COLONIAL BEHAVIORAL HEALTH

Williamsburg, Virginia

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE ▫ RICHMOND ▫ FREDERICKSBURG ▫ STAUNTON ▫ BLACKSBURG ▫ LOUISA

RFC

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COLONIAL BEHAVIORAL HEALTH

BOARD OF DIRECTORS

At June 30, 2015

Charles McAdams, Chairperson
John Kuplinski, Vice-Chairperson

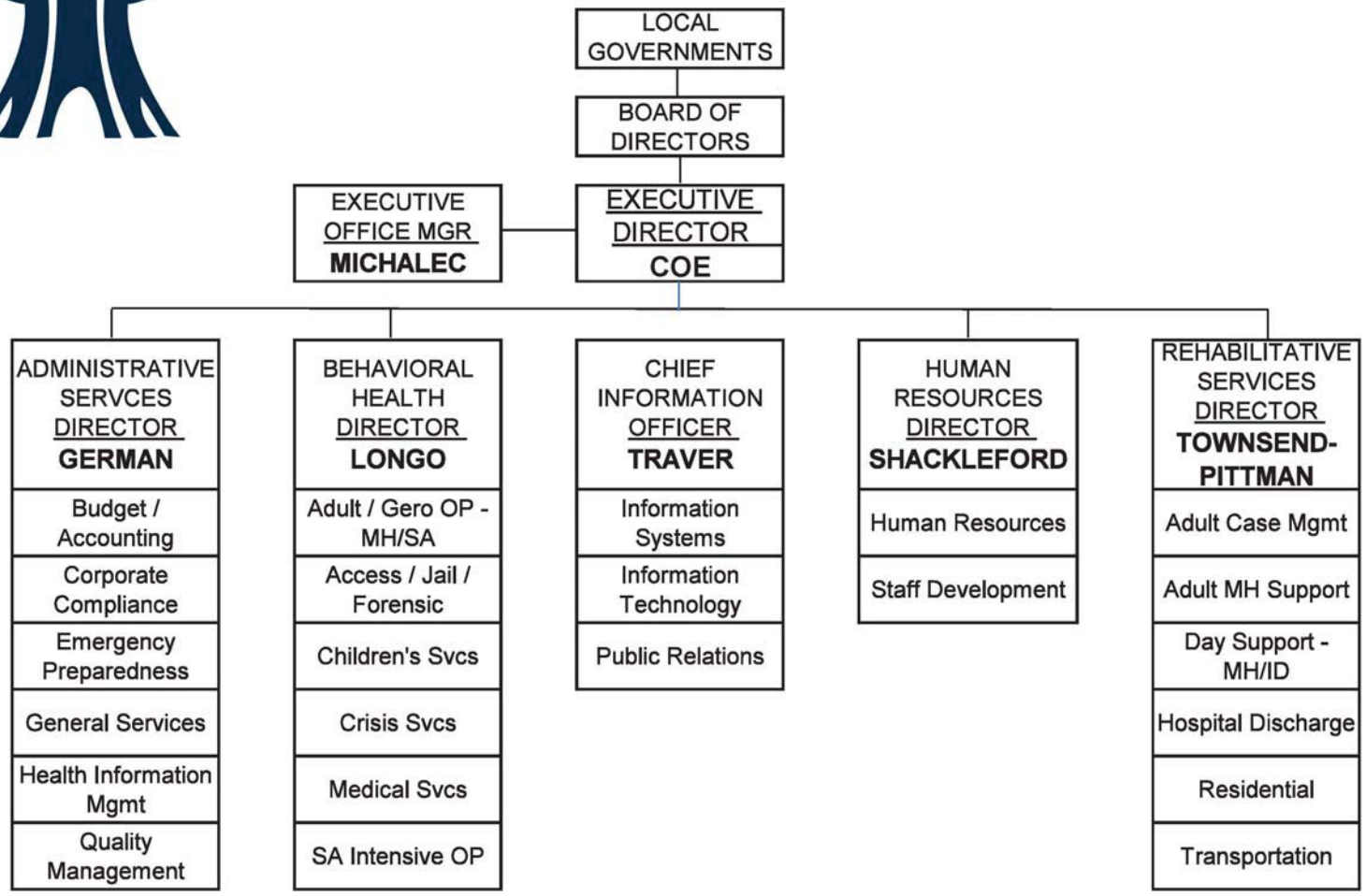
Kenneth Drees	June Hagee	Stella Quinn
Edith Chutkow	William Karaktin	Rebecca Vinroot
Mary Diggs	Dr. Baljit Gill	Peter Walentisch
Lynda Dunnigan	Dr. Alfred Brassel, Jr.	Talbot Vivian

PRINCIPAL MANAGEMENT TEAM

David Coe	Executive Director
Keith German	Director of Administrative Services
Dan Longo	Director of Behavioral Services
Marsha Obremski	Director of Child & Adolescent Services
Debbie Townsend-Pittman	Director of Rehabilitative Services
Nancy Shackleford	Director of Human Resources
Kari Traver	Director of Information Systems

COLONIAL BEHAVIORAL HEALTH

ORGANIZATION CHART



Independent Auditors' Report

To the Board of Directors
Colonial Behavioral Health
Williamsburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Colonial Behavioral Health, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Colonial Behavioral Health'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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colonial Behavioral Health, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 16 to the financial statements, in 2015, Colonial Behavioral Health adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and schedules related to pension and OPEB funding on pages 4-6 and 43-46 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 Colonial Behavioral Health's basic financial statements. The combining financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Colonial Behavioral Health's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Summarized Comparative Information (Continued)

As described in Note 16 to the financial statements, GASB Statement Nos. 68 and 71 were implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net pension liability and related items was unavailable. Therefore, the 2014 amounts related to pensions have not been restated to reflect the requirements of GASB Statement Nos. 68 and 71. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015 on our consideration of Colonial Behavioral Health'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 Colonial Behavioral Health's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 25, 2015

This Management's Discussion and Analysis is intended to be objective and easily readable information that will supplement the basic financial statements. It represents an opportunity for Colonial Behavioral Health (CBH) management to present an examination of the entity's short- and long-term financial condition. This analysis will emphasize current year transactions and results, in comparison with the prior year, and is based on facts, decisions, and conditions that were known as of the date of the auditor's report.

