania Community Services' internal control over financial reporting and compliance.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 4, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of Danville-Pittsylvania Community Services' (Agency) financial performance provides an overview of the Agency's financial activities for the fiscal years ended June 30, 2021 (FY2021) and June 30, 2020 (FY2020). The Agency's financial statements are reported on the full accrual basis as required by Governmental Accounting Standards Board (GASB) 34. Due to the requirements of GASB Statements related to the determination of component units and 'The Financial Reporting Entity', the financial statements for Piney Ridge Apartments Corporation, Piney Ridge Apartments Corporation II, Ashlawn View, Inc. and Bellevue, Inc. are blended with the Agency. GASB requires organizations that are legally separate, tax-exempt entities and that meet all of the following criteria to be presented as component units. These criteria include (a) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, (b) the primary government has the ability to otherwise access a majority of the economic resources held by the separate organization, and (c) the economic resources received or held by an individual organization that the specific primary government has the ability to otherwise access are significant to that primary government. Each component unit agency is tax exempt under 501(c)(3) of the Internal Revenue Code. The Piney Ridge Apartments Corporations provide apartments and Ashlawn View, Inc. provides a group home to house individuals receiving services from the Agency. Bellevue, Inc. provides DPCS, as the sole tenant, fixed assets (land, buildings and improvements, and furniture and equipment) totaling $13,333,145 and $13,274,186 less accumulated depreciation of $3,732,641 and $3,219,667 for a net value of $9,600,504 and $10,054,519 at June 30, 2021 and December 31, 2019 respectively. The Board of Directors of Bellevue, Inc. voted to change from a calendar year end to a fiscal year end starting with June 30, 2021; thus, the financial amounts for Bellevue, Inc. reflect balances in accounts at June 30, 2021 for the balance sheet and financial activity from January 1, 2020 thru June 30, 2021 for the operating and cash flow statements.

Management Discussion and Analysis for the Agency Only- Not Including GASB Statements 68 or 75 for Pension Amounts and Other Post Retirement Benefits for the Virginia Retirement System

Basic Financial Statements: The basic financial statements for the Agency consist of the Statement of Net Assets (Balance Sheet), Statement of Revenues, Expenses and Changes in Net Assets (Income Statement) and the Statement of Cash Flows. The following are condensed Financial Statements which present the changes in the accounts from FY2020 to FY2021 for analysis purposes:

Summary Statement of Net Position Comparison					
			Dollar	Percent	
	FY2021	FY2020	Change	Change	FY2019
Assets:					
Cash and cash equivalents	$ 13,396,411	$ 11,555,560	$ 1,840,851	15.93%	$ 9,478,456
Prepaid expenses	3,813,129	3,974,909	(161,780)	-4.07%	2,863,508
Fees receivable (net)	1,150,162	1,345,180	(195,018)	-14.50%	1,195,986
Due from other governments	163,814	154,941	8,873	5.73%	117,729
Notes receivable- consumers	18,947	19,825	(878)	-4.43%	19,847
Rental deposits	10,325	10,325	-	0.00%	10,325
Restricted cash held for consumers	149,170	89,527	59,643	66.62%	59,253
Equip., Land & Land Improvements (net)	3,386,240	3,426,687	(40,447)	-1.18%	3,542,558
Liabilities:					
Accounts payable	$ 498,389	$ 623,711	$ (125,322)	-20.09%	$ 598,413
Accrued payroll & other liabilities	1,025,043	927,722	97,321	10.49%	782,152
Consumer deposits	149,170	89,527	59,643	66.62%	59,253
Deferred revenue	4,665,626	3,280,165	1,385,461	42.24%	1,643,336
Accrued leave	1,319,132	1,264,231	54,901	4.34%	1,266,954
Accrued postemployment health	560,728	584,864	(24,136)	-4.13%	524,750
Net Position:					
Investments in fixed assets	$ 3,386,240	$ 3,426,687	$ (40,447)	-1.18%	$ 3,542,558
Unrestricted but designated	2,099	32,289	(30,190)	-93.50%	59,915
Unrestricted net position	10,481,771	10,347,758	134,013	1.30%	8,810,331

Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2021 and 2020

Summary Statement of Revenues, Expenses and Changes in Net Position Comparison					
	FY2021	FY2020	Dollar Change	Percent Change	FY2019
Operating Revenues:					
Net consumer services revenue	$ 10,838,409	$ 11,544,923	$ (706,514)	-6.12%	$ 11,275,394
Other revenue	435,989	292,923	143,066	48.84%	250,137
Operating Expenses:					
Personnel	16,254,098	15,396,869	857,229	5.57%	15,030,112
Staff development	223,291	190,782	32,509	17.04%	146,544
Facilities	2,126,165	1,678,276	447,889	26.69%	1,767,169
Supplies/equipment maintenance	711,542	1,092,103	(380,561)	-34.85%	879,684
Travel	60,377	137,897	(77,520)	-56.22%	183,531
Consultant/contract	1,839,320	2,399,869	(560,549)	-23.36%	2,538,971
Depreciation	375,856	368,981	6,875	1.86%	358,441
Bad debt expense	78,463	207,568	(129,105)	-62.20%	208,441
Miscellaneous	1,205	25	1,180	0.00%	-
Non-operating Revenues/(Expenses):					
Appropriations from State gov't	7,114,958	7,527,147	(412,189)	-5.48%	7,375,632
Appropriations from Federal gov't	1,924,087	1,618,896	305,191	18.85%	1,524,724
Appropriations from Local sources	1,330,508	1,107,933	222,575	20.09%	1,055,797
Gain/(Loss) on equipment disposal	8,567	-	8,567	100.00%	(102,162)
Contributions (to)/from Related Organizations	-	668,548	(668,548)	0.00%	-
Interest income	81,175	105,930	(24,755)	-23.37%	64,562
Total Change in net position	$ 63,376	$ 1,393,930	$ (1,330,554)	-95.45%	$ 331,191

Summary Statement of Cash Flows Comparison					
	FY2021	FY2020	Dollar Change	Percent Change	FY2019
Cash Flows from Operating Activities:					
Cash received from client services	$ 10,954,964	$ 11,191,333	$ (236,369)	-2.11%	$ 11,879,538
Other unrestricted operating revenue	405,995	293,438	112,557	38.36%	263,834
Cash payments for personnel	(16,203,947)	(15,103,746)	(1,100,201)	7.28%	(15,102,585)
Cash payments for supplies/other operating needs	(4,507,122)	(5,798,788)	1,291,666	-22.27%	(6,228,424)
Cash Flows from Non-capital Financing Activities:					
Appropriations from State gov't	8,366,207	9,138,189	(771,982)	-8.45%	7,616,891
Appropriations from Local gov't	945,569	815,146	130,423	16.00%	681,825
Appropriations from Federal gov't	2,086,486	1,622,047	464,439	28.63%	1,546,489
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(297,043)	(186,446)	(110,597)	59.32%	(357,751)
Proceeds from sale of assets	8,567	-	8,567	0.00%	-
Cash Flows from Investing Activities:					
Interest Income	81,175	105,930	(24,755)	-23.37%	64,562
Net increase (decrease) in cash and cash equivalents	$ 1,840,851	$ 2,077,103	$ (236,252)	-11.37%	$ 364,379

Financial Analysis

For the fiscal year ended June 30, 2021, the Agency reported total revenue of $21,733,693 and total expenses of $21,670,317 for a 'net income' of $63,376. For the fiscal year ended June 30, 2020, the Agency reported total revenue of $22,197,752 and total expenses of $21,472,370 for a 'net income' of $725,382.

During FY2021 net consumer services revenue experienced an overall decrease of 6.12% amounting to $706,514 while cash received from client services decreased 2.11% due to three main factors. The first factor creating the decreased services revenue and cash flow was the temporary closure of the day programs in both the Behavioral Health and Developmental Services (DS) Divisions and the provision of mostly phone contact only services instead of in person day support in these programs. Furthermore, the waiver day program in DS was able to bill and receive one-time Medicaid 'retainer' payments due to the temporary closure of the program to community individuals. The retainer payments were implemented by Medicaid as a measure to prevent providers from closing their programs due to the pandemic but were only offered over a period of a few months and were substantially less than the normal revenue generated in the program. The final factor contributing to the 6.12% decrease in client services revenue was the oversight in the Finance Division to enter the write-offs during FY2020 for the uncollectible accounts with the Virginia Department of Taxation. During FY2020, the data and reports were analyzed and prepared on the 'old' debt set off accounts; however, there was an oversight in which the accounts were not written off the books until August 2020 instead of January 2020. Note 5 in the Notes to the Financial Statements details the revenue information by payor source. As shown in Note 6 in the Notes to the Financial Statements, the allowance for uncollectible accounts decreased from $420,153 in FY2020 to $224,145 in FY2021. The substantial decrease is due to the oversight in the entry of write-offs during FY2020 for the uncollectible accounts in the Virginia Department of Taxation payor. The balance in the allowance for uncollectible accounts corresponds to the average of the balance of accounts receivable greater than 90 days old for the direct client payor source and the balance in the Virginia Department of Taxation debt set off payor source combined with the average amount of accounts receivables not expected to be collected based on historical data. The net effect of the actual write-offs in FY2021 and FY2020 with the adjustments to the allowance for doubtful accounts resulted in bad debt expense on the operating statement of $78,463 and $207,568, respectively. The Agency's Finance Division sends delinquency notices to consumers at 60 and 90 day past due intervals. After the final notice and continued non-payment, the account is transferred from the direct client payor source to debt set off if pertinent information has been obtained on the individual's account. If after two years of non-payment from a matching Virginia income tax refund in the debt set-off payor source, the charge is written off the books as an uncollectible account. Consumer accounts are reviewed and write-offs are done monthly; therefore, the amount of annual write-offs will vary depending on the age of the receivable. Other revenue increased by $143,066 from FY2020 to FY2021 as shown on the operating statement. Other revenue consists mostly of local agency contracts and grants such as United Way, Community Foundation, etc. and will vary each year based on the grant awards and the timing of spending of the grant awards. The increase is due to a new contract in FY2021 with Danville Public Schools to cover the personnel costs of four clinician positions providing services to students in the school system.

Appropriations from the federal government increased by $305,191 and coincides with the increase shown on the cash flow statement. The Agency received additional federal COVID related grant funds in FY2021 both to cover the pandemic related expenses and a new grant to cover the cost of services in the Program of Assertive Community Treatment (PACT) in the Behavioral Health Services Division (BHSD) for those individuals with no insurance coverage. Appropriations from the state government decreased $412,189 and on the cash flow statement this category decreased by $771,982. These changes are mostly due to the variability in the deferred revenue from unspent previous year state funds. Per Note 13 of the Notes to the Financial Statements, state deferred revenue increased from $3,074,903 at June 30, 2020 to $4,311,155 at June 30, 2021.

The significant changes to state funds including appropriations and deferred revenue were as follows:

- A total of $655,566 in unspent prior year state funds were used by the Agency in FY2021 as follows: (1) $123,397 used for regional related programs for Discharge Assistance (DAP); (2) $64,688 of prior year System Transformation Excellence and Performance (STEP) funding of which $30,488 was used to cover the cost of a vendor to recruit professional clinical staff and $34,200 for clinical documentation training to staff in the Behavioral Health Services Division; (3) $14,850 of STEP for the contract fee paid for services under the Service Process Quality Management (SPQM) state funding; (4) $2,275 used from one-time restricted state funds received in previous years for Suicide Prevention services; (5) $71,912 of previous year state general fund balances in the Behavioral Health Services Division for capital improvement items for the replacement of heating and air conditioning units and the resurfacing and striping of the parking lot at Rison Street: (6) $15,817 of previous years state general fund balances in the Developmental Services Division towards the renovation of Dewey Place; (7) $84,652 of regional state funds for which the Agency is fiscal agent and paid to Piedmont Community Services and Southside Behavioral Health for the regional Permanent Supportive Housing (PSH) program; (8) $12,035 of PSH funds specific to DPCS; (9) $11,763 of regional STEP Crisis funds used in the Mobile Crisis program in the BHSD and (7) $254,177 of prior year balance of Ambulatory Crisis Stabilization funds used by the BHSD in both the Ambulatory Crisis program and the Crisis Intervention Team Assessment Center for operations and off duty officer coverage.

