RICHMOND BEHAVIORAL HEALTH AUTHORITY

A COMPONENT UNIT OF THE CITY OF RICHMOND, VIRGINIA

FINANCIAL STATEMENTS

June 30, 2017

BROWN EDWARDS
certified public accountants

CONTENTS

Page

INTRODUCTORY SECTION

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

COMPLIANCE SECTION

INTRODUCTORY SECTION

RICHMOND BEHAVIORAL HEALTH AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2017

Board of Directors

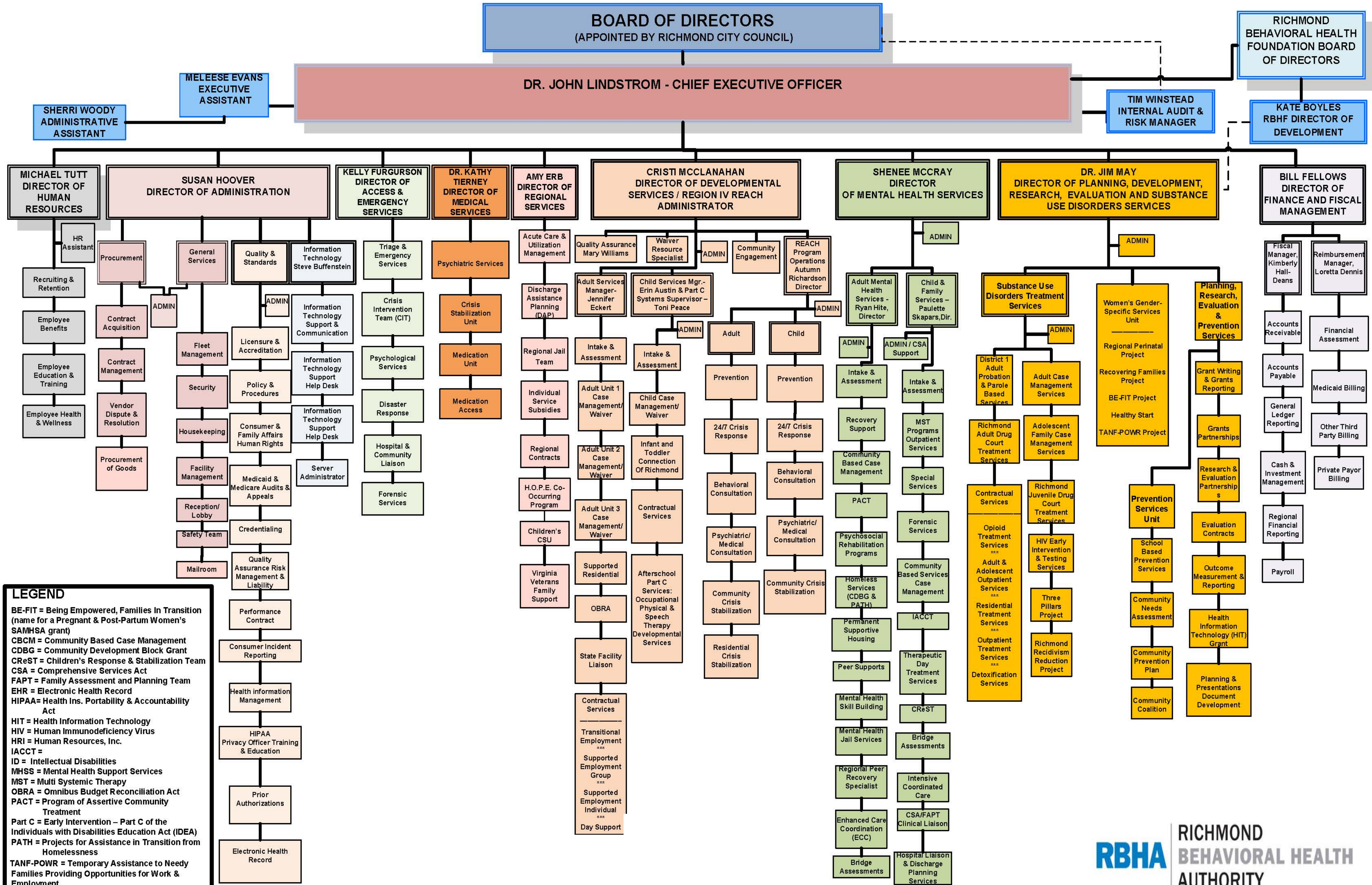
Cynthia Newbille, Ph.D., Chair

Marcellus Plummer, Jr., Vice Chair

Joy Bressler	Denise Dickerson
Sabrina Gross	Paula Owens Parker
Steven Danish, Ph.D.	Eduardo Vidal
Morris Henderson	William Sharkey, II
Noëlle Shaw-Bell	Michelle Whithurst-Cook, M.D.
Claire Cottrell	Cheryl Ivey Green, Ph.D.

Principal Management Team

John P. Lindstrom, Ph.D.	Chief Executive Officer
Shenee McCray	Director of Mental Health Services
Kelly Furgurson	Director of Assessment and Emergency Services
James C. May, Ph.D.	Director of Planning, Development, Research, Evaluation and Substance Use Disorders Services
Michael Tutt	Director of Human Resources
Bill Fellows	Director of Finance and Fiscal Management
Cristen McClanahan, LCSW	Director of Developmental Services
Susan Hoover, LCSW	Director of Administration
Steve Buffenstein	Director of Information Technology
Timothy Winstead	Internal Audit and Risk Management Officer
Amy Erb	Director of Regional Programs
Kathy Tierney	Director of Medical Services



LEGEND

BE-FIT = Being Empowered, Families In Transition (name for a Pregnant & Post-Partum Women's SAMHSA grant)
CBCM = Community Based Case Management
CDBG = Community Development Block Grant
CReST = Children's Response & Stabilization Team
CSA = Comprehensive Services Act
FAPT = Family Assessment and Planning Team
EHR = Electronic Health Record
HIPAA= Health Ins. Portability & Accountability Act
HIT = Health Information Technology
HIV = Human Immunodeficiency Virus
HRI = Human Resources, Inc.
IACCT =
ID = Intellectual Disabilities
MHSS = Mental Health Support Services
MST = Multi Systemic Therapy
OBRA = Omnibus Budget Reconciliation Act
PACT = Program of Assertive Community Treatment
Part C = Early Intervention – Part C of the Individuals with Disabilities Education Act (IDEA)
PATH = Projects for Assistance in Transition from Homelessness
TANF-POWR = Temporary Assistance to Needy Families Providing Opportunities for Work & Employment
REACH = Regional Education Assessment Crisis Services Habilitation

RBHA RICHMOND BEHAVIORAL HEALTH AUTHORITY

Revised 8-11-2017

FINANCIAL SECTION

The Financial Section contains the Basic Financial Statements.