Fiscal Year 2015 HIGHLIGHTS

- CBH opened a Crisis Intervention Team Assessment Center on July 1, 2014. The program was so well received additional funding was secured to increase the hours of operation for the next fiscal year.

- CBH's York-Poquoson office formed a new partnership with the Virginia Department of Veterans Services. Under the new partnership, the VA has space within the York-Poquoson office where a VA employee works with veterans re-entering society after being incarcerated.

- CBH continued to focus strategically on community-based care, Federal health care reform, State-initiated managed care and changes in the population served.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

CBH's annual financial report consists of three basic financial statements: a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. For ease of presentation, all statements are in a condensed format.

CBH maintains a non-profit corporation, Colonial Community Services, Inc. (CCSI), as a component unit for the purpose of acquiring and holding real property for use by the CBH. Colonial Health System, Inc. (CHS) is a component unit of CBH promoting behavioral health in the jurisdictions served by CBH. All condensed statements are combined, including the values and amounts for CBH, CCSI, and CHS.

Financial Position. The Statement of Net Position represents, as of the last day of the fiscal year, the assets (cash and other property) owned and liabilities (debt and other obligations) owed by CBH. The difference between total assets and total liabilities defines the net position (equity), which is generally perceived as a measure of financial solvency.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (continued)

A summary of CBH's Combined Statement of Net Position for 2015 and 2014 is presented below:

Condensed Combined Statement of Net Position

	2015	2014
Assets		
Current assets	$ 5,337,281	$ 5,577,891
Other assets	462,189	-
Capital assets (net of accumulated depreciation)	4,964,894	4,695,966
Total assets	$ 10,764,364	$ 10,273,857
Deferred Outflow of Resources		
Post measurement date employer pension contributions	$ 565,996	$ -
Liabilities		
Current liabilities	$ 1,960,525	$ 2,317,565
Long-term liabilities	4,549,710	4,440,669
Total liabilities	$ 6,510,235	$ 6,758,234
Deferred Inflow of Resources		
Items related to measurement of net pension asset/liability	$ 1,370,866	$ -
Net Position	$ 3,449,259	$ 3,515,623

CBH continues to present a strong balance sheet, with a Current Ratio of 2.72:1. The decrease in other current liabilities of $357,040 led to the current ratio increase from the FY 2014 Current Ratio of 2.41:1.

Changes in net position. The Statement of Revenues, Expenses and Changes in Net Position is a presentation of the amount of income generated (revenues) and resources consumed (expenses) during the fiscal year. The net difference between revenues and expenses represents the amount Net Position increased or decreased for the year.

A summary of CBH's Statement of Revenues, Expenses and Changes in Net Position for 2015 and 2014 is presented below:

Condensed Combined Statement of Revenues, Expenses and Changes in Net Position

	2015	2014
Operating revenues	$ 4,589,131	$ 4,813,293
Operating expenses	13,787,755	14,052,467
Operating income (loss)	$ (9,198,624)	$ (9,239,174)
Net nonoperating income	9,868,665	8,863,660
Change in net position	$ 670,041	$ (375,514)

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (continued)

CBH's Statement of Net Position reflects a challenging financial environment. Operating Income decreased by $224,162 or 4.66% from 2014 to 2015 while operating expenses decreased by $264,712 or 1.88%. Nonoperating Income increased by 11.34% helping to offset the decrease in operating income. The resulting Change in Net Position increased from a loss of 2.8% of total revenues in FY 2014 to an increase of 4.63% in FY 2015.

Cash Flows. The statement of Cash Flows indicates the net increase or decrease of cash resources for CBH during the year and the activities that produced the increase or decrease. The statement concludes with a reconciliation tying the beginning cash balance and results for the year to the ending balance.

A summary of CBH's Statement of Cash Flows for 2015 and 2014 is presented below:

Condensed Combined Statement of Cash Flows

	2015	2014
Cash flows from operating activities	$ (9,642,439)	$ (8,461,025)
Cash flows from non-capital financing activities	10,224,520	8,946,662
Cash flows from capital and related financing activities	(738,783)	841,611
Cash flows from investing activities	3,077	2,967
Net cash increase (decrease)	$ (153,625)	$ 1,330,215

CBH's Combined Statement of Cash Flows decreased by $153,625 in 2015. The primary factor for the decreased cash position is attributable to the acquisition of fixed assets in the amount of $508,918.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets as shown on the Condensed Combined Statement of Net Position total $4,964,894. Over 90% of this value $4,395,552 consists of the value of building and property held by CCSI for use by CBH. The remainder consists of vehicles and office equipment used by CBH. Increases from FY 2014 amounts represent additions of $508,918 and depreciation expense of $239,990.

There was no new long-term debt issued during FY2015.

For more information on capital assets and debt administration, see Notes to Financial Statements numbers 4 and 10.

- Basic Financial Statements -

COLONIAL BEHAVIORAL HEALTH

Statement of Net Position
At June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,861,078	$ 5,014,703
Accounts receivable, less allowance for uncollectibles	411,345	422,587
Accrued revenue	37,403	35,672
Prepaid items	27,455	104,929
Total current assets	$ 5,337,281	$ 5,577,891
Other Noncurrent Assets:		
Net pension asset	$ 462,189	$ -
Capital Assets:		
Property and equipment, less accumulated depreciation	$ 4,964,894	$ 4,695,966
Total assets	$ 10,764,364	$ 10,273,857
DEFERRED OUTFLOW OF RESOURCES		
Post measurement date employer pension contributions	$ 565,996	$ -
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$ 797,526	$ 990,753
Compensated absences, current portion	428,636	383,672
Revenue bond, current portion	156,000	152,000
Unearned revenue	578,363	417,000
Other current liabilities	-	374,140
Total current liabilities	$ 1,960,525	$ 2,317,565
Long-term Liabilities:		
Compensated absences, less current portion	$ 609,633	$ 662,307
Other post employment benefits	1,643,077	1,325,362
Revenue bond, less current portion	2,297,000	2,453,000
Total long-term liabilities	$ 4,549,710	$ 4,440,669
Total liabilities	$ 6,510,235	$ 6,758,234
DEFERRED INFLOW OF RESOURCES		
Items related to measurement of net pension asset/liability	$ 1,370,866	$ -
NET POSITION		
Net Position:		
Net investment in capital assets	$ 3,460,238	$ 3,178,825
Unrestricted	(10,979)	336,798
Total net position	$ 3,449,259	$ 3,515,623