- A total of $1,891,818 in FY2021 state funds were unspent at June 30, 2021 and therefore additions to deferred revenue: (1) $28,143 of restricted state funds for the Ambulatory Crisis Stabilization program; (2) $62,891 of restricted state funds for the PACT program; (3) $72,881 in restricted state funds for the DPCS Permanent Supportive Housing (PSH) program; (4) $58,336 of restricted State Permanent Supportive Housing funds for the regional PSH program with Piedmont Community Services and Southside Community Services Boards with DPCS as Fiscal Agent; (5) $313,761 of State funds for the System Transformation Excellence and Performance (STEP) implementation; (6) $31,812 of restricted State Substance Abuse Recovery Purchase of Service (SARPOS) funding; (7) $5,782 of restricted state funds for the Mental Health Non-Mandated CSA services; (8) $340,180 of State Substance Abuse General Funds, $190,072 of State Mental Health General Funds and $19,551 of State Developmental Services funds unpsent at June 30, 2021; (9) $113,421 of regional Local Inpatient Purchase of Service (LIPOS) funding for which the Agency is fiscal agent for the region; (10) $14,631 of regional Training and Recovery funds with DPCS as Fiscal Agent; (11) $99,976 of restricted State Medication Assisted Treatment (MAT) funding; (12) $205,226 of restricted Discharge Assistance Program funding for the regional DAP program for which DPCS is Fiscal Agent and (13) $335,155 of restricted regional State STEP Crisis funding for the Mobile Crisis program to be implemented in the region with Piedmont Community Services and Southside Behavioral Health.

The remaining balance of deferred revenue from state funds in Note 14 totals $1,482,567 of state restricted funds in the Behavioral Health Services Division and $935,070 of state regional restricted funds and $1,700 of state restricted funds in the Developmental Services Division from years prior to FY2021. The deferred revenue from federal funds includes $77,515 Prevention funds and $242,588 Behavioral Health funds received in FY2021 but unspent at June 30. The Agency will utilize as much of these balances in future fiscal years as allowed by the funding source and program needs. Subsequent to the audit, the Agency was notified by the Department of Behavioral Health and Developmental Services (DBHDS) it would need to return $737,059 in state restricted deferred revenue to New River Valley Community Services (NRVCS) for the balance of regional Mobile Crisis funds not spent by the sub-hub region which includes the Agency, Piedmont Community Services and Southside Behavioral Health. DBHDS did not approve of the overall Region IIIb sub-hub plan for Mobile Crisis and instead required the regional program and funds to remain with NRVCS located in Blacksburg. These funds were returned to NRVCS in September 2021.

Overall, the Agency's total operating expenses increased slightly from $21,472,370 in FY2020 to $21,670,317 in FY2021. Personnel expense includes both salaries and wages and fringe benefits for payroll taxes, health insurance, retirement, group life and workers compensation insurance expenses. Personnel expense increased overall by 5.57% and was attributable to various factors. The Agency paid over $400,000 in specific pandemic related wages to staff to include the hazard bonus, hazard pay, essential coverage pay and additional pay to recognize the additional hours worked by staff during the pandemic and the conditions therein. Also, the Agency did allow the additional payout of excess accumulated Paid Time Off balances by eligible staff during FY2021 due to the pandemic conditions. Furthermore, the Agency did hire some of the vacant licensed/professional staff in higher salaried positions above the amounts paid in FY2020. The increase in Staff Development is attributable to two grants during the year to include Latino Cultural training to all staff and Mental Health First Aide training in the schools systems plus the purchase of a training mannequin for the required Therapeutic Options training to staff during the pandemic to continue the 'in person, hands on' training as necessary. Facilities expenses increased by $447,889 largely due to the amortization of $195,788 of the deferred rent to Bellevue, Inc. and the increased cash and in-kind rents totaling $156,111 to Bellevue in relation to the Hairston Street campus expansion and new leases implemented during FY2021. The decrease in Supplies/equipment maintenance from FY2020 to FY2021 is due to the purchase of computers and software in FY2020 related to the sunset of the Microsoft office operating system. The category of Supplies and Equipment Maintenance includes computers and related equipment purchased under the $5,000 capitalization level for the Agency. The substantial decrease in travel is due to the provision of services via telehealth and far fewer in-person, home and community provided services and in-person conference attendance during FY2021. The Consultant/Contract category includes expenses for clients in the DAP and PSH programs for rents, utilities, etc., purchase of bed days for LIPOS and SARPOS funding, professional contract services for Part C Infant/Toddler services and the medical, nursing, dietician, etc. services in the Intermediate Care Facility (ICF) programs, grant related Prevention services for website maintenance and program brochures and the Agency legal and audit fees. The decrease in this category is due largely to less expenses for client needs using DAP funds.

Per the Statement of Net Assets (balance sheet) in this analysis, Cash and cash equivalents includes the Agency's regular checking account, client loan fund account and certificates of deposit (CD). At June 30, 2021 the Agency's regular checking account balance was $7,579,433 as compared to $5,811,255 at June 30, 2020. Prepaid expenses decreased due to the amortization of deferred rent to Bellevue, Inc. during FY2021. Fees receivable decreased $195,018 in FY2021 mostly due to the closure of the day programs for in-person services due to the pandemic. Notes receivable - consumers is the loan fund in the Behavioral Health Services Division and decreased slightly from FY2020. Accounts payable results from regular expenses incurred by June 30 but not paid until the subsequent fiscal year and decreased by $125,322 due to less accounts payable in regards to regional restricted funds for which the Agency is fiscal agent and payable to Piedmont and Southside CSBs for DAP and LIPOS. Accrued payroll and related liabilities represent those payroll and related expenses incurred during the last pay period of the fiscal year thru June 30 for which the expenses were not paid until July.

Overall in FY2021 the increase in net assets was $63,376 compared to $725,382 in FY2020 and the change in cash flow was $1,840,851 compared to $2,077,104 in FY2020. The 'lessor' amount of the increase in net assets with the substantial increase in cash flow is due to the change in deferred revenue during FY2021.

Fixed Assets

Note 8 of the Notes to the Financial Statements presents the details of the Agency's property and equipment. Building and land improvements totaling $265,328 were purchased and included the renovations to Dewey Place, parking lot resurfacing and striping at Rison Street and parking lot repairs at Keen Street. New equipment totaling $22,123 was purchased and included new heating and air conditioning units. One new vehicle was purchased with a value totaling $47,958 in FY2021 for which a grant from the Department of Rail and Public Transportation was received in the amount of $38,366 with the Agency paying the remainder of the purchase prices. Seven vehicles were sold at auction removing a value of $129,390 off the books for a net gain from sale of $8,567.

Long-Term Debt

Long-term debt consists of accrued leave balances for vacation and sick leave for current staff and postemployment health insurance. During FY2014, DPCS expired the two leave policy plan which included accruals for vacation and sick leave separately and replaced these with one accrual for Paid Time Off (PTO). The PTO system includes one accrual rate to be used for either vacation or sick time off. The accrued leave balances consist of PTO hours earned but unpaid at June 30 for all regular full-time and regular part-time staff and 25% of sick hours balance to a maximum of $6,000 for regular full-time and regular part-time staff employed at least 5 years as of June 30. The liability increased from $1,264,231 in FY2020 to $1,319,132 in FY2021. The portion of this liability related to the sick hours balance will either remain steady or decrease over time as no additional hours will accrue in this category. The liability for postemployment health insurance decreased from $584,684 in FY2020 to $560,728 in FY2021. This liability is due to Board policy allowing terminating staff with 20 years of service to use their remaining sick leave balance to cover health insurance premiums or to be reimbursed for other health insurance coverage after providing documentation to Finance of the coverage and cost amounts. This liability is calculated based on staff with 20 years or more of service at June 30 less the 25% payout of their unused sick leave hours accumulated times their pay rate at June 30. This postemployment health insurance balance will be used each month to cover the employee only premium of Agency sponsored health insurance or be used to cover the actual costs paid by the former employee for other health insurance coverage until the balance is exhausted or due to forfeiture of credits resulting from death or cancellation of insurance. The calculation of this liability is affected by the expiration of the accrual of sick leave separately and as a result will increase only when current employees reach the 20 year service level and have a balance of sick leave hours to use for postemployment health insurance coverage. The postemployment health insurance liability of $560,728 at June 30, 2021 includes nine 'retirees' and nineteen current employees with 20 years of service.

Unrestricted but Designated Net Assets

The Agency has designated $2,099 of unrestricted net assets to pay for the postemployment health insurance liability. During FY2021, the Agency paid $30,190 for postemployment health insurance compared to $27,625 in FY2020. The Agency will request Board approval to transfer unused interest income fund balance to this designated fund balance/unrestricted asset to cover the future costs of the postemployment health insurance.

Forecast for FY2022

In FY2022, the Agency will continue to use as much deferred revenue as possible including working with the regional partner CSBs to continue to utilize regional funds. Also, the Agency will continue the project to convert the group home on Keen Street to an Intermediate Care Facility.

Management Discussion and Analysis for the Agency Only- Including GASB Statement 68 for Pension Amounts Related to the Virginia Retirement System (VRS) and GASB Statement 75 for Other Post-Employment Benefits (OPEB) Related to Group Life Insurance thru VRS

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 which requires DPCS as a political subdivision and participant in the Virginia Retirement System to record and show on the audited financial statements amounts related to VRS retirement. GASB issued Statement No. 75, Other Post-Employment Benefits (OPEB) which requires DPCS as a political subdivision and participant in the Group Life Insurance Plan thru VRS to record and show on the audited financial statements amounts related to VRS Group Life. DPCS is a participant in VRS as an Agent Multiple-Employer Plan and therefore has an 'account' with VRS. The following two tables represent the changes to DPCS's financial statements to show VRS amounts for pension/OPEB expense, net pension/OPEB liability and deferred inflows and outflows for each. These amounts were obtained from VRS and have been actuarially determined; however, they reflect amounts as of June 30, 2020 but are required to be presented in the FY2021 DPCS audited financial statements.