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Richmond Behavioral Health Authority
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Richmond Behavioral Health Authority (the "Authority"), a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financials statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

2102 Langhorne Rd., Suite 200 • Lynchburg, VA 24501 • 434-948-9000 • Fax: 434-948-9029 • www.BEcpas.com

Report on the Financial Statements (Continued)

Basis for Qualified Opinion

The Authority has recorded a net pension liability and certain related deferred outflows and inflows based on its proportionate share of a cost-sharing pool pension plan. We were not able to obtain adequate evidence on these balances or the allocation to the Authority.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Richmond Behavioral Health Authority as of June 30, 2017, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Authority's 2016 financial statements, on which, in our report dated November 30, 2016, we expressed a qualified opinion. The 2016 financial information is provided for comparative purposes only.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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

The introductory section 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 17, 2017

BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis
Year Ended June 30, 2017

The following Management's Discussion and Analysis provides an overview of the Richmond Behavioral Health Authority's (RBHA) financial activities for the fiscal year ended June 30, 2017. This information should be read in conjunction with the RBHA's financial statements and footnote disclosures.

General Comments on Fiscal Year (FY) 2017

RBHA's net position increased by $363,409 or 4.34% in FY 2017. RBHA's current position remains strong as demonstrated by a current ratio of 1.41 to 1 reflecting sufficient current assets were available to cover RBHA's current liabilities. The decrease in cash and cash equivalents of $2,703,501 million or 10.73% directly relates to the renovations of the RBHA North Campus. RBHA did not incur any long-term debt in FY 2017 to subsidize its cash flow. The strong current ratio and lack of long-term debt are indicative of RBHA's continued sound financial position.

Integrated Health Care Program

The RBHA has completed the final year of a four year $1.6 million dollar SAMHSA grant to develop and operate an integrated primary and behavioral health program. The Richmond Integrated Health (RICH) Recovery Initiative has expanded and enhanced RBHA's on-site primary medical care clinic. The RICH Clinic has positioned the RBHA clearly ahead of similarly situated organizations, in Virginia and nationally, and has caught the attention of major managed care organizations who are interested in doing special pilot projects with the RBHA as a result of RBHA's having an integrated primary care clinic imbedded within its main office location.

Residential Substance Use Disorder Treatment

In November 2015 RBHA purchased the real and business property of Rubicon, Inc., for $3,100,000 with the plan to operate the residential inpatient and outpatient treatment of Substance Use Disorders (SUD). RBHA leased the use of the facilities to Rubicon to continue operations until December 2016 when RBHA established operations of residential inpatient SUD treatment at the North Campus and Rubicon ceased all operations. RBHA attained state licensure for all of its newly designed programs in early December 2016 and continues to renovate the property and buildings in an effort to modernize and improve facilities to meet the needs of consumers under RBHA programs. Repairs to systems of information technology and communications, security, lighting and a full overhaul of the kitchen equipment drastically improved the quality of living of current residents, staff's ability to provide health care services in a competitive environment, and deliver programs and services aimed at improvement of the quality of care and service occurred during 2017. Completion of renovations is expected in mid-to-late summer 2018, if there are no further, heretofore unanticipated repairs or renovations required to maintain the health, safety or programmatic integrity.

Regional Programs

Role as Fiscal Agent

During FY 2017, RBHA continued to serve as the Fiscal Agent for Region IV community services boards of the Virginia Department Behavioral Health and Developmental Services (DBHDS). Region IV community services boards, in addition to RBHA, includes Chesterfield, Goochland-Powhatan, Crossroads, Henrico, Hanover, and District 19 (catchment area includes the Central State Hospital). Broadly stated, these regional programs are intended to keep people out of an institutional setting and in a community-based setting. Region IV expended over $11.4 million in FY 2017 to support such programs. As of June 30, 2017 RBHA held approximately $9.4 million of Regional funds.

(Continued)

Regional Education Assessment Crisis Habilitation (REACH)

The Regional Education Assessment Crisis Habilitation (REACH) program is designed to serve adults with an intellectual disability and/or developmental disability, as well as a mental health condition or challenging behavior that is negatively affecting their quality of life. This program is a critical component of the state's plan for complying with the recently agreed upon settlement with the Department of Justice involving the closing of the state's training centers for people with intellectual disabilities. In March 2014, the Southside Virginia Training Center, located in Region IV, closed. During FY15, RBHA purchased land in Chesterfield County for the sole purpose of constructing a house designed to meet the needs of the REACH program. Ground was broken on the house located in Chester, Virginia, in October 2015 with a planned opening in September 2017. RBHA received $3.2 million from DBHDS in FY 2017 to operate the program. The REACH House began operations in October 2017.

Financial Statement Overview

RBHA's three basic financial statements are: (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Fund Net Position; and (3) Statement of Cash Flows.

Our financial position is measured in terms of resources (assets) we own and deferred outflows of resources and obligations (liabilities) we owe and deferred inflows of resources on a given date. This information is reported on the Statement of Net Position, which reflects RBHA's assets in relation to its debts to its suppliers, employees and other creditors. The excess of our assets and deferred outflows of resources over liabilities and deferred inflows of resources is our equity, or net position.

A summary of the Statement of Net Position for RBHA for 2017 and 2016 is presented below:

	2017	2016
Current Assets	$ 33,374,061	$ 35,560,197
Capital Assets	9,243,975	6,712,222
Total Assets	42,618,036	42,272,419
Deferred Outflows of Resources	2,471,107	1,775,255
Current Liabilities	23,763,286	25,039,528
Long-term Liabilities	11,682,107	9,482,845
Total Liabilities	35,445,393	34,522,373
Deferred Inflows of Resources	902,530	1,147,490
Net Position:		
Net Investment in Capital Assets	9,243,975	6,712,222
Unrestricted	(502,755)	1,665,589
Total Net Position	$ 8,741,220	$ 8,377,811

Assets:

Total assets increased 0.82% to $42,618,036 in FY 2017.