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

COLONIAL BEHAVIORAL HEALTH

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Operating revenues:		
Net patient service revenue	$ 4,589,131	$ 4,813,293
Operating expenses:		
Salaries and benefits	$ 10,670,190	$ 10,854,005
Staff development	33,230	37,644
Facility	512,873	516,464
Supplies	343,628	341,878
Travel	194,439	231,119
Contractual and consulting	1,531,301	1,443,009
Depreciation and amortization	239,990	307,187
Other	262,104	321,161
Total operating expenses	$ 13,787,755	$ 14,052,467
Operating income (loss)	$ (9,198,624)	$ (9,239,174)
Nonoperating income (expenses):		
Appropriations:		
Commonwealth of Virginia	$ 5,993,460	$ 5,289,259
Federal government	736,497	710,788
Local governments	2,290,000	2,212,644
Other	923,496	733,971
Interest income	3,077	2,967
Interest expense	(77,865)	(85,969)
Net nonoperating income (expenses)	$ 9,868,665	$ 8,863,660
Change in net position	$ 670,041	$ (375,514)
Net position, beginning of year, as restated	2,779,218	3,891,137
Net position, end of year	$ 3,449,259	$ 3,515,623

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

COLONIAL BEHAVIORAL HEALTH

Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities:		
Receipts from customers	$ 4,760,005	$ 4,987,006
Payments to suppliers	(3,648,535)	(2,847,340)
Payments to and for employees	(10,753,909)	(10,600,691)
Total cash flows provided by (used for) operating activities	$ (9,642,439)	$ (8,461,025)
Cash flows from noncapital financing activities:		
Government grants	$ 9,467,899	$ 8,212,691
Other	756,621	733,971
Total cash flows provided by (used for) noncapital and related financing activities	$ 10,224,520	$ 8,946,662
Cash flows from capital and related financing activities:		
Acquisition of capital assets	$ (508,918)	$ (63,243)
Long-term debt proceeds	-	2,750,000
Interest payments on loans	(77,865)	(85,969)
Principal payments on loans	(152,000)	(1,759,177)
Cash flows provided by (used for) capital and related financing activities	$ (738,783)	$ 841,611
Cash flows from investing activities:		
Interest income	$ 3,077	$ 2,967
Net increase (decrease) in cash and cash equivalents	$ (153,625)	$ 1,330,215
Cash and cash equivalents, beginning of year	5,014,703	3,684,488
Cash and cash equivalents, end of year	$ 4,861,078	$ 5,014,703
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (9,479,691)	$ (9,239,174)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	239,990	307,187
OPEB	317,715	301,500
Net GASB 68 pension activity	(393,724)	-
Changes in assets and liabilities:		
Accounts receivable and accrued revenue	9,511	178,895
Prepaid items	77,473	(23,001)
Accounts payable and accrued expenses	(193,226)	(80,140)
Compensated absences	(7,710)	(28,760)
Unearned revenue	161,363	82,656
Other current liabilities	(374,140)	39,812
Cash flows provided by (used for) operating activities	$ (9,642,439)	$ (8,461,025)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Organization:

Colonial Behavioral Health (CBH) operates as an agent for the Counties of York and James City, and the Cities of Poquoson and Williamsburg in the establishment and operation of community mental health, intellectual disabilities and substance use disorder programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950), relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the CBH provides a system of community mental health, intellectual disabilities and substance use disorder services which relate to and are integrated with existing and planned programs.

B. Financial Reporting Entity:

For financial reporting purposes, in conformance with the Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, CBH includes all organizations which exclusively benefit the entity. All component units included in these financial statements have years which end on June 30.

Blended Component Units:

Blended component units, although legally separate entities are, in substance, part of the CBH's operations, and so data from these units are combined with data of CBH. CBH has the following blended component units.

Colonial Community Services, Inc. is a property holding organization for the CBH and is exempt from taxation under Federal Internal Revenue Code Section 501(c)(3).

Colonial Health System, Inc. is an organization established to promote behavioral health for individuals in the cities of Poquoson and Williamsburg, and counties of James City and York. This organization is exempt from taxation under Federal Internal Revenue Code Section 501(c)(3).

C. Basis of Accounting:

CBH is funded by federal, state and local funds and fees. Its accounting policies are governed by applicable provisions of these grants and applicable pronouncements and publications of the grantors. CBH utilizes the accrual basis of accounting where revenues are recorded when earned and expenses recorded when due.

D. Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB) and the Virginia Department of Behavioral Health and Developmental Services. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units. All significant intercompany transactions and accounts have been eliminated for the combining statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

E. Enterprise Fund Accounting:

CBH is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. For financial reporting purposes, CBH utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

F. 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Cash and Cash Equivalents:

CBH maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the Code of Virginia. The Act requires financial institutions to meet specific collateralization requirements. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less at the date of acquisition.

H. Investments:

Investments are reported at fair value.

I. Net Client Service Revenue:

Net client service revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement.

J. Financial Assistance:

CBH 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 is based on individual circumstances and unpaid balances are pursued to the extent of the client's ability to pay. CBH has established procedures for granting financial assistance in cases of hardship. The granting of financial assistance results in a substantial reduction and/or elimination of charges to individual clients. Because CBH does not pursue the collection of amounts determined to qualify for financial assistance, those charges are not reported as revenue.

The vast majority of fees collected result from Medicaid billings.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

K. Capital Assets:

Capital assets acquired are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 40 years and is computed using the straight-line method. Donated capital assets are recorded at their estimated fair market value at the time of the gift. All capital asset purchases of $5,000 or more are capitalized.

L. Deferred Outflows/Inflows 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 Organization only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset measurement date, which will be recognized as an increase to the net pension asset next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position may 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 Authority has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension asset 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.