Summary Statement of Net Position Comparison				
	FY2021 without VRS	Change- VRS	FY2021 with VRS	FY2020 with VRS
Assets:				
Cash and cash equivalents	$ 13,396,411	$ -	$13,396,411	$11,555,560
Prepaid expenses	3,813,129	-	3,813,129	3,974,909
Fees receivable (net)	1,150,162	-	1,150,162	1,345,180
Due from other governments	163,814	-	163,814	154,941
Notes receivable- consumers	18,947	-	18,947	19,825
Rental & Escrow deposits	10,325	-	10,325	10,325
Restricted cash held for consumers	149,170	-	149,170	89,527
Equipment, Land & Improvements (net)	3,386,240	-	3,386,240	3,426,687
Net Pension Asset- VRS	-	1,073,205	1,073,205	2,326,797
Deferred Outflows of Resources- VRS (GASB 68)	-	1,966,589	1,966,589	946,985
Deferred Outflows of Resources- VRS (GASB 75)	-	190,897	190,897	185,313
Liabilities:				
Accounts payable	$ 498,389	$ -	$ 498,389	$623,711
Accrued payroll & other liabilities	1,025,043	-	1,025,043	927,722
Consumer deposits	149,170	-	149,170	89,527
Deferred revenue	4,665,626	-	4,665,626	3,280,165
Accrued leave	1,319,132	-	1,319,132	1,264,231
Accrued postemployment health	560,728	-	560,728	584,864
Net OPEB Pension Liability- VRS (GASB 75)	-	817,309	817,309	850,220
Deferred Inflows of Resources- VRS (GASB 68)	-	770,429	770,429	786,487
Deferred Inflows of Resources- VRS (GASB 75)	-	66,556	66,556	54,000
Net Position:				
Investments in fixed assets	$3,386,240	$ -	$3,386,240	$3,426,687
Unrestricted but designated	2,099	-	2,099	32,289
Unrestricted net position	10,481,771	-	10,481,771	10,347,758
Restricted net position- VRS (GASB 68 & 75)	-	1,576,397	1,576,397	1,768,388

Summary Statement of Revenues, Expenses and Changes in Net Position Comparison					
	FY2021- without VRS	Change- VRS	FY2021- with VRS	FY2020- without VRS	FY2020- with VRS
Operating Revenues:					
Net consumer services revenue	$ 10,838,409	$ -	$ 10,838,409	$11,544,923	$11,544,923
Other revenue	435,989	-	435,989	292,923	292,923
Operating Expenses:					
Personnel	16,254,098	191,991	16,446,089	15,396,869	15,335,030
Staff development	223,291	-	223,291	190,782	190,782
Facilities	2,126,165	-	2,126,165	1,678,276	1,678,276
Supplies/equipment maintenance	711,542	-	711,542	1,092,103	1,092,103
Travel	60,377	-	60,377	137,897	137,897
Consultant/contract	1,839,320	-	1,839,320	2,399,869	2,399,869
Depreciation	375,856	-	375,856	368,981	368,981
Bad debt expense	78,463	-	78,463	207,568	207,568
Miscellaneous	1,205	-	1,205	25	25
Appropriations from State gov't	7,114,958	-	7,114,958	7,527,147	7,527,147
Appropriations from Federal gov't	1,924,087	-	1,924,087	1,618,896	1,618,896
Appropriations from Local sources	1,330,508	-	1,330,508	1,107,933	1,107,933
Gain (loss) on sale of equipment	8,567	-	8,567	-	-
Interest income	81,175	-	81,175	105,930	105,930
Total Change in Net Position	63,376	191991	-128615	725382	787221

For GASB 68: According to VRS, the Net Plan Assets for DPCS's account for retirement exceeded the Pension Liability; therefore, DPCS does not have a Net Pension Liability and instead has a Net Pension Asset of $1,073,205 as of June 30, 2020 to include in the FY2021 financial statements and a Net Pension Asset of $2,326,797 as of June 30, 2019 that was included in the FY2020 financial statements. The Deferred Outflows of Resources represent the VRS employer contributions and expense amount for FY2021 paid by DPCS to VRS based on the established 2.90 percent employer rate and the employee's monthly creditable compensation during FY2021. Per the Operating Statement above, $229,786 has been removed from the Personnel Expense category and replaced with the VRS actuarial Pension Expense amount of $447,716 for a net change on the operating statement of $217,930 for FY2021. The $770,429 and $786,487 for FY2021 and FY2020 shown as the Deferred Inflows of Resources is the VRS Actuarial determined amount as of June 30, 2020 and June 30, 2019 respectively to be the difference in the projected and actual earnings on plan investments.

For GASB 75: According to VRS, the Net Plan Assets for DPCS's account for group life insurance are less than the OPEB Liability; therefore, DPCS does have a Net OPEB Liability of $817,309 as of June 30, 2020 to include in the FY2021 financial statements. The Deferred Outflows of Resources represent the VRS employer and employee contributions and expense amount for FY2021 paid by DPCS to VRS based on the established employer rate and the employee's monthly creditable compensation during FY2021. Per the Operating Statement above, $30,430 has been recorded as the VRS actuarial OPEB expense. The $66,556 FY2021 shown as the Deferred Inflows of Resources is the VRS Actuarial determined amount as of June 30, 2020 to be the difference in the projected and actual earnings on plan investments.

Management Discussion and Analysis for the Piney Ridge Apartments Corporation I Only

Summary Statement of Net Position Comparison				
			Dollar	
	FY2021	FY2020	Change	FY2019
Assets:				
Cash and cash equivalents	$ 1,033	$ 2,997	$ (1,964)	$ 1,835
Cash held in escrow	25,611	35,137	(9,526)	32,394
Rents receivable	16	99	(83)	1,259
Due from HUD	1,573	-	1,573	-
Notes receivable	-	-	-	320
Land, buildings & equipment, net	287,025	288,588	(1,563)	299,730
Liabilities:				
Accounts payable	$ 496	$ 1,057	$ (561)	$ 1,374
Tenant security deposits	870	857	13	1,077
Net Position:				
Investments in fixed assets	$ 287,025	$ 288,588	$ (1,563)	$299,730
Net Position in escrow accounts	24,741	34,300	(9,559)	31,317
Unrestricted Net Position	2,126	2,039	87	2,040

Summary Statement of Revenues, Expenses and Changes in Net Position Comparison				
			Dollar	
	FY2021	FY2020	Change	FY2019
Operating Revenues:				
Rent revenue, net	$ 20,020	$ 21,464	$ (1,444)	$ 20,919
Operating Expenses:				
Facilities	16,028	14,416	1,612	12,369
Supplies	-	177	(177)	3
Legal and professional fees	1,375	1,300	75	1,233
Management fee	2,383	2,603	(220)	2,420
Depreciation expense	11,273	11,142	131	11,142
Payment to HUD for excess residual receipts	-	-	-	-
Non-operating Revenues/(Expenses):				
Interest income	4	13	(9)	14
Total Changes in Net Position	$ (11,035)	$ (8,161)	$ (2,874)	$ (6,234)

Piney Ridge residents pay monthly rents based on income/expense determinations and HUD pays a subsidy of the rent. Piney Ridge Apartments Corporation is responsible for facility related expenses. Residual Receipts are generated at fiscal year-end when the organization has a checking account balance higher than the amount of accounts payable and other current liabilities.

Management Discussion and Analysis for the Piney Ridge Apartments Corporation II Only

Summary Statement of Net Position Comparison				
	FY2021	FY2020	Dollar Change	FY2019
Assets:				
Cash and cash equivalents	$ 4,239	$ 4,437	$ (198)	$ 2,369
Cash held in escrow	37,811	48,349	(10,538)	44,112
Tenant rent receivable	-	27	(27)	-
Due from HUD	-	-	-	-
Prepaid Insurance	-	-	-	-
Land, buildings & equipment, net	691,219	699,980	(8,761)	723,763
Liabilities:				
Accounts payable	$ 4,199	$ 3,695	$ 504	$ 4,397
Tenant security deposits	1,801	1,474	327	1,528
Net Position:				
Investments in fixed assets	$ 691,219	$ 699,980	$ (8,761)	$723,763
Net Position in escrow accounts	36,010	46,875	(10,865)	42,584
Unrestricted net position	40	769	(729)	(2,028)

Summary Statement of Revenues, Expenses and Changes in Net Position Comparison				
	FY2021	FY2020	Dollar Change	FY2019
Operating Revenues:				
Rent revenue, net	$ 36,258	$ 36,256	$ 2	$ 37,448
Operating Expenses:				
Facilities	24,096	20,567	3,529	19,660
Supplies	-	-	-	241
Legal and professional fees	4,774	4,664	110	4,172
Management fee	3,964	3,949	15	4,091
Depreciation expense	23,783	23,783	-	23,783
Payment to HUD for excess residual receipts	-	-	-	-
Non-operating Revenues/(Expenses):				
Interest income	4	12	1	12
Total Changes in Net Position	$ (20,355)	$ (16,695)	$ (3,651)	$(14,487)

Piney Ridge II residents pay monthly rents based on income/expense determinations and HUD pays a subsidy of the rent. Piney Ridge Apartments Corporation II is responsible for facility related expenses. Residual Receipts are generated at fiscal year-end when the organization has a checking account balance higher than the amount of accounts payable and other current liabilities.

Management Discussion and Analysis for Ashlawn View, Inc. Only

Summary Statement of Net Position Comparison				
			Dollar	
	FY2021	FY2020	Change	FY2019
Assets:				
Cash and cash equivalents	$ 644	$ 627	$ 17	$ 48
Cash held in escrow	20,724	18,198	2,526	16,809
Due from HUD	-	-	-	747
Unamortized organization costs	-	-	-	-
Land, buildings & equipment, net	480,067	495,704	(15,637)	511,340
Liabilities:				
Accounts payable	$ 4,298	$ 6,710	$ (2,412)	$ 18,117
Tenant security deposits & other escrow liability	4,607	4,193	414	4,192
Net Position:				
Investments in fixed assets	$ 480,067	$ 495,704	$ (15,637)	$511,340
Net Position in escrow accounts	16,117	14,005	2,112	12,617
Unrestricted Net Position	(3,654)	(6,083)	2,429	(17,322)
Summary Statement of Revenues, Expenses and Changes in Net Position Comparison				
			Dollar	
	FY2021	FY2020	Change	FY2019
Operating Revenues:				
Rent revenue, net	$ 23,532	$ 18,562	$ 4,970	$ 18,377
Operating Expenses:				
Facilities	15,167	14,986	181	14,535
Legal and professional fees	3,825	4,027	(202)	4,653
Amortization expense	-	-	-	267
Depreciation expense	15,637	15,637	-	15,637
Non-operating Revenues/(Expenses):				
Interest income	1	4	(3)	5
Prior period adjustment	-	13,075		
Total Changes in Net Position	$ (11,096)	$ (3,009)	$ 4,988	$(16,710)

Ashlawn View, Inc. was organized in FY2011 as a 501(c)(3) corporation HUD project to build a waiver group home for individuals receiving services with an Intellectual Disability. Ashlawn residents pay monthly rents based on income/expense determinations and HUD pays a subsidy of the rent. Ashlawn View, Inc. is responsible for facility related expenses. The Agency pays for staffing and related expenses to operate the home. Ashlawn View, Inc. has experienced significant vacancies over the years which have resulted in a large portion of the amount in Accounts Payable being payable to the Agency (DPCS) as the managing agent who has paid several vendor bills over the past few years. HUD issued a compliance letter when reviewing the FY2018 HUD filed audited financial statements requiring Ashlawn respond to the payable and cash flow issue the vacancies have created. Ashlawn's response included the corporation and DPCS agreeing to 'forgive' and write-off $13,075.25 of these amounts during FY2020 and the DPCS/Ashlawn Boards approved such action. The impact of this action on the financial statements was a reduction of $13,075.25 in Accounts Payable and increase in the Ashlawn Unrestricted Net Assets in December 2019

Bellevue, Inc.

Bellevue, Inc. provides DPCS, as the sole tenant, fixed assets (land, buildings and improvements, and furniture and equipment) totaling $13,333,145 and $13,274,186 less accumulated depreciation of $3,732,641 and $3,219,667 for a net value of $9,600,504 and $10,054,519 at June 30, 2021 and December 31, 2019 respectively. The Board of Directors of Bellevue, Inc. voted to change from a calendar year end to a fiscal year end starting with June 30, 2021; thus, the financial amounts for Bellevue, Inc. reflect balances in accounts at June 30, 2021 for the balance sheet and financial activity from January 1, 2020 thru June 30, 2021 for the operating and cash flow statements. The Agency leases five locations from Bellevue, Inc. The rents the Agency pays to Bellevue, Inc. are used to pay towards the outstanding loans as specified in the Notes to the Financial Statements. The amount of loans payable at June 30, 2021 and December 31, 2019 were $2,830,791 and $3,652,738 respectively.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, individuals receiving services and taxpayers with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the funds it receives. Questions concerning this report or requests for additional financial information should be made to Mary Beth Clement, C.P.A., Director of Finance, Danville-Pittsylvania Community Services, 245 Hairston Street, Danville, VA 24540 or phone at 434-799-0456, extension 3078 or email to mclement@dpcs.org.