Current assets totaling $33,374,061 consist of cash, investments, accounts receivable and prepaid items represent resources RBHA can utilize to pay current obligations. RBHA's cash balance was $22.5 million, a decrease of 10.73% from prior year. This is primarily due to the funding of renovations at the North Campus and the reallocation of certain Regional funds by the DBHDS. The accounts receivable balance was $1.8 million, a decrease of 40.8%. The balance for prepaid items and other receivables was $1.2 million, an increase of 33.51% and is mainly due to pre-payments on certain expenses and construction.

The capital assets continued to expand during FY17 with the renovation of the North Campus. RBHA's capital assets currently consist of land, buildings, leasehold improvements, computer equipment, furniture, and vehicles. Capital assets (net of depreciation) increased by 37.72% to $9,243,975. (Refer to Note 5 for additional information on capital assets.)

Liabilities:

Total liabilities increased by 2.67% to $35,445,393. This is primarily due to an increase in the net pension liability.

Current liabilities are obligations of RBHA consisting of accounts payable, accrued payroll and related liabilities, and funds held for other community service boards in the region. Current liabilities decreased 5.1% to $23,763,286 due to decreased regional funds. RBHA holds these funds in trust for regional programs. The regional funds held as of June 30, 2017 and 2016 totaled $9.4 million and $12.7 million, respectively.

Long-term liabilities are obligations of RBHA consisting of employees' accrued leave, and post-retirement benefits. RBHA's long-term liabilities increased by 23.19% to $11,682,107. (Refer to Notes 8 and 9 for details.)

Information regarding the results of our operation during the year is reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement shows how much overall net position increased or decreased during the year as a result of operations. A summary of RBHA's Statement of Revenues, Expenses and Changes in Fund Net Position for FY2017 and 2016 is presented below:

	2017	2016
Operating revenue	$ 17,126,428	$ 16,805,142
Operating expenses	47,850,103	38,974,253
Operating income	(30,723,675)	(22,169,111)
Net non-operating income	31,087,084	25,876,951
Changes in net position	$ 363,409	$ 3,707,840

Operating Revenue:

Operating revenue is defined as the amount of revenue received from providing patient (consumer) services. The net Medicaid fees were $14,165,048 or 82.71% of consumer service revenue. Operating revenue increased by $321,286 or 1.91%. The FY 2017 revenue decrease has been attributed, among other reasons, to the provision of Medicaid reimbursed services by the REACH program and delays related to the Addiction and Recovery Treatment Services (ARTS) program. On April 1, 2017, the Department of Medical Assistance (DMAS) expanded access to a comprehensive continuum of addiction treatment services under the ARTS program. A change in documentation, process, and procedure accompanied the change in the DMAS program and delays in billing and receivables has resulted as of June 30, 2017.

Operating Expenses:

Operating expenses represent the direct expenses of operating RBHA. They consist of salaries and benefits, occupancy, payments to contracting agencies, depreciation, etc. Refer to the full Statement of Revenues, Expenses, and Changes in Net Position for a complete breakdown of these expenses. During FY 2017, operating expenses increased by 22.77% as programs adjusted staffing and services to address the expansion to residential treatment and other current consumer needs.

Non-operating Income:

Non-operating income represents income received as appropriations or grants. In FY 2017, appropriations from the Commonwealth of Virginia represented 66.96% of the non-operating income. Grants from the federal government constituted 20.64% and local government appropriations and program funding were 11.51% of the total non-operating income. RBHA also realized a $84,660, or 1.53% loss on its investments in governmental bonds, this is entirely due to market conditions during the first half of FY 2017.

Our Statement of Cash Flows discloses the flow of cash resources into and out of RBHA during the year (from operations, contributions and other sources) and how we applied those funds (for example, payment of expenses, repayment of debt, purchases of new property, etc.). Condensed Statements of Cash Flows for FY 2017 and 2016 are presented below:

	2017	2016
Cash flows used in operating activities	$ (31,876,185)	$ (18,745,641)
Cash flows provided by non-capital financing activities	31,856,076	27,956,059
Cash flows used in capital activities	(2,687,509)	(3,677,311)
Cash flows provided by investing activities	4,123	5,483
Net increase (decrease) in cash and cash equivalents	$ (2,703,501)	$ 5,538,590

Cash flows from operating activities:

Cash Flows from operating activities consists of receipts from customers, payments to suppliers and payments to and from employees. Overall, the net cash flows used in operating activities, increased by $13,130,544.

Receipts from customers increased by 13.91% to $18,375,783. Payments to suppliers increased by 20.19% to $15,647,751. Payments to and for employees increased by 25.32% to 31,338,967.

Cash flows from non-capital financing activities:

Cash Flows provided by non-capital financing activities are primarily government appropriations and grants. In FY 2017, this activity increased by 13.95%.

Cash flows from capital activities:

Capital assets acquisition activity was $2,696,056 due to the renovations of North Campus assets and the construction of the REACH House.

Cash flows from investing activities:

RBHA's interest bearing bank account yielded interest income of $4,123. The decrease from FY 2016 is 24.8% and a result of the increased fees related to the additional volume in the number of transactions processed by RBHA off setting interest earned. RBHA has made no additional cash investments in FY 2016 or FY 2017.

The overall net effect of these changes resulted in a cash decrease of $2,703,501 in FY 2017. RBHA ended FY 2017 with a cash balance of $22,487,339. This includes funds of $9,409,969 held for Region IV.

Request for Information

Questions concerning any of the information in this report or requests for additional information should be addressed in writing to Bill Fellows, Director of Finance and Fiscal Management, Richmond Behavioral Health Authority, 107 S. Fifth Street, Richmond, Virginia 23219.