M. Pensions

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

N. Compensated Absences:

Employees are entitled to certain compensated absences based upon length of employment. Sick leave vests with the employee and is recorded as an expense when earned. Up to 25% of accumulated sick leave will be paid upon termination of service with CBH. Vacation and certain other compensated absences also vest with the employee. A provision for the estimated liability for these compensated absences has been recorded in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

O. Budgetary Accounting:

CBH follows these procedures in establishing its budgets.

1. In response to Letters of Notification received from the Virginia Department of Behavioral Health and Developmental Services (the Department), CBH submits a Performance Contract to the Department. This application contains complete budgets for all Core Services.

2. CBH's Performance reports are filed with the Department during the fiscal year, 45 working days after the end of the second and fourth quarters. The final quarterly report is due by August 31 following the end of the fiscal year, unless extended.

3. If any changes are made during the fiscal year in state or federal block grants or local match funds, CBH submits Performance Contract revisions which reflect these changes in time to be received by the Department by required deadlines.

P. Operating and Nonoperating Revenues and Expenses:

Operating revenues and expenses are defined as those items which result from providing services, and include all transactions and events which are not capital and related financing, noncapital or investing activities. Nonoperating revenues consist of grants, investment and other income. Nonoperating expenses are defined as capital and noncapital related financing and other expenses.

Q. Comparative Totals:

Comparative totals are presented for informational purposes only. Certain prior year amounts have been reclassified to conform with the current year presentation.

R. 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 represents 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.

S. Net Position Flow Assumption:

The Organization may fund outlays for a particular purpose from both restricted 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 Organization's policy to consider restricted net position to have been depleted or used before unrestricted net position is applied.

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 the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

CBH's primary operating bank account is in the custody of the County of York, Virginia pursuant to fiscal agent and related agreements with the County.

Investments:

State statutes authorize CBH 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).

CBH's investments are also in the custody of the County of York, Virginia pursuant to fiscal agent and related agreements with the County.

Custodial Credit Risk (Investments):

CBH has adopted the County of York guidelines for its investments.

Credit Risk of Debt Securities:

CBH's rated debt investments as of June 30, 2015 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Rated Debt Investments Values

Rated Debt Investments	Fair Quality Ratings				
	AAAm	AA	A	A1	Unrated
Virginia Local Government Investment Pool	$ 2,355,967	$ -	$ -	$ -	$ -

Concentration of Credit Risk:

At June 30, 2015 CBH's investment policy regarding the concentration of credit risk was the same as the County of York.

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Interest Rate Risk:

CBH has adopted the County of York policy that addresses interest rate risk. The following details the entity's interest rate risk at June 30, 2015.

Investment Type	Fair Value	Less Than One Year	1-5 Years	6-10 Years	10 Years +
Virginia Local Government Investment Pool	$ 2,355,967	$ 2,355,967	$ -	$ -	$ -

External Investment Pool:

The fair value of the external investment pools is the same as the value of the pool shares. Investments in the Local Government Investment Pool that are not SEC registered are monitored by the Treasurer of Virginia and other applicable state agencies. Investments in other external investment pools are all SEC registered or federal securities.

There were no involuntary participations in external investment pools. CBH does not sponsor any external investment pools.

Summary of Cash and Cash Equivalents:

	2015	2014
Cash:		
Petty cash	$ 760	$ 740
Checking	2,504,351	2,660,554
Total cash	$ 2,505,111	$ 2,661,294
Investments	2,355,967	2,353,409
Total cash and cash equivalents	$ 4,861,078	$ 5,014,703

NOTE 3 - ACCOUNTS RECEIVABLE AND ACCRUED REVENUE:

Client Accounts Receivable:

At June 30, 2015 and 2014 CBH had client accounts receivable due, net of estimated uncollectibles of $233,402 (2015) and $388,198 (2014) from the following primary sources:

	2015	2014
Virginia Department of Medical Assistance Services (Medicaid)	$ 260,046	$ 227,315
Direct client and third party	144,262	148,161
Other	7,037	47,111
Total	$ 411,345	$ 422,587

Other than the amounts due for Medicaid charges, there are no other individually significant sources of client fee receivables.

NOTE 3 - ACCOUNTS RECEIVABLE AND ACCRUED REVENUE: (continued)

Accrued Revenue:

	2015	2014
Regional DAP	$ 6,560	$ 9,194
Others	30,843	26,478
Total	$ 37,403	$ 35,672

NOTE 4 - CAPITAL ASSETS:

Capital assets consist of the following:

	Beginning Balances	Increases	Decreases	Adjust-ments	Ending Balances
Capital assets not being depreciated:					
Construction in progress	$ -	139,996	-	-	$ 139,996
Land	877,412	-	-	82,000	959,412
Total capital assets not being depreciated	$ 877,412	$ 139,996	$ -	$ 82,000	$ 1,099,408
Capital assets being depreciated:					
Building and improvements	$ 5,365,299	368,922	-	(82,000)	$ 5,652,221
Furniture, fixtures and equipment	547,382	-	-	-	547,382
Vehicles	904,713	-	-	-	904,713
Total capital assets being depreciated	$ 6,817,394	$ 368,922	$ -	$ (82,000)	$ 7,104,316
Accumulated depreciation					
Building and improvements	$ 1,792,423	143,375			$ 1,935,798
Furniture, fixtures and equipment	505,863	11,235	-	-	517,098
Vehicles	700,554	85,380	-		785,934
Total accumulated depreciation	$ 2,998,840	$ 239,990	$ -	$ -	$ 3,238,830
Net capital assets being depreciated	$ 3,818,554	$ 128,932	$ -	$ (82,000)	$ 3,865,486
Net capital assets	$ 4,695,966	$ 268,928	$ -	$ -	$ 4,964,894

Total depreciation expense was $239,990 for 2015 and $290,360 for 2014.

NOTE 5 - LEASE COMMITMENTS:

CBH leases facilities from various lessors. The lease terms range from monthly to one year. CBH also leases facilities from its blended component unit under an operating lease that expires in 2019. Rentals paid under this agreement are not on an arms-length basis and totaled $281,067 for 2015 and $244,064 for 2014.