BASIC FINANCIAL STATEMENTS

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF NET POSITION
June 30, 2021 and 2020
See Independent Auditors' Report

	2021	2020
ASSETS		
Current assets:		
Unrestricted cash and cash equivalents	$ 13,476,451	$ 11,691,376
Prepaid expenses	60,133	540,323
Fees receivable (net of allowance for doubtful accounts)	1,150,178	1,345,306
Due from other governments and agencies	158,755	145,734
Notes receivable - consumers	18,947	19,825
Rental deposits	10,325	10,325
Restricted current assets:		
Cash held for consumers	149,170	89,527
Restricted cash - held in escrow	84,146	101,704
Total current assets	15,108,105	13,944,120
Capital assets:		
Equipment, buildings, land & improvements	22,483,077	22,193,367
Less accumulated depreciation	(8,038,022)	(7,227,889)
Total capital assets	14,445,055	14,965,478
Other assets:		
Net pension asset - Virginia Retirement System	1,073,205	2,326,797
Total other assets	1,073,205	2,326,797
Deferred outflows of resources:		
Pension and group life insurance	2,157,486	1,132,298
Total assets	$ 32,783,851	$ 32,368,693

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF NET POSITION
June 30, 2021 and 2020
See Independent Auditors' Report

	2021	2020
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	$ 509,985	$ 704,892
Accrued payroll and other liabilities	1,025,043	927,722
Current portion of long-term debt	176,717	212,575
Deferred revenue	4,665,625	3,280,165
	6,377,370	5,125,354
Current liabilities payable from restricted assets:		
Consumer deposits	153,216	92,819
Total current liabilities	6,530,586	5,218,173
Long-term liabilities:		
Long-term debt non-current portion	2,654,074	3,440,163
Net group life insurance liability - VRS	817,309	850,220
Accrued postemployment health insurance	560,728	584,864
Accrued leave	1,319,132	1,264,231
Total long-term liabilities	5,351,243	6,139,478
Total liabilities	11,881,829	11,357,651
Deferred inflows of resources:		
Unamortized balance - VRS	836,985	840,487
Net position:		
Investment in capital assets, net of related debt	11,614,264	11,312,740
Restricted for cash held in escrow	76,868	95,180
VRS net position	1,576,398	1,768,388
Unrestricted	6,797,507	6,994,247
Total net position	20,065,037	20,170,555
Total liabilities and net position	$ 32,783,851	$ 32,368,693

The accompanying notes to financial statements are an integral part of this statement.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2021 and 2020
See Independent Auditors' Report

	2021	2020
Operating revenues:		
Net services revenue	$ 10,918,219	$ 11,621,205
Other revenues	429,642	286,371
Total operating revenues	11,347,861	11,907,576
Operating expenses:		
Personnel	16,446,089	15,335,030
Staff development	223,291	190,782
Facilities	1,104,156	1,256,197
Supplies and equipment maintenance	711,542	1,092,281
Travel	60,377	137,897
Consultant/contract	1,940,569	2,416,944
Depreciation	939,523	760,848
Bad debt expense	78,463	207,567
Miscellaneous	5,094	298
Total operating expenses	21,509,104	21,397,844
Operating (loss)	(10,161,243)	(9,490,268)
Non-operating income (expense):		
Appropriations from government:		
State	7,114,958	7,527,147
Federal	1,924,087	1,618,896
Local	1,081,213	950,273
Interest income	81,184	105,959
Gain on sale of equipment	8,567	-
Interest expense	(154,284)	(133,408)
Total non-operating income	10,055,725	10,068,867
Total change in net position	(105,518)	578,599
Net position, beginning of year	20,170,555	19,578,881
Change in beginning net position	-	13,075
Net position, end of year	$ 20,065,037	$ 20,170,555

The accompanying notes to financial statements are an integral part of this statement.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020
See Independent Auditors' Report

	2021	2020
Cash flows from operating activities:		
Cash received for services provided	$ 11,354,724	$ 11,391,583
Other unrestricted operating revenue	399,648	286,886
Cash payments for personnel	(16,203,947)	(15,103,746)
Cash payments for supplies and other operating needs	(4,068,995)	(5,550,527)
Net cash (used by) operating activities	(8,518,570)	(8,975,804)
Cash flows from non-capital financing activities:		
Appropriations from the commonwealth	8,366,207	9,138,189
Appropriations from local governments	945,569	815,146
Grants received from federal government	2,086,486	1,622,047
Net cash provided by non-capital financing activities	11,398,262	11,575,382
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(356,002)	(840,260)
Sale of fixed assets	8,567	-
Net cash (used by) capital and related financing activities	(347,435)	(840,260)
Cash flows from investing activities:		
Interest income	81,183	105,959
Escrow account activity	(6,419)	(8,662)
Proceeds from issuance of long-term debt	-	316,026
Loan payments	(821,947)	(147,262)
Net cash provided by (used in) investing activities	(747,183)	266,061
Net increase in cash and cash equivalents	1,785,074	2,025,379
Cash and cash equivalents:		
Beginning of year	11,691,377	9,665,998
End of year	$ 13,476,451	$ 11,691,377
Reconciliation of operating income to net cash (used by) operations:		
Change in net position	$ (105,518)	$ 578,599
Adjustments to reconcile operating income to net cash (used by) operating activities:		
Depreciation and amortization	939,523	760,848
Deferred outflows and inflows and net asset/liability VRS	191,991	(61,839)
Non-capital financing activities	(11,473,026)	(11,562,407)
Intercompany	-	(135,961)
Changes in assets and liabilities:		
Prepaid expenses	480,190	(95,805)
Accounts receivable - various	182,984	(194,684)
Accounts payable	(266,572)	(134,445)
Accrued wages and benefits	128,086	202,961
Other accrued liabilities	1,403,772	1,666,829
Net cash (used by) operating activities	$ (8,518,570)	$ (8,975,904)

The accompanying notes to financial statements are an integral part of this statement.

Note 1. Organization and Purpose

Danville-Pittsylvania Community Services ("Agency") was established in 1972 as an intergovernmental joint venture between the City of Danville and Pittsylvania County, Virginia. The Agency was established to provide public behavioral health, intellectual disability, and substance abuse treatment, and prevention services to the citizens of the City of Danville and Pittsylvania County, Virginia as provided for in Chapter 10 of Title 37.2 of the *Code of Virginia*, as amended. Pittsylvania County Board of Supervisors appoints eight of the fifteen members of the Agency's Board of Directors and Danville City Council appoints the remaining seven. The State agency with oversight responsibility for the programs conducted by the Agency is the Virginia Department of Behavioral Health and Developmental Services.

Note 2. Summary of Significant Accounting Policies

Financial reporting entity:

Most Community Service Boards of Virginia use the governmental reporting model for financial reporting. This entails reporting under the provisions of the Governmental Accounting Standards Board's (GASB) Statement 34, *Basic Financial Statements and Management Discussion and Analysis*. This statement establishes financial reporting requirements for state and local governmental entities of the United States. The Agency is not included as part of the financial statements of another primary government.

In defining the Agency as an appropriate reporting entity, related organizations were evaluated for possible inclusion using criteria established by the GASB. The criteria include the Agency's ability to influence designation of management, operations, accountability for fiscal matters, and scope of public service. Further, GASB established broader criteria to consider for determining if an affiliated organization should be considered a component unit. Entities that hold resources entirely or almost entirely for the direct benefit of the Agency, where the Agency has the ability to access a majority of those resources and those resources are significant to the Agency are also to be included as part of the reporting entity. Based on these criteria, the financial statements of the Agency include Bellevue, Inc., Piney Ridge Apartments Corporation I (Piney Ridge), Piney Ridge Apartments Corporation II (Piney Ridge II), and Ashlawn View, Inc. as component units. The assets, liabilities, net assets, revenues, and expenses for these four entities are blended with those of the Agency and reported as if it were a single entity.

Component units:

Bellevue, Inc. is a non-stock, non-profit corporation that is tax-exempt under Section 501(c)(3) of the *Internal Revenue Code*. The Board of Directors of Bellevue, Inc. is self-perpetuating and is independent from the Agency's Board of Directors. The Agency's administrative office complex plus three facilities for residential and day services for intellectually disabled individuals receiving services are owned by Bellevue, Inc. The Agency is the exclusive tenant of Bellevue, Inc.'s property (see Note 16 - Commitments), and the Agency's management handles all administrative responsibilities for Bellevue, Inc. The Board of Directors voted to change from a calendar year end to a fiscal year end of June 30.

Piney Ridge is a non-stock, non-profit organization, incorporated February 24, 1999 for the purpose of acquiring real estate to establish and operate a five-unit apartment complex for adults with serious behavioral health disabilities. The corporation is tax exempt under Section 501(c)(3) of the *Internal Revenue Code*. Operations as an apartment complex began during the year ended June 30, 2007.

Note 2. Summary of Significant Accounting Policies (Continued)

Component units (Continued):

On November 17, 2006, Piney Ridge II was incorporated as a non-stock, non-profit corporation, organized to establish and operate phase II of the Piney Ridge apartment complex. As with the first phase, phase II, a nine-unit apartment complex, was constructed with funds from a U. S. Department of Housing and Urban Development Section 811 grant. The apartments are for adults with serious behavioral health disabilities and began operations in July 2010. The corporation is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

Ashlawn View, Inc. is a non-stock, non-profit organization, incorporated August 30, 2010 for the purpose of acquiring and providing housing facilities and services to promote the health and security of elderly and/or handicapped individuals, specifically a waiver group home for individuals with intellectual disabilities. The corporation is also tax exempt under Section 501(c)(3) of the Internal Revenue Code. The facility was opened for occupancy in April 2014.

The separate financial statements of Bellevue, Inc., Piney Ridge II, and Ashlawn View, Inc. may be obtained by writing to the Director of Finance, Danville-Pittsylvania Community Services, 245 Hairston Street, Danville, VA 24540.

Basis of presentation:

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with statements of the GASB and the Virginia Department of Behavioral Health and Developmental Services. The principles prescribed by the GASB are recognized to represent accounting principles generally accepted in the United States of America for governmental health care reporting entities. As such, the Agency recognizes revenues in the period when earned rather than when received in cash. Expenses are recognized when the underlying obligation is incurred rather than when paid.

The Agency applies all pronouncements of the GASB as well as those of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989 and do not contradict or conflict with the GASB pronouncements.

All significant intercompany transactions and accounts have been eliminated.

Budgets and budgetary accounting:

The Agency is divided into three program services areas: Behavioral Health Services, Developmental Services, and Prevention Services. Administrative functions are divided among three divisions: Compliance and Information Systems Division, Human Resources Division, and the Finance Division. Funds to support these programs as well as the related administrative costs are provided from the Commonwealth of Virginia, Federal and local agency grants, local governments, (City of Danville and Pittsylvania County), and fees for services.

The organization operates from a budget for each disability area. Formulation of the budget begins in May of each year upon receipt of a letter of notification of the expected level of funding from the Virginia Department of Behavioral Health and Developmental Services.

The annual budget is approved by the Board of Directors prior to the beginning of the fiscal year. Budgets are adjusted as dictated by funding changes.