RICHMOND BEHAVIORAL HEALTH AUTHORITY

STATEMENT OF NET POSITION
June 30, 2017

	2017	(For Comparative Purposes Only) 2016
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 13,077,370	$ 12,515,621
Cash and cash equivalents, restricted for regional funds held for others (Note 2)	9,409,969	12,675,219
Investments (Note 2)	5,444,381	5,529,041
Accounts receivable, net (Note 3)	1,814,442	3,063,797
Due from other governments (Note 4)	1,737,599	868,319
Self-insurance refund receivable	677,778	-
Prepaid expenses and other receivables	1,212,522	908,200
Total current assets	33,374,061	35,560,197
Noncurrent assets		
Capital assets, net (Note 5)	9,243,975	6,712,222
Total assets	42,618,036	42,272,419
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows (Note 8)	2,471,107	1,775,255
LIABILITIES		
Current liabilities		
Accounts payable	2,655,238	1,712,489
Accrued payroll and related liabilities	1,320,120	1,896,116
Unearned revenue	8,979,781	7,413,505
Compensated absences	1,398,178	1,342,199
Regional funds held for others	9,409,969	12,675,219
Total current liabilities	23,763,286	25,039,528
Long-term liabilities		
Net pension liability (Note 8)	9,550,833	7,510,772
Other post-employment benefits (Note 9)	2,131,274	1,972,073
Total long-term liabilities	11,682,107	9,482,845
Total liabilities	35,445,393	34,522,373
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows (Note 8)	902,530	1,147,490
COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)	-	-
NET POSITION		
Net investment in capital assets	9,243,975	6,712,222
Unrestricted	(502,755)	1,665,589
Total net position	$ 8,741,220	$ 8,377,811

The Notes to Financial Statements are
an integral part of this statement.

RICHMOND BEHAVIORAL HEALTH AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2017

	2017	(For Comparative Purposes Only) 2016
OPERATING REVENUES		
Net client service revenue (Note 10)	$ 17,126,428	$ 16,805,142
OPERATING EXPENSES		
Salaries and benefits	31,399,622	25,316,742
Staff development	422,691	308,346
Facility	3,676,003	2,701,039
Supplies	1,118,317	646,068
Travel	257,756	258,087
Contractual and professional services	8,006,948	7,680,012
Client services	955,106	574,163
Leases	187,645	127,105
Insurance and licenses	711,340	515,319
Depreciation	817,264	747,694
Other	297,411	99,678
Total operating expenses	47,850,103	38,974,253
Operating loss	(30,723,675)	(22,169,111)
NONOPERATING REVENUES		
Commonwealth of Virginia grants	20,815,284	16,080,387
Federal grants	6,416,764	5,771,372
Contributions from the City of Richmond	3,579,330	3,317,000
Interest income	4,123	5,483
Unrealized gain (loss) on investments	(84,660)	362,346
Other income	347,696	332,597
Gain on sale of capital assets	8,547	7,766
Total nonoperating revenues	31,087,084	25,876,951
Change in net position	363,409	3,707,840
NET POSITION AT JULY 1	8,377,811	4,669,971
NET POSITION AT JUNE 30	$ 8,741,220	$ 8,377,811

The Notes to Financial Statements are
an integral part of this statement.

RICHMOND BEHAVIORAL HEALTH AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

	2017	(For Comparative Purposes Only) 2016
OPERATING ACTIVITIES		
Receipts from clients, private insurers, Medicaid, and others	$ 18,375,783	$ 16,131,913
Payments to suppliers	(15,647,751)	(13,018,794)
Payments to and for employees	(31,338,967)	(25,007,040)
Other receipts (payments)	(3,265,250)	3,148,280
Net cash used in operating activities	(31,876,185)	(18,745,641)
NON-CAPITAL FINANCING ACTIVITIES		
Contributions from local, state, and federal governments	31,508,374	27,623,462
Other receipts	347,696	332,597
Net cash provided by non-capital financing activities	31,856,070	27,956,059
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions from state government	-	1,461,064
Acquisition and development of capital assets	(2,696,056)	(5,146,141)
Proceeds from the sale of capital assets	8,547	7,766
Net cash used in capital and related financing activities	(2,687,509)	(3,677,311)
INVESTING ACTIVITIES		
Interest received	4,123	5,483
Net cash provided by investing activities	4,123	5,483
Net increase (decrease) in cash and cash equivalents	(2,703,501)	5,538,590
CASH AND CASH EQUIVALENTS		
Beginning at July 1	25,190,840	19,652,250
Ending at June 30	$ 22,487,339	$ 25,190,840
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 13,077,370	$ 12,515,621
Cash and cash equivalents, restricted for regional funds held for others	9,409,969	12,675,219
	$ 22,487,339	$ 25,190,840

(Continued)

RICHMOND BEHAVIORAL HEALTH AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

	2017	(For Comparative Purposes Only) 2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (30,723,675)	$ (22,169,111)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	817,264	747,694
Pension expense net of employer contribution	1,099,249	(1,928,956)
(Increase) decrease in:		
Accounts receivable	1,249,355	(673,229)
Self insurance refund receivable	(677,778)	641,270
Prepaid expenses and other receivables	(304,322)	661,946
Increase (decrease) in:		
Accounts payable	289,788	(130,570)
Accrued payroll and related liabilities	(575,996)	732,480
Regional funds held for others	(3,265,250)	3,148,280
Compensated absences	55,979	176,960
Other post-employment benefits	159,201	47,595
Net cash used in operating activities	$ (31,876,185)	$ (18,745,641)
SCHEDULE OF NON-CASH ACTIVITIES		
Required retirement contributions paid through the consumption of prepaid retirement contributions	$ -	$ 640,353
Capital asset additions financed by accounts payable	$ 976,945	$ 323,984

Note 1. Summary of Significant Accounting Policies

Organization and purpose:

The Richmond Behavioral Health Authority (the "Authority") was created on July 1, 1996, to provide behavioral health services to residents of the City of Richmond, Virginia (the "City") under applicable sections of the *Code of Virginia*. The Authority provides a system of community mental health, developmental, and substance abuse services that relate to and are integrated with existing and planned programs. Substantially all of the Authority's funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the City.

Reporting entity:

The Authority's Board of Directors is appointed by the Richmond City Council. The City provides funding to the Authority that satisfies matching requirements for state grant funding, and deems the Authority to be a component unit.