Total rent expenses for the year ended June 30, 2015, exclusive of intercompany payments of $281,067, totaled $52,806 for 2015.

Future minimum rentals payable under noncancellable lease agreements is as follows:

Fiscal Year		Amount
2016	$	58,138
2017		19,568
Total	$	77,706

NOTE 6 - CLAIMS AND COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, CBH has accrued the liability arising from compensated absences.

CBH employees earn vacation and sick leave based on length of service. CBH has outstanding accrued leave pay totaling $1,038,269 at June 30, 2015 and $1,045,979 at June 30, 2014. Upon termination of employment employees are paid their accumulated annual leave up to certain limits.

In previous years, CBH participated in the County of York, Virginia's health insurance plan and pool. In FY 2015 York County changed its accounting for its health insurance and transferred all of its health insurance activity to an internal service fund. In past years CBH has been allocated a portion of the County's health insurance reserve allocations/balances. The new accounting for the health insurance no longer allocates to CBH a portion of the internal service fund balance. CBH's share of this reserve liability was $0 at June 30, 2015 and $374,140 at June 30, 2014.

NOTE 7 - PENSION PLAN:

Plan Description

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Cont.)	**About Plan 2 (Cont.)**	**About the Hybrid Retirement Plan (Cont.)** • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **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.	**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.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) 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.	**Hybrid Opt-In Election (Cont.)** 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.	***Non-Eligible Members (Cont.)** 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 Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**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.

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **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.

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contributions Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**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. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1	**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.

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **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 of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 7 - PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 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 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 creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 7 - PENSION PLAN: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	48
Inactive members:	
Vested inactive members	41
Non-vested inactive members	73
Inactive members active elsewhere in VRS	42
Total inactive members	156
Active members	140
Total covered employees	344

Contributions

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

The Colonial Behavioral Health's contractually required contribution rate for the year ended June 30, 2015 was 7.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Colonial Behavioral Health were $565,996 and $651,201 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Asset

The Colonial Behavioral Health's net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Colonial Behavioral Health's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions – General Employees (Continued)

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

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

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

Largest 10 – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

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

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

All Others (Non 10 Largest) – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions – General Employees (Continued)

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

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

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

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

NOTE 7 - PENSION PLAN: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Colonial Behavioral Health Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at June 30, 2013	$ 20,654,403	$ 19,266,797	$ 1,387,606
Changes for the year:			
Service cost	$ 800,602	$ -	$ 800,602
Interest	1,416,803	-	1,416,803
Differences between expected and actual experience	-	-	-
Contributions - employer	-	651,201	(651,201)
Contributions - employee	-	363,855	(363,855)
Net investment income	-	3,068,218	(3,068,218)
Benefit payments, including refunds of employee contributions	(828,733)	(828,733)	-
Administrative expenses	-	(16,235)	16,235
Other changes	-	161	(161)
Net changes	$ 1,388,672	$ 3,238,467	$ (1,849,795)
Balances at June 30, 2014	$ 22,043,075	$ 22,505,264	$ (462,189)

NOTE 7 - PENSION PLAN: (continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	(6.00%)	**(7.00%)**	**(8.00%)**
Board			
Net Pension Liability (Asset)	2,448,636	(462,189)	(2,886,397)

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

For the year ended June 30, 2015, the Colonial Behavioral Health recognized pension expense of $172,272. At June 30, 2015, the Colonial Behavioral Health 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**
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,370,866
Employer contributions subsequent to the measurement date	565,996	-
Total	$ 565,996	$ 1,370,866

$565,996 reported as deferred outflows of resources related to pensions resulting from the Colonial Behavioral Health's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. 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 ended June 30	
2016	$ (342,717)
2017	(342,717)
2018	(342,717)
2019	(342,715)
Thereafter	-

NOTE 8 - UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue is comprised of the following:

Unearned Revenue	2015	2014
Advanced payment of local private grants	$ 578,363	$ 417,000

NOTE 9 - RISK MANAGEMENT:

CBH participates in the Commonwealth of Virginia Risk Management Pool for professional liability, and director and officer's liability coverage which have $2,100,000 and $1,000,000 coverage limits, respectively. Other insurance coverage for property, workers compensation, crime, dishonesty and related coverage are purchased from a commercial insurance carrier. Coverage for these items varies from stated property values to $5,000,000. There are no surety bonds for directors. There have been no settlements in excess of insurance coverage for the past three years. The primary risks of loss are generally confined to co-insurance and deductible amounts.

NOTE 10 - LONG-TERM OBLIGATIONS:

Changes in Long-Term Obligations:

	Balance July 1, 2014	Additions/ Issuances	Deletions/ Retirements	Balance June 30, 2015	Amount Due In One Year
Revenue bond	$ 2,605,000	$ -	$ 152,000	$ 2,453,000	$ 156,000
Compensated absences	1,045,979	-	7,710	1,038,269	428,636
OPEB	1,325,362	342,369	24,654	1,643,077	-
Total	$ 4,976,341	$ 342,369	$ 184,364	$ 5,134,346	$ 584,636

Revenue Bond:

Colonial Community Services, Inc. has a revenue bond payable which was used to retire debt existing at June 30, 2014, and to provide funding for the acquisition of property, construction of three Medicaid Waiver group homes, and other projects. Details of the bond are as follows:

	Balance	Current Portion
$2,750,000 qualified non-profit revenue and refunding bond, issued through the Economic Development Authority of the County of York, Virginia dated July 19, 2013, annual principal payments ranging from $145,000 to $226,000, interest at 2.99% payable semiannually each June 1 and December 1, maturing June 1, 2028.	$ 2,453,000	$ 156,000

NOTE 10 - LONG-TERM OBLIGATIONS: (continued)

Annual requirements to amortize long-term debt existing at June 30, 2015 at current interest rates are as follows:

Year Ending June 30,	Revenue Bond Principal	Revenue Bond Interest
2016	$ 156,000	$ 73,345
2017	161,000	68,680
2018	166,000	63,866
2019	171,000	58,903
2020	176,000	53,790
2021-2025	966,000	186,636
2026-2028	657,000	39,677
Total	$ 2,453,000	$ 544,897

CBH has no federal arbitrage liability.