Cash and cash equivalents:

For purposes of the cash flows statement, cash and cash equivalents are considered to include certificates of deposit and highly liquid depository accounts.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments:

Investments are stated at cost, which approximates market. Certificates of deposit and short-term repurchase agreements are reported as cash and cash equivalents.

Operating revenues and expenses:

Operating revenues are those revenues that are generated from the primary operations of the Agency. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Agency. All other expenses are reported as non-operating expenses.

Net services revenue:

Net consumer revenue is reported at the net realizable amounts from third party payers, clients, and others for services rendered. Medicaid and other third party payers account for the majority of these revenues with direct client payments representing a small portion of net services revenue.

Consumer deposits:

Some residents of the Agency's residential facilities are entitled to receive federal benefits such as social security. In many cases, the Agency has been named the designated payee for these benefits and separate bank accounts are maintained for the benefit of these individuals. The receipts and disbursements of these funds are not reported in these financial statements as they do not represent revenues or expenditures of the Agency.

Capital assets:

Capital assets are stated at cost and depreciated over their estimated useful lives using straight-line depreciation. The estimated useful lives of capital assets are as follows:

	Years
Furniture and equipment	5 - 15
Vehicles	5
Leasehold improvements	12
Buildings & Improvements	35 - 40

Client loan funds:

The Behavioral Health Division of the Agency maintains revolving loan funds, which are available to meet specific emergency or other needs of qualifying clients.

Pensions:

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's Retirement Plan and the additions to/deductions from the Agency's Retirement Plan's fiduciary net 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Group life insurance:

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Income tax:

The Agency is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is registered with the Commonwealth of Virginia as a non-profit organization. There is no unrelated business income which would be subject to taxation, and therefore there is no provision for income taxes.

Vacation and sick leave:

The Agency has an established policy regarding compensated absences (leave) for all regular employees. Compensated absences are recorded as an operating expense in the period earned rather than when paid. The Agency uses a single "Paid Time Off" (PTO) leave plan which replaced the previous separate vacation and sick leave plans. At January 1, 2014, the accumulated annual leave balances were transferred to the PTO plan as the starting balances in the new leave system. Sick leave balances at January 1, 2014 remain on the books and employees can use leave from this bank; however, no more hours accrue to sick leave. PTO is accrued based on years of service using January 1 as a cutoff date each year; PTO balances are not allowed to exceed certain maximum amounts based on years of service. Upon termination of employment, any unused PTO leave is paid and any unused sick leave for the employees with a minimum of five years of continuous employment is paid at 25% of the sick leave hours up to a maximum of $6,000, both calculated as hours times the employee's normal pay rate at the time of termination.

Postemployment health insurance:

To qualify for postemployment health insurance benefits, Agency employees must terminate with at least 20 years of continuous service. The remaining 75% of accumulated sick leave after converting 25% to a lump sum payout, as stated above, may be converted to health insurance credits which are available to pay the terminated employee's health insurance premiums.

The insurance credits allow the eligible former employee to continue participation in the Agency's health insurance plan after termination until the credits are exhausted. The credits are available to the former employee only and are forfeited upon the former employee's becoming ineligible to participate in the Agency's health insurance plan for any reason. The Agency has not funded the postemployment health insurance plan, and therefore benefits under this plan are paid

Note 2. Summary of Significant Accounting Policies (Continued)

Postemployment health insurance (Continued):

directly by the Agency. No separate plan financial statements are issued. The following schedule shows the changes in the accrued postemployment health insurance liability for the past three years:

Year Ended	Beginning Liability Balance	Benefits Vested	Benefits Paid	Ending Liability Balance	Due Within One Year
June 30, 2021	$ 584,864	$ 6,054	$ 30,190	$ 560,728	$ 44,858
June 30, 2020	524,750	88,039	27,925	584,864	46,789
June 30, 2019	488,934	65,288	29,472	524,750	41,980

The plan remains 100% unfunded, but management has designated a portion of the Agency's unrestricted fund balance (see Note 10). Each year the plan has been in effect, 100% of the obligation for benefits earned under the plan as of year-end has been accrued. The plan does not issue a stand-alone financial report. The most recent actuarial valuation was performed for the year ended June 30, 2012 which showed an unfunded actuarial accrued liability of $298,900 on covered payroll of $8,029,800. (The recorded plan liability exceeds the actuarial accrued liability.)

Group hospitalization and life insurance:

All regular employees, including full-time and part-time regularly established positions are eligible to participate in the Agency's group hospitalization insurance program. The Agency contributes the cost of coverage for full-time employees in regular positions and a prorated contribution for eligible part-time employees. All full-time employees participate in the Virginia Retirement System Group Life Insurance Program with all premiums paid by the Agency.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications:

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred outflow/inflow of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Agency only has two items that qualifies for reporting in this category. It is comprised of contributions to the pension plan and group life insurance made during the current year and subsequent to the net pension asset and net OPEB liability measurement date, which will be recognized as an increase in the net pension asset and a reduction of the net OPEB liability next fiscal year. For more detailed information on these items, reference the pension and OPEB notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has two types of items that qualify for reporting in this category. Certain items related to the measurement of the net pension asset and net OPEB liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

Net position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Net position flow assumption:

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Accounts receivable:

Accounts receivable are stated at net realizable value. Receivables related to the provision of services are reported net of contractual allowances and an allowance for doubtful accounts. The Agency evaluates its accounts receivables using historical data and, in certain cases, specific account analysis.

Note 3. Cash and Investments

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the *Code of Virginia*. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending up that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Statutes authorize the Agency to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Note 4. Condensed Financial Statements

The following condensed financial statements present the Agency and all its component units along with eliminations necessary to present them as a single reporting entity.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES & COMPONENT UNITS
STATEMENT OF NET POSITION
June 30, 2021

	Agency	Piney Ridge Apartments	Piney Ridge Apartments II	Ashlawn View	Bellevue 12/31/20	Bellevue 6/30/21	Eliminations	Blended
ASSETS								
Current assets:								
Unrestricted cash & cash equivalents	$ 13,396,411	$ 1,033	$ 4,239	$ 644	$ 76,275	74,124	$ (76,275)	$ 13,476,451
Fees receivable (less allowance for doubtful accounts)	1,150,162	16	-	-	-	-	-	1,150,178
Due from other govts. & agencies	163,814	1,573	-	-	-	-	(6,632)	158,755
Other current assets	3,842,400	-	-	-	-	-	(3,752,995)	89,405
Restricted current assets	149,170	25,611	37,811	20,724	-	-	-	233,316
Total current assets	18,701,957	28,233	42,050	21,368	76,275	74,124	(3,835,902)	15,108,105
Capital assets:								
Equipment, buildings, land & improvements	7,144,178	460,530	946,579	598,645	13,313,092	13,333,145	(13,313,092)	22,483,077
Less accumulated depreciation	(3,757,938)	(173,505)	(255,360)	(118,578)	(3,561,618)	(3,732,641)	3,561,618	(8,038,022)
Total capital assets	3,386,240	287,025	691,219	480,067	9,751,474	9,600,504	(9,751,474)	14,445,055
Net Pension Asset - VRS	1,073,205	-	-	-	-	-	-	1,073,205
Deferred Outflows of Resources-VRS	2,157,486	-	-	-	-	-	-	2,157,486
Total assets	$ 25,318,888	$ 315,258	$ 733,269	$ 501,435	$ 9,827,749	$ 9,674,628	$(13,587,376)	$ 32,783,851
LIABILITIES AND NET POSITION								
Current liabilities:								
Accounts payable	$ 498,389	$ 496	$ 4,199	$ 4,298	$ -	$ 6,003	$ (3,400)	$ 509,985
Accrued payroll and other liabilities	1,025,043	-	-	-	-		-	1,025,043
Current portion of long-term debt	-	-	-	-	188,689	176,717	(188,689)	176,717
Deferred revenue	4,665,625	-	-	-	195,750	195,750	(391,500)	4,665,625
Restricted assets - consumer deposits	149,170	870	1,801	4,607	-	-	(3,232)	153,216
Total current liabilities	6,338,227	1,366	6,000	8,905	384,439	378,470	(586,821)	6,530,586
Long-term liabilities:								
Long-term debt non-current portion	-	-	-	-	2,778,723	2,654,074	(2,778,723)	2,654,074
Deferred revenue	-	-	-	-	3,655,139	3,557,245	(7,212,384)	-
Net group life insurance liability - VRS	817,309	-	-	-	-		-	817,309
Accrued postemployment health ins.	560,728	-	-	-	-		-	560,728
Accrued leave	1,319,132	-	-	-	-		-	1,319,132
Total long-term liabilities	2,697,169	-	-	-	6,433,862	6,211,319	(9,991,107)	5,351,243
Total liabilities	9,035,396	1,366	6,000	8,905	6,818,301	6,589,789	(10,577,928)	11,881,829
Deferred Inflows of Resources - VRS	836,985	-	-	-	-	-	-	836,985
Net position:								
Investment in capital assets	3,386,240	287,025	691,219	480,067	6,784,062	6,769,713	(6,784,062)	11,614,264
Restricted for cash held in escrow	-	24,741	36,010	16,117	-	-	-	76,868
VRS net position	1,576,398	-	-	-	-	-	-	1,576,398
Unrestricted	10,483,869	2,126	40	(3,654)	(3,774,614)	(3,684,874)	3,774,614	6,797,507
Total net position	15,446,507	313,892	727,269	492,530	3,009,448	3,084,839	(3,009,448)	20,065,037
Total liabilities and net position	$ 25,318,888	$ 315,258	$ 733,269	$ 501,435	$ 9,827,749	$ 9,674,628	$(13,587,376)	$ 32,783,851

Note 4. Condensed Financial Statements (Continued)

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES & COMPONENT UNITS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	Agency	Piney Ridge Apartments	Piney Ridge Apartments II	Ashlawn View	Bellevue 12/30/20	Bellevue 6/30/21	Eliminations	Blended
Operating revenues:								
Net services revenue	$ 10,838,409	$ 20,020	$ 36,258	$ 23,532	$ 656,680	$ 420,620	$ (1,077,300)	$ 10,918,219
Other revenues	435,989	-	-	-	-	-	(6,347)	429,642
Total operating revenues	11,274,398	20,020	36,258	23,532	656,680	420,620	(1,083,647)	11,347,861
Operating expenses:								
Personnel	16,446,089	-	-	-	-	-	-	16,446,089
Staff development	223,291	-	-	-	-	-	-	223,291
Facilities	2,126,165	16,028	24,096	15,167	-	-	(1,077,300)	1,104,156
Supplies and equip. maintenance	711,542	-	-	-	-	-	-	711,542
Travel	60,377	-	-	-	-	-	-	60,377
Consultant/contract	1,839,320	3,758	8,738	3,825	210,272	130,298	(255,642)	1,940,569
Depreciation	375,856	11,273	23,783	15,637	341,951	171,023	-	939,523
Amortization	-	-	-	-	-	-	-	-
Bad debt expense	78,463	-	-	-	-	-	-	78,463
Miscellaneous	1,205	-	-	-	3,402	487	-	5,094
Total operating expenses	21,862,308	31,059	56,617	34,629	555,625	301,808	(1,332,942)	21,509,104
Operating income (loss)	(10,587,910)	(11,039)	(20,359)	(11,097)	101,055	118,812	249,295	(10,161,243)
Nonoperating income (loss):								
Appropriations from government:								
State	7,114,958	-	-	-	-	-	-	7,114,958
Federal	1,924,087	-	-	-	-	-	-	1,924,087
Local	1,330,508	-	-	-	-	-	(249,295)	1,081,213
Interest income	81,175	4	4	1	-	-	-	81,184
Gain/(loss) on sale of equipment	8,567	-	-	-	-	-	-	8,567
Interest expense	-	-	-	-	(110,863)	(43,421)	-	(154,284)
Total non-operating income	10,459,295	4	4	1	(110,863)	(43,421)	(249,295)	10,055,725
Total changes in net position	(128,615)	(11,035)	(20,355)	(11,096)	(9,808)	75,391	-	(105,518)
Net position, beginning of year	15,575,122	324,927	747,624	503,626	3,019,256	3,009,448	(3,009,448)	20,170,555
Net position, end of year	$ 15,446,507	$ 313,892	$ 727,269	$ 492,530	$ 3,009,448	$ 3,084,839	$ (3,009,448)	$ 20,065,037

Note 5. Net Services Revenue

Net services revenue for the years ended June 30, 2021 and 2020 consisted of the following:

	2021	2020
Medicaid	$ 10,146,420	$ 10,625,887
Direct client fees	411,078	679,843
Third parties	360,721	315,475
	$ 10,918,219	$ 11,621,205

Note 6. Allowance for Doubtful Accounts

For the year ended June 30, 2021, the allowance for doubtful accounts was decreased by $196,008, net of actual write-offs of $274,472 for consumer accounts and $0 for consumer notes. The net increase brought the June 30, 2021 allowance to a balance of $224,145. For the year ended June 30, 2020, the allowance for doubtful accounts was increased by $126,384 net of actual write-offs of $78,012 for consumer accounts and $3,171 for consumer notes, bringing the June 30, 2020 allowance to a balance to $420,153.