Measurement focus and basis of accounting:

The Authority is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). The Authority's financial statements consist of a single enterprise fund, and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are fees collected from clients and the related collections from the various third-party insurers, including Medicaid. Operating expenses consist of the direct and indirect costs of fulfilling the programs of the Authority. All other revenues and expenses are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first when allowed.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results (including the ultimate collectability of receivables as discussed below) could differ from those estimates.

The allowance for uncollectible accounts is a significant estimate that involves a great deal of judgment and the consideration of many factors. By nature, this estimate is not precise and requires re-evaluation as the balances, conditions, and factors surrounding client accounts receivable fluctuate. Key factors that affect this calculation are delays in collection from third parties, the need to rebill multiple third-party payers, rate adjustments, and settlements with third-party payers, and the financial assistance provided to clients by the Authority based on their ability to pay.

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents:

Cash and cash equivalents include cash on hand, checking and savings accounts, and short-term, highly liquid investments (including repurchase agreements) with original maturities of three months or less from the date of acquisition.

Investments:

Investments are stated at fair value.

Fair value measurements:

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

Accounts receivable:

The Authority internally records and monitors differences between its full established rates and contractual rates. However, at the time of service only estimated realizable amounts are recorded as net client service revenue and as accounts receivable. The estimated realizable amounts include discounts based on contractual agreements with Medicaid and insurers as well as discounts based on the client's ability to pay. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement.

The Authority's current practice is to charge off all self-pay accounts over 120 days past due. Management has established an allowance for doubtful accounts based on historical collection data and the aging of accounts receivable.

Capital assets:

Capital assets include property and equipment with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at date of donation. The costs of normal maintenance and repairs that do not materially add to the value of an asset or its life are expensed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Leasehold improvements	7-20 years
Furniture and equipment	3-10 years
Motor vehicles	5 years
Computers	3-5 years

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated absences:

The Authority's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service subject to certain maximum accumulation amounts. All employees earn the same sick pay rate regardless of the length of service. Sick pay does not vest, is not paid out upon separation, and is not recorded as a liability. Accumulated annual leave up to the maximum limit is paid out upon separation, and is recorded as a liability.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Richmond Retirement System (RRS). 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.

Unearned revenue:

Unearned revenues consist of amounts which have been received, but for which revenue recognition criteria have not been met. Revenues will be recognized when expenses are incurred in accordance with the grantor's requirements. If such expenses are not incurred, the funds may revert back to the grantor.

Deferred outflows/inflows of resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category. The first item is pension contributions subsequent to the measurement date for the net pension liability; this will be applied to the net pension liability in the next fiscal year. The second is other pension related deferrals.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position applicable to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category and those are pension related deferrals. See Note 8 for additional pension details.

Note 1. Summary of Significant Accounting Policies (Continued)

Regional funds held for others:

The Authority serves as the fiscal agent for a Regional Program, which is administered by several community services boards in a district established by the state. The Regional Program oversees a pool of state funds, and directs the allocation of those funds to various community services boards within the region. The Regional Program has allocated certain of these funds, such as Crisis Stabilization, directly to the Authority to provide services on behalf of the region; these are accounted for as revenues and expenses of the Authority. Other funds which are received and expended under the direction of the Regional Program are not included in the accompanying statement of revenues, expenses, and changes in fund net position, and are accounted for as funds held for others. Changes in the regional program funds held for others in fiscal year 2017 consisted of the following:

Balance, July 1, 2016	$ 12,675,219
Increases	9,435,234
Decreases	(12,700,484)
Balance, June 30, 2017	$ 9,409,969

Financial assistance:

The Authority is required to collect the cost of services from third-party sources and those individuals who are able to pay. However, the payment of amounts charged varies based on individual circumstances, and unpaid balances are pursued to the extent of the client's ability to pay. The Authority has established procedures for granting financial assistance in cases of hardship, which results in a substantial reduction and/or elimination of charges to individual clients. Because the Authority does not pursue the collection of such amounts, they are not reported in net revenue.

Comparative information and reclassifications:

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the prior year from which the summarized information was derived.

Note 2. Deposits and Investments

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and 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 and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amount from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Cash and cash equivalents consist of the following:

Petty cash	$ 1,075
Demand deposits	22,486,264
	$ 22,487,339
Statement of net position:	
Cash and cash equivalents	$ 13,077,370
Cash and cash equivalents, restricted for regional funds held for others	9,409,969
	$ 22,487,339

Investments:

Statutes of the state and the City authorize the Authority 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).

The Authority's investment policy requires it to abide by these statutes, and otherwise simply to seek to minimize the risk of loss of capital while maximizing returns. Commercial paper must have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, or Fitch Investor's Service, provided that the issuing corporation has a net worth of $50 million and its long-term debt is rated A or better by Moody's and Standard & Poor's.

Concentration of credit risk:

The intent of the policy is for the Authority to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity. The Authority did not have any investments at June 30, which exceeded 5.00% of the total investment balance.

(Continued)

Note 2. Deposits and Investments (Continued)

Interest rate risk:

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. As of June 30, the Authority's various investments are managed by Morgan Stanley and consist of the following:

	Fair Value	Weighted Average Years to Maturity
Cash	$ 366,913	-
Municipal bonds	5,077,468	1.10
	$ 5,444,381	1.10

The Authority has recurring fair value measurements as of June 30, 2017. Those include municipal bonds classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those bonds.

Note 3. Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	$ 2,124,594
Medicare	187,693
Direct client, third-party, and other	623,467
	2,935,754
Allowance for uncollectible accounts	(1,121,312)
	$ 1,814,442

Note 4. Due From Other Governments

Amounts due from other governments for the reimbursement of expenditures and services provided under various programs and grants consist of the following:

City of Richmond	$ 1,085,778
Commonwealth of Virginia	168,999
Federal government	482,822
	$ 1,737,599