NOTE 11 - PARTICIPANT LOCALITY CONTRIBUTIONS:

The participating localities appropriated the following amounts to CBH:

	2015	2014
County of York	$ 805,000	$ 783,512
County of James City	1,060,000	1,026,995
City of Williamsburg	255,000	250,405
City of Poquoson	170,000	151,732
Total	$ 2,290,000	$ 2,212,644

NOTE 12 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenues were from the following sources:

	2015	2014
Medicaid	$ 3,667,663	$ 4,029,368
Direct client and third party	778,033	677,164
Other	143,435	106,761
Total	$ 4,589,131	$ 4,813,293

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

CBH participates in federal assistance programs which are subject to audit by the grantor agencies. CBH believes that it is in compliance with applicable grant requirements, and any disallowances of costs by grantor agencies would not be significant.

CBH has a line of credit with a bank in the amount of $500,000. There was no activity on the line of credit for the year.

CBH, through its component unit Colonial Community Services, Inc. has committed to the construction of three Medicaid Waiver homes. The estimated cost of these homes is approximately $1,500,000. The financing of these projects is anticipated to be funded from the refinancing bond issue as detailed in Note 10 and funding from the Commonwealth of Virginia, which is estimated at approximately $700,000.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS:

Retiree Health Insurance Program:

A. Plan Description:

In addition to the pension benefits described in Note 7, CBH has post-retirement benefits available to employees as follows:

1. CBH will follow York County's Administrative Directive governing the sharing of the cost for retirees having twenty (20) or more years of service. The twenty (20) years are to be consecutive. The amount of CBH's contribution shall be 50% of the premium for the plan selected.

2. Retirees who elect not to take the health insurance coverage at the time of their retirement may join the plan during a future open enrollment period or after a qualifying event. Retirees with at least twenty (20) years of service will begin to receive the applicable premium contribution at the time they rejoin the health insurance plan.

3. Retirees with twenty (20) years of service who are eligible for Medicare may choose to enroll in the carve out policy. The retiree's dependents may also continue coverage and CBH's contribution shall be applied to the total cost of all contracts.

4. In the event the retiree dies, the spouse may continue coverage with the health insurance plan, but is not eligible for CBH's premium contribution and must pay the entire health insurance premium.

5. Retirees with less than twenty (20) years of service are eligible to receive health insurance coverage, but will not receive CBH's premium contribution.

B. Funding Policy:

CBH establishes the employer contribution rates and how the plan will be funded as part of the annual budget process. Various amounts are paid by CBH depending on the status of each plan participant. Depending on the plan, monthly payments averaged $666 in fiscal year 2015. CBH is on a pay-as-you-go basis and has not funded the plan.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Retiree Health Insurance Program: (continued)

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other postemployment benefits (OPEB) under Governmental Accounting Standards Board (GASB) Statement No. 45 is based on the annual required contribution (ARC). The estimated pay-as-you-go cost for OPEB benefits is $344,900 for fiscal year 2015. The benefits paid by CBH in 2015 were $24,654. CBH is required to contribute the annual required contribution (ARC) of the employer an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Annual OPEB Cost:

The following table shows the components of CBH's annual OPEB cost for the year, the estimated contributions to the Plan, and changes in CBH's net OPEB obligation to the Plan:

Annual Required Contribution (ARC)	$	344,900
Interest on OPEB Obligation		44,813
Adjustment to ARC		(47,344)
Annual OPEB Cost	$	342,369
Contributions Made During FY 2015		(24,654)
Increase in Net OPEB Obligation	$	317,715
Net OPEB Obligation - beginning of year		1,325,362
Net OPEB Obligation - end of year	$	1,643,077

CBH's annual OPEB cost, the amount of OPEB cost paid, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015, 2014 and 2013 are as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Amount of OPEB Cost Paid	Percentage of OPEB cost Paid	OPEB ARC Adjustment and Interest	Net OPEB Obligation
June 30, 2015	$ 344,900	$ 24,654	7%	(2,531)	$ 1,643,077
June 30, 2014	328,000	24,523	7%	(1,977)	1,325,362
June 30, 2013	311,600	21,479	7%	(1,453)	1,023,862

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Retiree Health Insurance Program: (continued)

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	$	3,291,300
Actuarial value of plan assets (AVA)	$	-
Unfunded actuarial liability (UAAL)	$	3,291,300
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Current payroll (active plan members)	$	5,842,600
UAAL as a percentage of covered payroll		56.33%

Actuarial valuations of an ongoing plan involve 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions 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 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.

E. 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 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 plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method:

The cost method for valuation of liabilities used for this valuation is the Projected Unit Credit (PUC) Actuarial Cost Method. A PUC accrued benefit is determined for each active member in the plan on the basis of the member's benefit projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost for retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

The actuarial liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the pension and supplemental benefits expected to be paid.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Retiree Health Insurance Program: (continued)

E. Actuarial Methods and Assumptions: (continued)

The difference between the actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The annual required contribution is the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over the amortization period. The amortization amount is determined as a level percentage of payroll.

Asset Valuation Method:

The plan is currently funded on a pay-as-you-go basis, so the plan has no assets.

Interest Assumptions:

Discount rate – 3.5% (unfunded)
Payroll growth rate is not applicable.

Medical Trend Rate:

Average medical costs and premiums are assumed to increase 7.00%. The trend rate decreases until an ultimate rate of 4.80% is reached.

Retiree Health Insurance Credit Program:

A. Plan Description:

CBH participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of CBH who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of $1.50 per year of creditable service up to a maximum monthly credit of $45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of $45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to Section 51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 7.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Retiree Health Insurance Credit Program: (continued)

B. Funding Policy:

As a participating local political subdivision, CBH is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. CBH's contribution rate for the fiscal year ended 2014 was 0.24% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is based on the annual required contribution (ARC). CBH is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For 2015, CBH's contribution of $12,953 was equal to the ARC and OPEB cost. CBH's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years are as follows:

Three-Year Trend Information

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2015	$ 12,953	100%	$ -
June 30, 2014	16,850	100%	-
June 30, 2013	16,251	100%	-

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	$	244,269
Actuarial value of plan assets (AVA)	$	148,132
Unfunded actuarial liability (UAAL)	$	96,137
Funded ratio (actuarial value of plan assets/AAL)		60.64%
Current payroll (active plan members)	$	7,087,333
UAAL as a percentage of covered payroll		1.36%

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Retiree Health Insurance Credit Program: (continued)

D. Funded Status and Funding Progress: (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. 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 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 plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3.0%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2013 was 30 years.