Note 7. Due from Other Governments and Other Agencies

Amounts due from other governments and agencies consisted of the following at June 30:

	2021	2020
Federal	$ 60,094	$ 72,686
Commonwealth of Virginia	14,368	29,365
Other local agencies	84,293	43,683
	$ 158,755	$ 145,734

Note 8. Capital Assets

The current capitalization policy requires the inclusion of those assets with a cost of $5,000 or more. Capital assets at June 30, 2021 and 2020 consisted of the following:

Agency	2020	Additions	Reductions	2021
Furniture and equipment	$ 1,330,976	$ 14,252	$ -	$ 1,345,228
Vehicles	1,861,844	47,958	129,390	1,780,412
Buildings and improvements	3,070,838	174,618	-	3,245,456
Leasehold improvements	674,501	98,581	-	773,082
	6,938,159	335,409	129,390	7,144,178
Piney Ridge Corporation				
Land and improvements	31,087	-	-	31,087
Buildings	410,097	7,875	-	417,972
Furniture and equipment	9,636	1,835	-	11,471
	450,820	9,710	-	460,530
Piney Ridge Corporation II				
Land and improvements	65,109	-	-	65,109
Buildings	862,245	12,722	-	874,967
Furniture and equipment	4,203	2,300	-	6,503
	931,557	15,022	-	946,579
Ashlawn View, Inc.				
Land (non-depreciable)	41,681	-	-	41,681
Buildings	556,964	-	-	556,964
	598,645	-	-	598,645
Bellevue, Inc.				
Land and improvements	1,330,973	-	-	1,330,973
Construction in progress	-	-	-	-
Buildings	11,530,512	58,959	-	11,589,471
Furniture and equipment	412,701	-	-	412,701
	13,274,186	58,959	-	13,333,145
Blended total assets	22,193,367	419,100	129,390	22,483,077
Less accumulated depreciation	(7,227,889)	(939,523)	(129,390)	(8,038,022)
	$ 14,965,478	$ (520,423)	$ -	$ 14,445,055

Note 9. Claims, Judgments, and Compensated Absences

Salaried employees' attendance and leave terms make provisions for the granting of a specified number of days leave with pay each year (see Note 2). At June 30, 2021 and 2020, the amounts of earned but unpaid employees' leave were $1,319,132 and $1,264,231, respectively.

Note 10. Net Position

At June 30, 2021 and 2020, net position of the Agency consisted of the following:

	2021	2020
Invested in capital assets, net of related debt:		
Net land, buildings, and equipment	$ 11,614,264	$ 11,312,740
Organizational costs, net	-	-
Total invested in capital assets	11,614,264	11,312,740
Unrestricted net position:		
Designated for postemployment health insurance	2,099	32,289
Designated for cash in escrow	76,868	95,180
VRS net pension position	1,576,398	1,768,388
Unrestricted and undesignated	6,795,408	6,961,958
Total net position	$ 20,065,037	$ 20,170,555

Total net position	$ 20,065,037	$ 20,170,555
Total invested in capital assets	(11,614,264)	(11,312,740)
Designated for postemployment health insurance	(2,099)	(32,289)
Designated for cash in escrow	(76,868)	(95,180)
VRS net pension position	(1,576,398)	(1,768,388)
	$ 6,795,408	$ 6,961,958

Unrestricted net assets were available for current use with the limitation that the Board of Directors has designated $2,099 and $32,289 of unrestricted net assets as of June 30, 2021 and 2020, respectively, for funding post employment health care benefits. See Postemployment Health Insurance - Note 2.

Note 11. Pension Plan

Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of the **Agency** 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 (1950)*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Note 11. Pension Plan (Continued)

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out as follows:

VRS - PLAN 1

About the Plan:

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

Eligible Members:

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election:

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

Retirement Contributions:

Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit:

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting:

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

Note 11. Pension Plan (Continued)

VRS PLAN 1 (Continued)

Calculating the Benefit:

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

Average Final Compensation:

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier VRS:

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for nonhazardous duty members is 1.70%.

Normal Retirement Age VRS:

Age 65.

Earliest Unreduced Retirement Eligibility VRS:

Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Earliest Reduced Retirement Eligibility VRS:

Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement:

The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years (60 months) of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the *Workforce Transition Act* or the Transitional Benefits Program.

Note 11. Pension Plan (Continued)

VRS PLAN 1 (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued):

Exceptions to COLA Effective Dates (Continued)

- 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.

Disability Coverage:

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service:

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

VRS - PLAN 2

About the Plan:

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

Eligible Members:

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election:

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

Retirement Contributions:

Same as Plan 1.

Service Credit:

Same as Plan 1.

Vesting:

Same as Plan 1.

Note 11. Pension Plan (Continued)

VRS PLAN 2 (Continued)

Calculating the Benefit:

See definition under Plan 1.

Average Final Compensation:

A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier VRS:

Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age:

Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility VRS:

Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.

Earliest Reduced Retirement Eligibility VRS:

Age 60 with at least five years (60 months) of service credit.

Cost-of-Living Adjustment (COLA) in Retirement:

The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.

Eligibility:

Same as Plan 1.

Exceptions to COLA Effective Dates:

Same as Plan 1.

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.

Purchase of Prior Service:

Same as Plan 1.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan**:**

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 11. Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

About the Hybrid Retirement Plan (Continued)**:**

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members:

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Agency employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

*Non-Eligible Members:

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- **Agency** employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Retirement Contributions:

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit:

<u>Defined Benefit Component</u> - Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

<u>Defined Contributions Component</u> - Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Note 11. Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Vesting:

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit.

Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years (24 months), a member is 50% vested and may withdraw 50% of employer contributions.
- After three years (36 months), a member is 75% vested and may withdraw 75% of employer contributions.
- After four (4) or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

Calculating the Benefit:

Defined Benefit Component - See definition under Plan 1.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation:

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier:

Defined Benefit Component VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Defined Contribution Component - Not applicable.

Note 11. Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Normal Retirement Age:

Defined Benefit Component VRS - Same as Plan 2.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility:

Defined Benefit Component VRS - Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and plus service credit equals 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility:

Defined Benefit Component VRS - Age 60 with at least five years (60 months) of service credit.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement:

Defined Benefit Component - Same as Plan 2.

Defined Contribution Component - Not applicable.

Eligibility - Same as Plan 1 and Plan 2.

Exceptions to COLA Effective Dates - Same as Plan 1 and Plan 2.

Disability Coverage:

Employees of Agency (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service:

Defined Benefit Component - Same as Plan 1 with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component - Not applicable.

Note 11. Pension Plan (Continued)

Employees Covered by Benefit Terms: As of the June 30, 2020, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2020
Inactive Members or their Beneficiaries Currently Receiving Benefits	97
Inactive Members	
Vested	61
Non-Vested	77
Active Elsewhere in VRS	54
Total Inactive Members	192
Active Members	234
Total	523

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

The Agency's contractually required contribution rate for the year ended June 30, 2021 was 2.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Agency were $301,839 and $278,519 for the years ended June 30, 2021 and 2020, respectively.

Net Pension Liability: The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Agency, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions: The total pension liability for employees in the Agency's retirement plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50 percent
Salary increases, including inflation	3.50 percent - 5.35 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation*

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

Note 11. Pension Plan (Continued)

Mortality rates – non-largest ten locality employers – non-hazardous duty: 15% of deaths are assumed to be service-related

Pre-retirement:

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

Post-retirement:

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

Post-disablement:

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

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

Mortality Table	
For the period before retirement	RP-2014 Employee Mortality Table Projected with Scale BB to 2020 with males set forward 4 years and females set back 2 years
For the period after service retirement	RP-2014 Combined Employee Mortality Table Projected with Scale AA to 2020 with males set forward 1 year
For the period after disability retirement	RP-2014 Disabled Life Mortality Table with males set back 3 years and no provision for future mortality improvements.

Long-term Expected Rate of Return: The long-term expected rate of return on pension System investments was determined using 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Assumed Asset Allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 11. Pension Plan (Continued)

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	100.00%		4.64%
Inflation			2.50%
* Expected arithmetic normal return			7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations provide a median return of 6.81%.

Discount Rate: The discount rate used to determine total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Note 11. Pension Plan (Continued)

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2019	$ 29,687,132	$32,013,929	$ (2,326,797)
Changes for the year:			
Service cost	868,680	-	868,680
Interest on total pension liability	1,965,856	-	1,965,856
Change in assumptions	-	-	-
Difference between expected and actual experience	(306,477)	-	(306,477)
Contributions - employer	-	222,322	(222,322)
Contributions - employee	-	465,313	(465,313)
Net investment income	-	608,325	(608,325)
Benefit payments, including refund of employee contributions	(983,684)	(983,684)	-
Refunds of employee contributions	(142,984)	(142,984)	-
Administrative expense	-	(20,768)	20,768
Other changes	-	(725)	725
Net changes	1,401,391	147,799	1,253,592
Balance at June 30, 2020	$ 31,088,523	$32,161,728	$ (1,073,205)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension (asset) liability of the Agency using the discount rate of 6.75%, as well as one that is 1% higher and lower than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension (Asset) Liability	$ 3,375,157	$ (1,073,205)	$ (4,706,708)

Note 11. Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2021 and 2020, the Agency recognized pension expense (income) of $447,716 and $186,794 respectively. At June 30, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 456,174
Change in assumptions	457,233	804
Difference between projected and actual earnings on plan investments	1,279,570	313,451
Employer contributions subsequent to the measurement date	229,816	-
	$1,966,619	$ 770,429

The $229,816 reported as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date which will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2022	$ 53,146
2023	324,791
2024	281,021
2025	307,416
2026	-
Thereafter	-

Pension Plan Data: Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

Note 12. Other Postemployment Benefits-Group Life Insurance

General information about the group life insurance program

Plan description

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

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

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

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit amounts

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

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

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Reduction in benefits amounts

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

Minimum benefit amount and cost-of-living adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,616 effective June 30, 2021.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were $56,370 and $52,313 for the years ended June 30, 2021 and 2020, respectively.

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

At June 30, 2021, the entities reported a liability of $815,727 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .04888% as compared to .05217% at June 30, 2019.