Note 5. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	$ 682,964	$ -	$ -	$ 682,964
Construction in progress	1,683,578	2,572,826	1,409,602	2,846,802
Capital assets, nondepreciable	2,366,542	2,572,826	1,409,602	3,529,766
Capital assets, depreciated:				
Buildings	2,614,572	1,653,656	-	4,268,228
Furniture and equipment	269,576	153,406	-	422,982
Computers	2,304,973	-	-	2,304,973
Vehicles	1,745,581	656,693	26,079	2,376,195
Leasehold improvements	2,945,268	10,724	-	2,955,992
Capital assets, depreciable	9,879,970	2,474,479	26,079	12,328,370
Less accumulated depreciation for:				
Buildings	33,520	106,257	-	139,777
Furniture and equipment	227,424	30,148	-	257,572
Computers	1,800,263	290,521	-	2,090,784
Vehicles	1,405,529	363,103	26,079	1,742,553
Leasehold improvements	2,067,554	315,921	-	2,383,475
Total accumulated depreciation	5,534,290	1,105,950	26,079	6,614,161
Capital assets depreciable, net	4,345,680	1,368,529	-	5,714,209
Capital assets, net	$ 6,712,222	$ 3,941,355	$ 1,409,602	$ 9,243,975

Note 6. Lease Commitments

The Authority leases offices, clinics, and housing for residential programs under various lease agreements ending in fiscal years 2018 through 2030. Lease expense for office and clinic space was $1,695,561 for 2017. Rental expense for residential housing and related programs totaled $2,708,642 for 2017.

At June 30, 2017, the remaining minimum annual operating lease payments are as follows:

Fiscal Year		
2018	$	1,691,839
2019		1,656,449
2020		1,711,206
2021		1,760,635
2022		1,811,509
2023-2027		9,125,709
2028-2030		4,931,787
	$	22,689,134

Note 7. Commitments and Contingencies

Grants:

The Authority operates programs that are typically funded by grants received from federal, state, or local sources. Expenditures financed by grants are subject to audit by the grantor. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor. The Authority believes that the likelihood of disallowance of expenditures and subsequent reimbursement is remote and would not have a material effect on the overall financial position of the Authority.

Legal/litigation:

The Authority may be involved in potential lawsuits arising in the ordinary course of business. It is management's belief that any liability resulting from such lawsuits would not be material in relation to the Authority's financial position.

Note 8. Retirement Plan

Plan Description:

All full-time permanent employees of the Authority employed prior to July 1, 2006 are covered by a Defined Benefit Pension Plan administered by the RRS. The plan is a multiple-employer cost-sharing Defined Benefit Pension Plan. Members are vested after five years of creditable service. The plan is contributory for employees.

The Defined Benefit and Enhanced Defined Benefit Plans pay a monthly benefit at retirement based on the member's years of creditable service (up to a maximum of 35 years) and average final compensation. General employees participating in the Defined Benefit and Enhanced Defined Benefit Plans are required to pay contributions of 1.00% or 4.57% of their creditable compensation, respectively. The Defined Benefit Plan formula has a multiplier of 1.75% for general employees whereas the Enhanced Option has a multiplier of 2.00%. A member is eligible for normal retirement on his normal retirement date (age 65). Upon retirement, a member becomes eligible to receive an annual allowance payable in equal monthly installments. The Plan permits early retirement.

Employees with 30 years of service may retire at any age with unreduced benefits. Employees may retire at age 55 with 5 or more years of service; however, benefits will be reduced by 5/12th of 1.00% for each complete month or 5.00% per year by which retirement precedes the earlier of age 65 or the date on which the employee would have completed 30 years of service.

The benefit level is set by formula, regardless of the retirement fund's investment performance. Participating employers contribute an amount each year that varies according to the contribution rate as determined by the RRS's actuary. The participating employers' contributions are invested by outside investment firms with the primary objective of ensuring the security, stability and continued growth of assets for members' future benefits.

The Code of the City requires that the Plan be maintained on an actuarially sound basis.

The City also offers a Defined Contribution 401(a) Plan as another retirement option. This plan is mandatory for general employees hired on or after July 1, 2006, and optional for senior executives and public safety officers. The RRS is the Trustee for this Plan and has contracted with an independent, not-for-profit financial services organization to administer the Plan. The City and the Authority contribute a percentage of an employee's creditable compensation, based on years of service, to a portable account for investment by the employee. This Plan is non-contributory for employees.

Vested members in the Defined Contribution 401(a) Plan who terminate employment are entitled to the account balance. The account balance of non-vested members who terminate employment is forfeited unless a member is reemployed with a participating employer before a five year lapse and remains in service until vesting. Members of the Defined Contribution 401(a) Plan are eligible for disability retirement benefits under the RRS.

Note 8. Retirement Plan (Continued)

Plan Description: (Continued)

The RRS issues a separate comprehensive annual financial report on the Defined Contribution 401(a) Plan. A copy of the report may be obtained from the RRS's website at www.richmondgov.com/retirement.

The Authority is required to annually contribute to the Defined Benefit Plans an amount as determined by the actuary (expressed as a percentage of payroll) equal to the sum of the "normal contribution" and the "accrued liability contribution." The accrued liability contribution is determined as that amount necessary to amortize the unfunded actuarial accrued liability and any increase or decrease in the unfunded actuarial accrued liability in future years due to changes in actuarial assumptions, changes in the Plan provisions (including the granting of cost-of-living increases) or actuarial gains or losses amortized over a period of 20 years.

Net Pension Liability:

The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Method and Significant Assumptions:

The July 1, 2015 valuation developed contribution rates for the fiscal year ending June 30, 2017, using the entry age actuarial cost method.

The amortization method used is a level dollar method over a closed period not to exceed 30 years. For purposes of determining contribution rates, the difference between actual investment earnings and expected investment earnings is recognized over a five year period, with the restriction that the actuarial asset value cannot be less than 90% or greater than 110% of the market value of assets.

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

Contributions to the Defined Benefit Plan by the Authority were $1,077,412 and $1,268,797 for the years ended June 30, 2017 and 2016, respectively. The contribution rate was 43.08% for 2017. The Authority also contributed $1,081,397 to the Defined Contribution Plan for 2017. The Authority's contribution to the Defined Contribution Plan is 5.00% for employees with less than 5 years of service, 6.00% for employees with 5 to 9 years of service, 8.00% for employees with 10 to 14 years of service, and 10% for employees with 15 years or more of service.

Note 8. Retirement Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

At June 30, 2017, the Authority reported a liability of $9,550,833 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the Authority's proportion was 2.81% as compared to 2.42% at June 30, 2015.

For the year ended June 30, 2017, the Authority recognized a pension expense of $840,626. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2017, the Authority 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
Other pension deferrals	$ 1,393,695	$ 902,530
Employer contributions subsequent to the measurement date	1,077,412	-
	$ 2,471,107	$ 902,530

The $1,077,412 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other deferrals will be amortized against future pension expense.