NOTE 15 - RESERVATION OF NET POSITION:

Unrestricted net position has been reserved for:

Contingencies	$ 300,000
Total	$ 300,000

NOTE 16 - ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* **and Statement No. 71,** *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68***:**

The Board implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities (assets), deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

Net Position as reported at June 30, 2014	$	3,515,623
Implementation of GASB 68		(736,405)
Net Position as restated at June 30, 2014		2,779,218

In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirements of GASB 68 and 71.

- Required Supplementary Information –

COLONIAL BEHAVIORAL HEALTH

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Year Ended June 30, 2015

		2014
Total pension liability		
Service cost	$	800,602
Interest		1,416,803
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions		-
Benefit payments, including refunds of employee contributions		(828,733)
Net change in total pension liability	$	1,388,672
Total pension liability - beginning		20,654,403
Total pension liability - ending (a)	$	22,043,075
Plan fiduciary net position		
Contributions - employer	$	651,201
Contributions - employee		363,855
Net investment income		3,068,218
Benefit payments, including refunds of employee contributions		(828,733)
Administrative expense		(16,235)
Other		161
Net change in plan fiduciary net position	$	3,238,467
Plan fiduciary net position - beginning		19,266,797
Plan fiduciary net position - ending (b)	$	22,505,264
Board's net pension liability (asset) - ending (a) - (b)	$	(462,189)
Plan fiduciary net position as a percentage of the total pension liability		102.10%
Covered-employee payroll	$	7,087,333
Board's net pension liability (asset) as a percentage of covered-employee payroll		-6.52%

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

COLONIAL BEHAVIORAL HEALTH

Schedule of Employer Contributions
Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	$ 565,996	$ 565,996	$ -	$ 7,219,337	8%

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

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

COLONIAL BEHAVIORAL HEALTH

Schedule of Pension and OPEB Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (3)-(2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as a % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Virginia Retirement System Health Insurance Credit						
June 30, 2014	$ 148,132	$ 244,269	$ 96,137	60.64%	$ 7,087,333	1.36%
June 30, 2013	123,273	225,542	102,269	54.66%	6,829,544	1.50%
June 30, 2012	98,895	212,443	113,548	46.55%	6,727,312	1.69%
Other Postemployment Benefits						
June 30, 2013	$ -	$ 3,291,300	$ 3,291,300	0.00%	$ 5,842,600	56.33%
June 30, 2010	-	2,849,600	2,849,600	0.00%	5,873,400	48.52%

- Supplemental Information –

Combining Financial Statements

COLONIAL BEHAVIORAL HEALTH

Combining Statement of Net Position
At June 30, 2015

	Colonial Behavioral Health	Colonial Community Services Inc.	Colonial Health System Inc.	Inter-company Eliminations	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 3,656,199	$ 1,079,726	$ 125,153	$ -	$ 4,861,078
Accounts receivable, less allowance for uncollectibles	411,345	-	-	-	411,345
Accrued revenue	37,403	-	-	-	37,403
Prepaid items	57,911	-	8,435	(38,891)	27,455
Total current assets	$ 4,162,858	$ 1,079,726	$ 133,588	$ (38,891)	$ 5,337,281
Other Noncurrent Assets:					
Net pension asset	$ 462,189	$ -	$ -	$ -	$ 462,189
Capital Assets:					
Property and equipment, less accumulated depreciation	$ 125,910	$ 4,838,984	$ -	$ -	$ 4,964,894
Total assets	$ 4,750,957	$ 5,918,710	$ 133,588	$ (38,891)	$ 10,764,364
DEFERRED OUTFLOW OF RESOURCES					
Post measurement date employer pension contributions	$ 565,996	$ -	$ -	$ -	$ 565,996
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued expenses	$ 797,526	$ -	$ -	$ -	$ 797,526
Compensated absences, current portion	428,636	-	-	-	428,636
Revenue bond, current portion	-	156,000	-	-	156,000
Unearned revenue	578,363	23,516	15,375	(38,891)	578,363
Total current liabilities	$ 1,804,525	$ 179,516	$ 15,375	$ (38,891)	$ 1,960,525
Long-term Liabilities:					
Compensated absences, less current portion	$ 609,633	$ -	$ -	$ -	$ 609,633
Other postemployment benefits	1,643,077	-	-	-	1,643,077
Revenue bond, less current portion	-	2,297,000	-	-	2,297,000
Total long-term liabilities	$ 2,252,710	$ 2,297,000	$ -	$ -	$ 4,549,710
Total liabilities	$ 4,057,235	$ 2,476,516	$ 15,375	$ (38,891)	$ 6,510,235
DEFERRED INFLOW OF RESOURCES					
Items related to measurement of net pension asset/liability	$ 1,370,866	$ -	$ -	$ -	$ 1,370,866
NET POSITION					
Net Position:					
Net investment in capital assets	$ 125,910	$ 3,334,328	$ -	$ -	$ 3,460,238
Unrestricted	(237,058)	107,866	118,213	-	(10,979)
Total net position	$ (111,148)	$ 3,442,194	$ 118,213	$ -	$ 3,449,259