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of $30,430. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 52,321	$ 7,327
Net difference between projected and actual earnings on GLI OPEB program investments	24,504	-
Change in assumptions	40,796	17,033
Changes in proportion	16,906	42,196
Employer contributions subsequent to the measurement date	56,370	-
Total	$ 190,897	$ 66,556

$56,370 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30,	
2022	$11,609
2023	18,529
2024	21,755
2025	18,934
2026	(1,471)
Thereafter	(1,385)

Actuarial assumptions:

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Actuarial assumptions(Continued):

Inflation 2.5 percent

Salary increases, including inflation –	
General state employees	3.50 percent – 5.35 percent
Teachers	3.50 percent – 5.95 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
JRS employees	4.50 percent
Locality – General employees	3.50 percent – 5.35 percent
Locality – Hazardous Duty employees	3.50 percent – 4.75 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation*

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

Mortality rates – non-largest ten locality employers – general employees

Pre-retirement:

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

Post-retirement:

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

Post-disablement:

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

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Lowered disability rates
Salary scale	No change
Line of duty disability	Decreased rate from 60% to 45%
Discount rate	Decrease rate from 7.00% to 6.75%

Net GLI OPEB liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	$ 3,523,937
Plan fiduciary net position	1,855,102
Employers' net GLI OPEB liability (asset)	$ 1,668,835
Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.64%

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

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Long-term expected rate of return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	34.00%	4.65%	1.58%
Fixed income	15.00%	0.46%	0.07%
Credit strategies	14.00%	5.38%	0.75%
Real assets	14.00%	5.01%	0.70%
Private equity	14.00%	8.34%	1.17%
MAPS - Multi-asset public st	6.00%	3.04%	0.18%
PIP - Private investment partr	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.14%

* The above allocation provides a one year return of 7.14%. However, one year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflations of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations, provide a median return of 6.81%

Discount rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Sensitivity of the employer's proportionate share of the net GLI OPEB liability to changes in the discount rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 1,072,336	$ 815,727	$ 607,337

Group life insurance program fiduciary net position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2019 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13. Local Support

Local support for the Agency for the fiscal years ended June 30, 2021 and 2020 was as follows:

	2021	2020
Pittsylvania County	$ 448,016	$ 386,221
City of Danville	497,553	428,925
Other local-in-kind support	135,644	135,127
	$ 1,081,213	$ 950,273

Note 14. Deferred Revenue

Federal and State grant funds received but not expended at fiscal year-end are carried as deferred revenue until such time as they are expended or returned to the grantor agency. Federal funds unexpended at the end of the grant term, generally September 30, would be refunded to the grantor unless an approved reallocation is granted.

At June 30, 2021 and 2020, deferred revenue consists of the following:

	2021	2020
State	$ 4,311,155	$ 3,074,903
Federal	320,103	171,870
Other	34,367	33,392
	$ 4,665,625	$ 3,280,165

Note 15. Long Term Debt

Bellevue, Inc. has financed additions and improvements to its rental property through mortgage note obligations. The notes are secured by the property and an assignment of rents.

Hairston Street complex

Bellevue, Inc. secured a commitment for a construction loan in the amount of $3,300,000 for a major addition to the Hairston Street campus which also includes renovation of existing facilities on the property. During the construction phase, monthly interest only payments will be required at 3.49% of the outstanding balance. At December 31, 2018, the entire balance of $3,300,000 had been drawn down on this loan. The loan was converted to a permanent loan on May 17, 2019 payable at $23,660 per month over ten years, with the unpaid balance at that time subject to balloon payment or refinancing at rates applicable at that time.

Bellevue, Inc. secured an additional construction loan in the amount of $500,000 for upfitting the Hairston Street campus. During the construction phase, monthly interest only payments will be required at 4.15% of the outstanding balance. At December 31, 2018, $183,974 had been drawn down on this loan. Subsequent to year end, an additional $316,026 was drawn down on the loan. The loan was converted to a permanent loan on April 4, 2019 payable at $5,115 per month over ten years.

Bellevue and its tenant, the Agency, must maintain their primary business checking accounts with the lending institution. Failure to do so will result in an increase in the interest rate of 3% on the unpaid balance In addition to the above, Bellevue has covenanted to maintain debt service coverage ratio of not less than 1.15 to 1.00.

The loan is secured by a first lien on all property located at 245 Hairston Street and assignment of rents on that property.

Note 15. Long Term Debt (Continued)

Notes payable at June 30, 2021 and December 31, 2020 were as follows:

	June 30, 2021	December 31, 2020
Financing for Campus Expansion:		
Construction note payable, due in monthly installments of $22,828, including principal and interest at 2.95% through January 2, 2034.	$2,830,791	$ 2,967,412
Less current portion	(176,717)	(188,689)
Total long-term notes payable	$2,654,074	$ 2,778,723

Future maturities of long-term debt are as follows:

2022	$ 176,717
2023	198,304
2024	204,234
2025	210,341
2026	216,631
Thereafter	1,824,564
	$ 2,830,791

Note 16. Commitments

Lease commitments

The Agency has three operating leases with multiple year terms with its component unit Bellevue, Inc. These leases are disregarded for purposes of this blended report since the underlying assets and liabilities are included as part of the entity. These facilities include the main office complex on Hairston Street and residential facilities at Keen & Middle Streets, the Dewey Place Complex, and the Rison Street Complex. The leases are triple net lease, and the Agency has always been responsible for taxes, maintenance and upkeep, as well as the necessary insurance.

Facilities with one year or less remaining on the lease for office space and other facilities needed to carry out its various programs including the property located at the Agency's Gretna office ($1,700 per month).

Note 17. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the organization expects such amounts, if any, to be immaterial.

At June 30, 2021 and 2020, there were no matters of litigation involving Danville-Pittsylvania Community Services which would materially affect the organization's financial position should any court decision or pending matter be determined unfavorable to the organization.

Note 18. Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency participates in Virginia Association of Counties Group Self Insurance Risk Pool, a public entity risk pool, for public official's errors and omissions, professional liability, medical malpractice, and automobile coverage. The insured limit on this coverage is $1,000,000 per occurrence with no aggregate limitation.

Virginia Association of Counties Group Self Insurance Risk Pool is self-insured for this coverage and the Agency could be assessed for additional premiums in the event the pool incurs losses greater than the Pool's assets. Commercial insurance is carried for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and claims have not exceeded coverage in any of the past three fiscal years. The Agency carries $325,000 in blanket employee dishonesty coverage through the Virginia Commonwealth Corporation.

Note 19. Related Party Transactions

As previously stated, Bellevue, Inc. owns and operates real estate leased by the Agency. The Agency is the sole tenant of the properties owned by Bellevue, Inc. (see Note 15 – Long Term Debt and 16 - Commitments) and handles all of Bellevue, Inc.'s administrative responsibilities. As a blended component unit, the intercompany rent is not reported, but Agency payments to Bellevue, Inc. for leases for the years ended June 30, 2021 and 2020 totaled $378,936 and $314,460, respectively.

Note 20. Subsequent Events

Subsequent to year end, the Agency was notified by the Department of Behavioral Health and Developmental Services (DBHDS) it would need to return $737,059 in state restricted deferred revenue to New River Valley Community Services (NRVCS) for the balance of regional Mobile Crisis funds not spent by the sub-hub region which includes the Agency, Piedmont Community Services and Southside Behavioral Health. DBHDS did not approve of the overall Region IIIb sub-hub plan for Mobile Crisis and instead required the regional program and funds to remain with NRVCS located in Blacksburg. These funds were returned to NRVCS in September 2021.

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through November 4, 2021, which is the date the financial statements were available to be issued.

Note 21. Prepaid Expenses

The Agency paid cash of $742,760 in December, 2017 to Bellevue, Inc. In January 2018 the Agency paid cash of $1,672,299 and transferred land having a value of $993,323 to Bellevue, Inc. The Agency paid cash of $507,389 in May, 2020. The purpose of these transactions is for Bellevue, Inc. to expand the Hairston Street campus. The total of $3,915,771 is recognized by the Agency as prepaid rent, of which $195,789 was recognized for the year end June 30, 2021. The prepaid expense and rent is eliminated when consolidated.

REQUIRED SUPPLEMENTAL INFORMATION

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Years Ended June 30,

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service costs	$ 868,680	$ 850,513	$ 834,792	$ 913,918	$ 861,062	$ 874,669	$ 868,379
Interest	1,965,856	1,886,365	1,784,548	1,688,457	1,567,108	1,489,528	1,375,861
Change of assumptions	-	982,789	-	(321,892)	-	-	-
expected and actual experience	(306,477)	(414,116)	(193,107)	(115,075)	36,740	(598,773)	-
including refunds of employee contributions	(1,126,668)	(1,132,988)	(810,417)	(774,934)	(687,778)	(626,486)	(614,383)
change in total pension	1,401,391	2,172,563	1,615,816	1,390,474	1,777,132	1,138,938	1,629,857
Total pension liability - beginning	29,687,132	27,514,569	25,898,753	24,508,279	22,731,147	21,592,209	19,962,352
Total pension liability - ending	$ 31,088,523	$ 29,687,132	$ 27,514,569	$ 25,898,753	$ 24,508,279	$ 22,731,147	$ 21,592,209
Plan fiduciary net position							
Contributions - employer	$ 222,322	$ 239,214	$ 320,052	$ 320,430	$ 469,186	464,029	$ 612,592
Contributions - employee	465,313	478,470	469,452	490,069	437,985	441,498	429,067
Net investment income	608,325	2,030,906	2,103,370		441,999	1,077,483	3,154,096
including refunds of employee contributions	(1,126,668)	(1,132,988)	(810,417)	(774,934)	(687,778)	(626,486)	(614,383)
Administrative expenses	(20,768)	(20,031)	(17,800)	(17,485)	(15,004)	(14,287)	(16,475)
Other expenses	(725)	(1,278)	(1,888)	(2,771)	(185)	(227)	166
plan fiduciary net position	147,799	1,594,293	2,062,769	15,309	646,203	1,342,010	3,565,063
Plan fiduciary net position - beginning	32,013,929	30,419,636	28,356,867	25,246,160	24,599,957	23,257,947	19,692,884
Plan fiduciary net position - ending	$ 32,161,728	$ 32,013,929	$ 30,419,636	$ 25,261,469	$ 25,246,160	$ 24,599,957	$ 23,257,947
Plan fiduciary net position as a percentage of total pension	108.34%	116.35%	117.46%	103.07%	111.06%	113.93%	116.51%
Covered payroll	$ 10,033,805	$ 10,206,899	$ 9,909,184	$ 9,560,018	$ 9,350,336	$ 8,720,572	$ 8,607,960
Net pension liability as a percentage of covered payroll	33.80%	37.10%	38.26%	39.01%	41.13%	40.39%	43.12%

See notes to schedule of change in net pension liability and related ratios.