Note 8. Retirement Plan (Continued)

Actuarial Assumptions:

The total pension liability for the RRS Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	3.00%
Salary increases, including inflation	3.00 – 5.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

There is no cost of living increase assumption and the assumption is that benefits will not increase after retirement.

Mortality rates

RP-2000 Employee Mortality Table Projected with males set forward 2 years.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2013.

Long-Term Expected Rate of Return:

The long-term expected rate of return on RRS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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:

Note 8. Retirement Plan (Continued)

Long-Term Expected Rate of Return: (Continued)

Asset Class (Strategy)	Target Allocation	30 Year 2015 NEPC Assumptions – Arithmetic Return
Large Cap Equities	18.00 %	8.83 %
SMID Cap Equities	5.00 %	9.64 %
Developed Intl Equities	8.00 %	9.89 %
Emerging Intl Equities	7.00 %	12.50 %
Hedge Funds	12.00 %	6.86 %
Private Equity	8.00 %	11.72 %
Global Multi-Sector Fixed Income	22.50 %	5.23 %
Opportunistic Fixed Income	5.00 %	5.64 %
Private Debt	8.00 %	8.98 %
Real Estate (core)	5.00 %	7.50 %
Cash	1.50 %	3.00 %
Total	100.00 %	

Discount Rate:

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8. Retirement Plan (Continued)

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

The following presents the net pension liability of the Authority using the discount rate of 7.50%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Authority's proportionate share of retirement plan net pension liability	$ 11,787,640	$ 9,550,833	$ 7,620,924

Pension Plan Fiduciary Net Position:

Detailed information about the RRS Retirement Plan's Fiduciary Net Position is available in the separately issued RRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 RRS CAFR may be downloaded from the City website at http://www.richmondgov.com/Retirement/documents/CAFR2016.pdf.

Payables to the Pension Plan:

At June 30, 2017, approximately $79,010 was payable to the Richmond Retirement System for the legally required contributions related to June 2017 payroll.

Note 9. Other Post-Employment Benefits

Plan description:

The Authority pays a portion of the cost of health related insurance benefits to all employees who retire from the Authority. The benefits are comprised of health related group insurance policies through which retirees, their spouses and eligible unmarried dependents can obtain coverage. Once retirees reach age 65 or are eligible for Medicare they are not entitled to these benefits. There were six retirees covered by the plan at June 30, 2017. The authority to establish and amend the benefit provisions of the plan rests with the Authority's Board. There is no publicly available report for the plan.

Funding policy:

The Authority establishes the employer contribution rates and how the plan will be funded as part of the annual budget process. Various amounts are paid by the Authority depending on the status of each plan participant. Monthly payments range from $551 to $1,507. The Authority is on a pay-as-you-go basis and has not funded the plan, therefore there are no plan assets.

Note 9. Other Post-Employment Benefits (Continued)

Annual OPEB cost:

The annual post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The Authority has elected to calculate the ARC as the normal cost plus the amortization of the unfunded portion of the actuarial accrued liability. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The contributions are based on medical premium payments made during the year for the retired employees by the Authority. The following table presents the components of the annual OPEB cost for the year, the contributions to the Plan, and changes in the net obligation for the Plan:

Annual required contribution	$ 268,200
Interest on OPEB obligation	69,023
Adjustment to ARC	(72,922)
Annual OPEB cost	264,301
Contributions made	(105,100)
Increase in net OPEB obligation	159,201
Net OPEB obligation at beginning of year	1,972,073
Net OPEB obligation at end of year	$ 2,131,274

Certain OPEB trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 164,378	75%	$ 1,924,478
June 30, 2016	$ 170,195	72%	$ 1,972,073
June 30, 2017	$ 264,301	40%	$ 2,131,274

Funded status and funding progress:

At June 30, 2017, the most recent actuarial valuation date available, the Plan was unfunded. The actuarial accrued liability for benefits was $1,812,200 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of 1,812,200. The covered payroll (annual payroll of active employees covered by the plan) was $19,288,800 and the ratio of the UAAL to the covered payroll was 9.40%.

Note 9. Other Post-Employment Benefits (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent, with the long-term perspective of the calculations.

In the June 30, 2017 actuarial valuation, the normal cost method was used. The actuarial assumptions included an annual healthcare cost trend rate starting at 7.50% and grading to 4.20% over 73 years.

The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2017 was 30 years.

Note 10. Net Client Service Revenue

Net client service revenues were from the following sources:

Medicaid	$ 14,165,048
Third-party insurers	2,088,679
Other purchaser contracts	697,382
Other	175,319
	$ 17,126,428

Note 11. Related Party Transactions

During 2017, the Authority paid the City $92,788 for routine vehicle maintenance, telecommunications, duplicating, and other services. The City also contributes local funds to support the provision of behavioral health services to City residents. The Authority also received pass-through federal and state grants from the City totaling $1,177,420 in 2017. The Authority participates in the City's retirement system and pays contributions to that plan as described in Note 8.

Note 12. Risk Management

The Authority 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 disaster. The Authority participates in a self-insured liability plan sponsored by the state of Virginia for local political subdivisions. The plan provides $1,000,000 coverage against public official liability claims. The Authority participates in the Virginia Municipal Liability Pool for comprehensive property and casualty coverage, a general liability coverage (claims made), automobile coverage, and employer's liability. The Authority also is a member of the Virginia Municipal Group Self Insurance Association and obtains workers compensation coverage for Authority employees.

Certain other risks are covered by commercial insurance policies. Management believes the above-described coverage is sufficient to preclude any significant uninsured losses to the Authority. The Authority has had no settlements in excess of insurance coverages or significant reductions in coverage in each of the past three years. The Authority's primary risk of loss is anticipated to be limited to any deductibles not covered by the insurance arrangements.

The Authority is also insured under a commercial public official's policy in the amount of $100,000 that indemnifies the insured against loss of money or property that might result from the fraudulent or dishonest acts of its employees.