COLONIAL BEHAVIORAL HEALTH

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

	Colonial Behavioral Health	Colonial Community Services Inc.	Colonial Health System Inc.	Inter-company Eliminations	Total
Operating revenues:					
Net patient service revenue	$ 4,589,131	$ -	$ -	$ -	$ 4,589,131
Operating expenses:					
Salaries and benefits	$ 10,670,190	$ -	$ -	$ -	$ 10,670,190
Staff development	33,230	-	-	-	33,230
Facility	785,854	3,919	4,167	(281,067)	512,873
Supplies	343,149	-	479	-	343,628
Travel	194,439	-	-	-	194,439
Contractual and consulting	1,487,811	35,538	7,952	-	1,531,301
Depreciation and amortization	96,615	143,375	-	-	239,990
Other	692,672	17,374	-	(447,942)	262,104
Total operating expenses	$ 14,303,960	$ 200,206	$ 12,598	$ (729,009)	$ 13,787,755
Operating income (loss)	$ (9,714,829)	$ (200,206)	$ (12,598)	$ 729,009	$ (9,198,624)
Nonoperating income (expenses):					
Appropriations:					
Commonwealth of Virginia	$ 5,993,460	$ 447,942	$ -	$ (447,942)	$ 5,993,460
Federal government	736,497	-	-	-	736,497
Local governments	2,290,000	-	-	-	2,290,000
Other	921,986	281,067	1,510	(281,067)	923,496
Interest income	2,558	507	12	-	3,077
Interest expense	-	(77,865)	-	-	(77,865)
Net nonoperating income (expenses)	$ 9,944,501	$ 651,651	$ 1,522	$ (729,009)	$ 9,868,665
Change in net position	$ 229,672	$ 451,445	$ (11,076)	$ -	$ 670,041
Net position, beginning of year, as restated	(340,820)	2,990,749	129,289	-	2,779,218
Net position, end of year	$ (111,148)	$ 3,442,194	$ 118,213	$ -	$ 3,449,259

COLONIAL BEHAVIORAL HEALTH

Combining Statement of Cash Flows
Year Ended June 30, 2015

	Colonial Behavioral Health	Colonial Community Services Inc.	Colonial Health System Inc.	Inter-Company Eliminations	Total
Cash flows from operating activities:					
Receipts from customers	$ 4,760,005	$ -	$ -	$ -	$ 4,760,005
Payments to suppliers	(4,061,613)	(32,982)	(1,882)	447,942	(3,648,535)
Payments to and for employees	(10,753,909)	-	-	-	(10,753,909)
Total cash flows provided by (used for) operating activities	$ (10,055,517)	$ (32,982)	$ (1,882)	$ 447,942	$ (9,642,439)
Cash flows from noncapital financing activities:					
Government grants	$ 9,019,957	$ 447,942	$ -	$ -	$ 9,467,899
Other	921,986	281,067	1,510	(447,942)	756,621
Total cash flows provided by (used for) noncapital and related financial activities	$ 9,941,943	$ 729,009	$ 1,510	$ (447,942)	$ 10,224,520
Cash flows from capital and related financing activities:					
Acquisition of capital assets	$ -	$ (508,918)	$ -	$ -	$ (508,918)
Interest payments on loans	-	(77,865)	-	-	(77,865)
Principal payments on loans	-	(152,000)	-	-	(152,000)
Cash flows provided by (used for) capital and related financing activities	$ -	$ (738,783)	$ -	$ -	$ (738,783)
Cash flows from investing activities:					
Interest income	$ 2,558	$ 507	$ 12	$ -	$ 3,077
Net increase (decrease) in cash and cash equivalents	$ (111,016)	$ (42,249)	$ (360)	$ -	$ (153,625)
Cash and cash equivalents, beginning of year	3,767,215	1,121,975	125,513	-	5,014,703
Cash and cash equivalents, end of year	$ 3,656,199	$ 1,079,726	$ 125,153	$ -	$ 4,861,078
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ (9,714,829)	$ (200,206)	$ (12,598)	$ 447,942	$ (9,479,691)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	96,615	143,375	-	-	239,990
OPEB	317,715	-	-	-	317,715
Net GASB 68 pension activity	(393,724)	-	-	-	(393,724)
Changes in assets and liabilities:					
Accounts receivable and accrued revenue	9,511	333	-	(333)	9,511
Prepaid items	43,241	-	(4,659)	38,891	77,473
Accounts payable and accrued expenses	(193,559)	-	-	333	(193,226)
Compensated absences	(7,710)	-	-	-	(7,710)
Unearned revenue	161,363	23,516	15,375	(38,891)	161,363
Other current liabilities	(374,140)	-	-	-	(374,140)
Cash flows provided by (used for) operating activities	$ (10,055,517)	$ (32,982)	$ (1,882)	$ 447,942	$ (9,642,439)

- Compliance -

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
Colonial Behavioral Health
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing 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 Colonial Behavioral Health, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Colonial Behavioral Health's basic financial statements and have issued our report thereon dated November 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Colonial Behavioral Health'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 Colonial Behavioral Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Colonial Behavioral Health's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 25, 2015

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Directors
Colonial Behavioral Health
Williamsburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited Colonial Behavioral Health's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Colonial Behavioral Health's major federal programs for the year ended June 30, 2015. Colonial Behavioral Health's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Colonial Behavioral Health's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 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 Colonial Behavioral Health's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Colonial Behavioral Health 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, 2015.

Report on Internal Control over Compliance

Management of Colonial Behavioral Health 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 Colonial Behavioral Health's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Colonial Behavioral Health'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 25, 2015

COLONIAL BEHAVIORAL HEALTH

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-though Entity Identifying Number	Expenditures
Department of Health and Human Services:			
Pass through payments:			
Virginia Department of Behavioral Health and Developmental Services			
Block Grants for Community Mental Health Services	93.958	Not available	$ 49,191
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not available	420,937
Total Department of Health and Human Services			$ 470,128
Department of Education:			
Pass through payments:			
Virginia Department of Behavioral Health and Developmental Services			
Special Education - Grants for Infants and Families	84.181	Not available	$ 266,369
Total Expenditures of Federal Awards			$ 736,497

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Colonial Behavioral Health under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Colonial Behavioral Health, it is not intended to and does not present the financial position, changes in net position, or cash flows of Colonial Behavioral Health. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for States, Local and Indian Tribal Governments wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note B - Summary of Significant Accounting Policies

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

(2) Pass-through entity identifying numbers are presented where available

COLONIAL BEHAVIORAL HEALTH

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I - Summary of Auditors' 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?	No
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 Circular A-133, Section .510 (a)?	No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

COLONIAL BEHAVIORAL HEALTH

Schedule of Prior Year Findings
Year Ended June 30, 2015

There were no items reported.