NOTES TO SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Years Ended June 30, 2012 through 2021

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

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

Update mortality table
- Decrease in rates of service retirement at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Decrease in rates of disability retirement
- No change in salary scale
- Discount rate decreased from 7.00% to 6.75%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employees Payroll	Contribution as a % of Covered Employees Payroll
2021	$ 302,031	$ 302,031	$ -	$ 10,414,861	2.90%
2020	$ 275,930	$ 275,930	$ -	$ 10,033,805	2.75%
2019	$ 282,122	$ 282,122	$ -	$ 10,206,899	2.76%
2018	$ 320,052	$ 320,052	$ -	$ 9,909,184	3.23%
2017	$ 320,430	$ 320,430	$ -	$ 9,560,018	3.35%
2016	$ 469,186	$ 469,186	$ -	$ 9,350,336	5.02%
2015	$ 464,029	$ 464,029	$ -	$ 8,720,572	5.32%
2014	$ 470,596	$ 470,596	$ -	$ 8,607,960	5.47%
2013	$ 612,755	$ 612,755	$ -	$ 8,428,997	7.27%
2012	$ 593,469	$ 593,469	$ -	$ 8,233,253	7.21%

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY AND RELATED RATIOS
GROUP LIFE INSURANCE PROGRAM
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017*

	2020	2019	2018	2017
Employer's proportion of the net GLI OPEB liability (asset)	0.04888%	0.05217%	0.05219%	0.05188%
Employer's proportionate share of the net GLI OPEB liability (asset)	$ 815,727	$ 850,220	$ 794,401	$ 781,000
Employer's covered payroll	$ 10,432,425	$ 10,226,177	$ 9,922,972	$ 9,569,703
Employer's proportionate share of the net GLI OPEB liability (asset) as a percentage of its covered payroll	7.81915%	8.31415%	8.00568%	8.16117%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.64%	49.55%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, only one year of data is available. However, additional years will be included as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM
For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	$ 56,336	$ 56,336	$ -	$ 10,432,525	0.52%
2020	$ 52,313	$ 52,313	$ -	$ 10,060,137	0.52%
2019	$ 53,176	$ 53,176	$ -	$ 10,226,177	0.52%
2018	$ 51,599	$ 51,599	$ -	$ 9,922,972	0.52%
2017	$ 49,762	$ 49,762	$ -	$ 9,569,703	0.52%
2016	$ 47,378	$ 42,908	$ 4,470	$ 8,939,240	0.48%
2015	$ 46,503	$ 42,116	$ 4,387	$ 8,774,167	0.48%
2014	$ 45,711	$ 41,399	$ 4,312	$ 8,624,773	0.48%
2013	$ 44,289	$ 40,111	$ 4,178	$ 8,356,380	0.48%
2012	$ 35,347	$ 22,493	$ 12,854	$ 8,033,319	0.28%

See notes to required supplementary information – group life insurance program.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
GROUP LIFE INSURANCE PROGRAM
For the Year Ended June 30, 2021

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

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

Non-largest ten locality employers – general employees

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

OTHER SUPPLEMENTARY INFORMATION

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES
SCHEDULE OF CURRENT PROPERTY AND CASUALTY INSURANCE
YEAR ENDED JUNE 30, 2021

Insurance Coverage	Insurance Company Agent Policy Number	Policy Period
Danville Pittsylvania Community Services		
Automobile Liability Physical Damage	Company - Va RISK 2 - VA Local Gov. Risk Mgmt Plan Agent - N/A Policy Number - # G99271	7/1/2020 to 6/30/2021
Public Officials / Directors & Officers Liability	Company - Va RISK 2 - VA Local Gov. Risk Mgmt Plan Agent - N/A Policy Number - # G99271	7/1/2020 to 6/30/2021
Medical Malpractice	Company - Va RISK 2 - VA Local Gov. Risk Mgmt Plan Agent - N/A Policy Number - # G99271	7/1/2020 to 6/30/2021
Crime	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - #PHPK2174349	9/1/2020 to 9/1/2021
Inland Marine	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - #PHPK2174349	9/1/2020 to 9/1/2021
Property (includes coverage for property of Bellevue, Inc.)	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - #PHPK2174349	9/1/2020 to 9/1/2021
Workers Compensation	Company - Vaco Risk Management Programs Agent - N/A Policy Number - # VA-DA-200C-20	7/1/2020 to 7/1/2021
Piney Ridge Apartments Corporation		
Directors & Officers Liability	Company - Kinsale Insurance Company Agent - Virginia Commonwealth Corporation Policy Number - # 0100099152-0	10/17/2020 to 10/17/2021
Crime	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK2071836	11/7/2020 to 11/7/2021
Property	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK2071836	11/7/2020 to 11/7/2021
General Liability	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK2071836	11/7/2020 to 11/7/2021

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES
SCHEDULE OF CURRENT PROPERTY AND CASUALTY INSURANCE
YEAR ENDED JUNE 30, 2021

Limits of Liability		Deductible	Annual Premium
Bodily Injury / Property Damage	1,000,000	$1,000	$ 26,906
Uninsured Motorist	1,000,000	$1,000	
Medical Payments	1,000,000	$1,000	
ACV-Comprehensive and ACV-Collision	1,000,000	$1,000	
Occurrence	1,000,000	$1,000	3,131
Aggregate	Unlimited		
Occurrence	2,150,000	$1,000	19,237
Aggregate	Unlimited		
Employee Dishonesty	325,000	$1,000	3,268
Funds Transfer Fraud Converge	150,000	$500	
Earthquake	10,000,000	$25,000	730
Real Property (100% Coinsurance)	11,406,096	$2,500	30,286
Personal Property (100% Coinsurance)	2,198,037	$2,500	
Business Income & Extra Expense	Actual Loss	$2,500	
Each Accident	1,000,000	-	155,431
Policy Limit - Disease	1,000,000		
Each Employee - Disease	1,000,000		
		Total	$ 238,989

Occurrence	1,000,000	$15,000	$ 6,386
Aggregate	1,000,000	$15,000	
Employee Dishonesty	50,000	$1,000	158
Building Property (80% Coinsurance)	300,000	$500	1,083
General Aggregate Limit	2,000,000	-	165
Products/Completed Operations Aggregate Limit	2,000,000		
Personal and Advertising Injury Limit	1,000,000		
Each Occurrence Limit	1,000,000		
Damage to Premises Rented (Any One Premises)	100,000		
Medical Expense Limit (Any One Person)	5,000		
		Total	$ 7,792

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES
SCHEDULE OF CURRENT PROPERTY AND CASUALTY INSURANCE
YEAR ENDED JUNE 30, 2021

Insurance Coverage	Insurance Company Agent Policy Number	Policy Period
Piney Ridge Apartments Corporation II		
Directors & Officers Liability	Company - Kinsale Insurance Company Agent - Virginia Commonwealth Corporation Policy Number - # 0100099152-0	10/17/2020 to 10/17/2021
Crime	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK1981582	6/28/2020 to 6/28/2021
Property	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK1981582	6/28/2020 to 6/28/2021
General Liability	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK1981582	6/28/2020 to 6/28/2021
Ashlawn View, Inc.		
Directors & Officers Liability	Company - Kinsale Insurance Company Agent - Virginia Commonwealth Corporation Policy Number - # 0100099152-0	10/17/2020 to 10/17/2021
General Liability	Company - Philadelphia Indemnity Insurance Co. Agent - Virginia Commonwealth Corporation Policy Number - # PHPK2044520	11/8/2020 to 11/8/2021

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES
SCHEDULE OF CURRENT PROPERTY AND CASUALTY INSURANCE
YEAR ENDED JUNE 30, 2021

Limits of Liability		Deductible	Annual Premium
Occurrence	1,000,000	$15,000	$ 2,033
Aggregate	1,000,000	$15,000	
Employee Dishonesty	50,000	$500	277
Building Property (80% Coinsurance)	606,960	$500	2,461
General Aggregate Limit	2,000,000	-	368
Products/Completed Operations Aggregate Limit	2,000,000		
Personal and Advertising Injury Limit	1,000,000		
Each Occurrence Limit	1,000,000		
Damage to Premises Rented (Any One Premises)	100,000		
Medical Expense Limit (Any One Person)	5,000		
		Total	$ 5,139

Occurrence	1,000,000	$15,000	$ 2,033
Aggregate	1,000,000	$15,000	
Blanket Fidelity Bond	50,000	-	169
General Aggregate Limit	2,000,000	-	1,387
Products/Completed Operations Aggregate Limit	2,000,000		
Personal and Advertising Injury Limit	1,000,000		
Each Occurrence Limit	1,000,000		
Damage to Premises Rented (Any One Premises)	100,000		
Medical Expense Limit (Any One Person)	5,000		
		Total	$ 3,589

COMPLIANCE

HHN&Co.

Harris, Harvey, Neal & Co., LLP
Certified Public Accountants

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

To the Board of Directors
Danville-Pittsylvania Community Services
Danville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and aggregate discretely presented component units of the Danville-Pittsylvania Community Services, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which comprise Danville-Pittsylvania Community Services' basic financial statements, and have issued our report thereon dated November 4, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 4, 2021

HHN&Co.

Harris, Harvey, Neal & Co., LLP
Certified Public Accountants

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

To the Board of Directors
Danville-Pittsylvania Community Services
Danville, Virginia

Report on Compliance for Each Major Federal Program

We have audited Danville-Pittsylvania Community Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Danville-Pittsylvania Community Services' major federal programs for the year ended June 30, 2021. Danville-Pittsylvania Community Services' 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Danville-Pittsylvania Community Services' 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 Danville-Pittsylvania Community Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Danville-Pittsylvania Community Services' compliance.

Opinion on Each Major Federal Program

In our opinion, Danville-Pittsylvania Community Services, 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, 2021.

Report on Internal Control Over Compliance

Management of Danville-Pittsylvania Community Services 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 Danville-Pittsylvania Community Services' 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 Danville-Pittsylvania Community Services' internal control over compliance.

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

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

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

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 4, 2021

INDEPENDENT AUDITORS' COMMENTS ON RESOLUTION OF
PRIOR YEAR AUDIT FINDINGS

To The Board of Directors
Danville-Pittsylvania Community Services

No corrective action was required of Danville-Pittsylvania Community Services regarding previously reported audit findings since there were no audit findings reported in the prior period.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 4, 2021

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Program Title		Federal Catalogue Number	Expenditures of Federal Awards
U.S. Department of Health and Human Services			
Direct Payments			
Provider Relief Fund		93.498	$ 319,300
Passed through Virginia Department of Behavioral Health and Developmental Services			
* Block Grants for Prevention and Treatment of Substance Abuse		93.959	683,330
Block Grant for Community Health Services		93.958	110,927
Substance Abuse and Mental Health Services Projects of Regional and National Significance	(1)	93.243	33,333
Emergency Grants to Address Mental and Substance Use Disorders during COVID-19		93.665	126,231
State Targeted Response to the Opioid Crisis Grant		93.788	317,862
Passed through Virginia Department of Health			
Maternal, Infant, and Early Childhood Home Visiting Project		93.505	104,586
Total U.S. Department of Health and Human Services			1,695,569
U.S. Department of Education			
Passed through Virginia Department of Behavioral Health and Developmental Services			
Part C Early Intervention for Infants & Toddlers With Disabilities & Their Families		84.181	85,367
U.S. Department of Justice			
Passed through Virginia Department of Health			
Office of Juvenile Justice and Delinquency Prevention			
Juvenile Justice and Delinquency Prevention		16.540	52,051
Bureau of Justice Assistance			
STOP School Violence		16.839	20,511
Total U.S. Department of Justice			72,562
U.S. Department of Agriculture			
Child and Adult Care Food Program		10.558	7,223
U.S. Department of Transportation			
Enhanced Mobility for Seniors and Individuals with Disabilities		20.513	38,366
U.S. Department of Treasury			
Coronavirus Relief Fund		21.019	25,000
Total Expenditures			$ 1,924,087

* Indicates Major Program

(1) The 10% de minimis indirect cost rate is used for this grant.

See Notes to the Schedule of Expenditures of Federal Awards.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Danville Pittsylvania Community Services under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Danville Pittsylvania Community Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Danville Pittsylvania Community Services.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rates

Danville Pittsylvania Community Services has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance on noted grants.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Section 1 - Summary of Audit Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	No

Identification of major programs:

CFDA#	Name of Federal Program of Cluster
93.959	Block Grants for Prevention and Treament of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None