The Authority carried commercial health insurance for employees for the year ended June 30, 2017. The Authority's self-insurance health program provides healthcare coverage for employees, retirees, and their dependents. Changes in the estimated claims payable for health insurance is as follows:

Beginning of year	$ 148,868
Incurred claims	2,954,170
Claim payments	(2,905,758)
End of year	$ 197,280

Note 13. Designation of Net Position

Management has internally designated $1,500,000 of unrestricted net position as a reserve for future uncertainties.

Note 14. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

(Continued)

Note 14. New Accounting Standards (Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, Omnibus 2017 addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and "negative" goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Note 14. New Accounting Standards (Continued)

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

Management has not yet evaluated the effects, if any, of adopting these standards.

REQUIRED SUPPLEMENTARY INFORMATION

RICHMOND BEHAVIORAL HEALTH AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
RRS RETIREMENT PLAN
June 30, 2017

Fiscal Year Ended June 30,	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	2.81 %	$ 9,550,833	$ 2,851,310	334.96 %	60.30 %
2016	2.42	7,510,772	3,071,142	244.56	63.50
2015	2.63	8,139,165	3,312,178	245.73	63.80

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

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
RRS RETIREMENT PLAN
June 30, 2017

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 1,077,412	$ 1,077,412	$ -	$ 2,732,217	39.43 %
2016	1,268,797	1,268,797	-	2,851,310	44.50
2015	1,123,560	1,123,560	-	3,071,142	36.58

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only three years of data is available. Additional years will be included as they become available.

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

RICHMOND BEHAVIORAL HEALTH AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB FUNDING PROGRESS
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as % of Covered Payroll (c/e)
	(a)	(b)	(c)	(d)	(e)	(f)
June 30, 2012	$ -	$ 3,450,300	$ 3,450,300	- %	$ 19,956,900	17.29 %
June 30, 2014	-	1,215,600	1,215,600	-	18,258,300	6.66
June 30, 2017	-	1,812,200	1,812,200	-	19,288,800	9.40

RICHMOND BEHAVIORAL HEALTH AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

Note 1. Methods and Assumptions Used to Determine Contribution Rates – Richmond Retirement System

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay over a closed period not to exceed 30 years for police and fire employees; level dollar amount over a closed period not to exceed 30 years for general members.
Remaining amortization period	20 years for remaining unfunded accrued liability as of July 1, 2006; 20 years for subsequent changes.
Asset valuation method	Five-year spread of actual over expected investment earnings with the restriction that the resulting value must be within 90%-110% of market value.
Inflation	3.00%
Salary increases – general employees	3.00% to 5.00%
Salary increases – police and fire employees	3.00% to 4.50%
Investment rate of return	7.50%
Retirement age – general employees	20% in 1st year of unreduced retirement eligibility; 3.00% at age 55 increasing to 100% at age 75.
Retirement age – police and fire employees	40% in 1st year of unreduced retirement eligibility; 9.00% at age 50 increasing to 100% at age 64.
Mortality – general employees	RP-2000 Mortality Table with 2 year set-forward for males.
Mortality – police and fire employees	RP-2000 Mortality Table

THIS PAGE INTENTIONALLY BLANK

COMPLIANCE SECTION

BROWNEDWARDS
certified public accountants

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

To the Board of Directors
Richmond Behavioral Health Authority
Richmond, Virginia

We have audited, 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 *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 Richmond Behavioral Health Authority (the "Authority"), a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 17, 2017, which was qualified because we were not able to obtain adequate evidence on the net pension liability and certain related deferred outflows and inflows recorded by the Authority.

Internal Control over Financial Reporting

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

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

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

Your Success is Our Focus
2102 Langhorne Rd., Suite 200 • Lynchburg, VA 24501 • 434-948-9000 • Fax: 434-948-9029 • www.BEcpas.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 17, 2017

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

To the Board of Directors
Richmond Behavioral Health Authority
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Richmond Behavioral Health Authority's (the "Authority"), a component unit of the City of Richmond, Virginia, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2017. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Your Success is Our Focus
2102 Langhorne Rd., Suite 200 • Lynchburg, VA 24501 • 434-948-9000 • Fax: 434-948-9029 • www.BEcpas.com

Report on Compliance for Each Major Federal Program (Continued)

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 the Authority's internal control over compliance.

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

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

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 17, 2017

RICHMOND BEHAVIORAL HEALTH AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Award Date	Federal Catalogue Number	Pass-Through Entity Identifying Number	Expenditures
Department of Education				
Pass-Through Payments:				
Virginia Department of Behavioral Health and Developmental Services:				
Special Education Grants for Infants and Families Cluster:				
Special Education – Grants for Infants and Families	7/1/2015	84.181		$ 162,969
Total Department of Education				162,969
Department of Health and Human Services				
Direct payments:				
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	7/1/2014	93.243		445,762
Pass-Through Payments:				
Virginia Department of Behavioral Health and Developmental Services:				
Block Grants for Community Mental Health Services	7/1/2015	93.958	501380000 501390000	556,325
Block Grants for Prevention and Treatment of Substance Abuse	7/1/2015	93.959	501490000 501790000	4,739,820
Virginia Department of Social Services				
Temporary Assistance for Needy Families	7/1/2014	93.558	BEN-08-007-27	360,511
City of Richmond, Virginia				
Healthy Start Initiative	9/1/2015	93.926	HRSA 09-130	122,945
Total Department of Health and Human Services				6,225,363
Department of Housing and Urban Development				
Pass-Through Payments:				
City of Richmond, Virginia				
Emergency Shelter Grants Program	7/1/2014	14.231	4617-2233-09505	114,145
Office of Community Planning and Development				
Continuum of Care Program	7/1/2016	14.267	0261L3F001500	55,606
Total Department of Health and Human Services				169,751
Department of Agriculture				
Direct payments:				
Child & Adult Care Food Program	7/1/2014	10.558		33,683
Total expenditures of federal awards				$ 6,591,766

Note: This schedule is presented on the accrual basis of accounting.

RICHMOND BEHAVIORAL HEALTH AUTHORITY

SUMMARY OF COMPLIANCE MATTERS
June 30, 2017

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Cash and Investment Laws
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

RICHMOND BEHAVIORAL HEALTH AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a **modified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The program tested as major was:

   Block Grants for the Prevention and Treatment of Substance Abuse CFDA # 93.959

8. The threshold for distinguishing Type A and B programs was **$750,000**.
9. The Authority was **not** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.