SOUTHSIDE BEHAVIORAL HEALTH

SOUTHSIDE BEHAVIORAL HEALTH

FINANCIAL REPORT

June 30, 2022

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DIRECTORY OF PRINCIPAL OFFICIALS

JUNE 30, 2022

BOARD OF DIRECTORS

Frances Clark – Chair

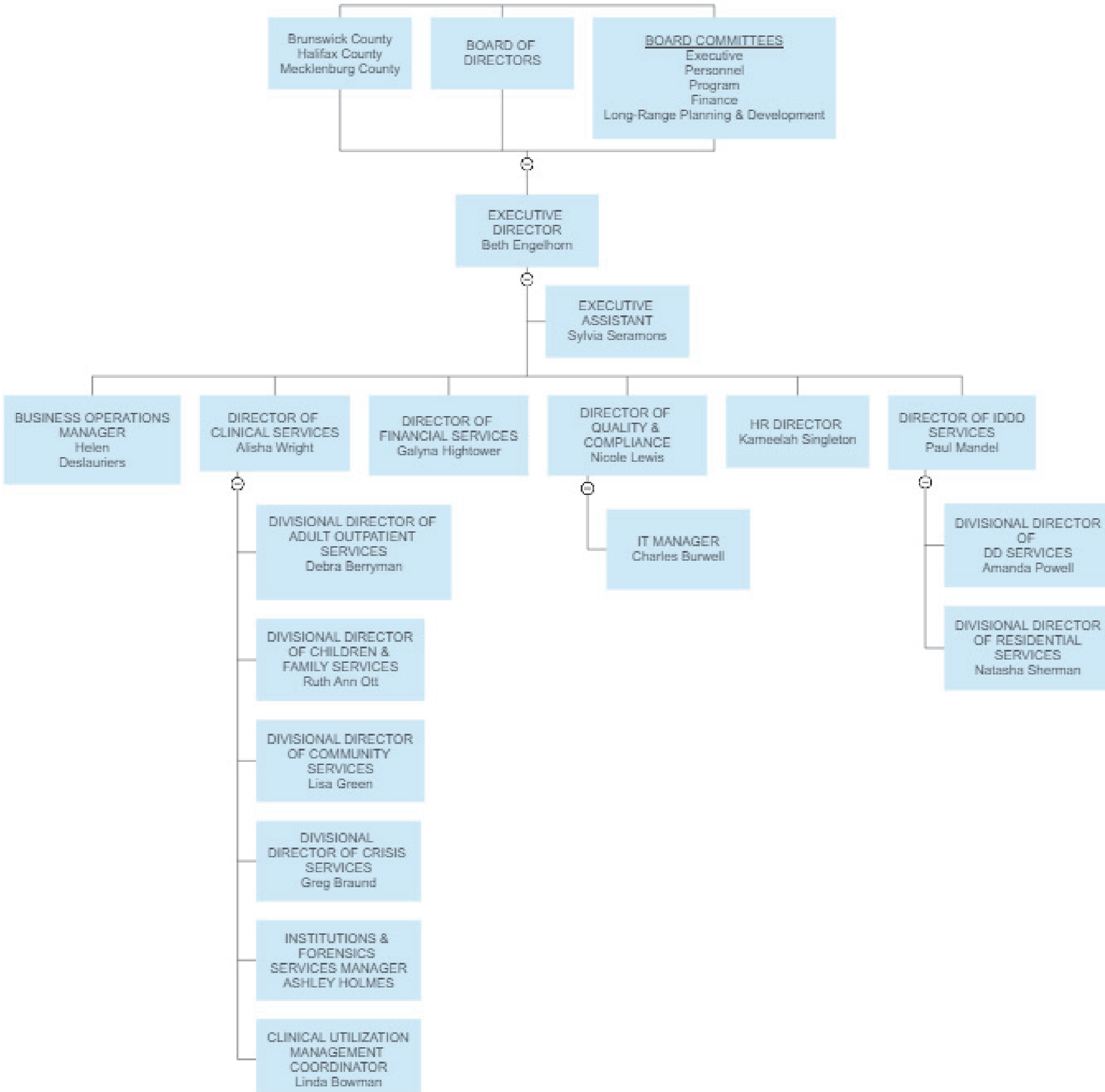
Joe Trickey, Jr. – Vice-Chair

Betty Adams – Secretary

Evella Hutcheson – Treasurer

Joan Bowers	Earl Jarrell	Winona Proffitt
Ivan Hargrove		Patricia Thomas

SOUTHSIDE BEHAVIORAL HEALTH



FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants
CPAs | CONSULTANTS

Independent Auditors' Report

To the Board of Directors
Southside Behavioral Health
Clarksville, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Southside Behavioral Health, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Southside Behavioral Health's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of Southside Behavioral Health, as of June 30, 2022, and the 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southside Behavioral Health, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southside Behavioral Health's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Southside Behavioral Health's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southside Behavioral Health's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Southside Community Services financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southside Behavioral Health's basic financial statements. The accompanying other supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022, on our consideration of Southside 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southside Behavioral Health's 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 Southside Behavioral Health's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 18, 2022

Southside Behavioral Health organization provides services in a professional manner based on individualized, culturally competent care that supports wellness and quality of life in a recovery-oriented environment.

The operational efficiency and effectiveness of Southside Behavioral Health (SBH) are of great interest to the general public in Southside Virginia. While oversight responsibility of SBH services rests with the Virginia Department of Behavioral Health and Developmental Services, operational responsibility rests with the Board of Directors of Southside Behavioral Health and the Executive Director (including the Board's top management team). Also, the Boards of Supervisors of Brunswick, Halifax, and Mecklenburg Counties are included in the oversight tasks. All members of the Board of Directors are appointed by the respective counties Boards of Supervisors.

An essential part of the overall management responsibility is the issuance of an annual Financial Audit conducted by an independent, certified public accounting firm. This document summarizes the financial operations conducted during the course of State Fiscal Year which ended June 30, 2022.

Monthly financial statements are prepared by SBH's financial department and presented to the full Board of Directors.

Annual budgets and performance contracts reflect operational plans for continuity of services in mental health, developmental disabilities, substance use disorder, and prevention of substance misuse and suicide. It is management's responsibility to ensure that qualified staff are employed and engaged in the provision of needed services.

Beginning with 2019 fiscal year, all operating community service boards and behavioral health authorities (CSBs) governed by the Virginia Department of Behavioral Health and Developmental Services (DBHDS) performance contract, are required to maintain a reserve sufficient to cover two months of personnel and operating expenses for the CSB. On June 30, 2022, SBH's calculated reserve included approximately five months of personnel and operating expenses.

In March 2020 due to the coronavirus, COVID-19, a national emergency was declared. This emergency continues and concerns related to the spread and impact of COVID-19 are still substantial. The actions to contain and suppress the virus significantly changed SBH's business and operations. The main focus of SBH still is minimization of exposure to the virus, a sustainability of a safe environment for clients and employees, the continuation of services, an attraction and retention of a skilled workforce, and preservation of financial stability.

In accordance with CDC guidelines, the agency continues to follow steps to minimize exposure to COVID-19: use of PPE, social distancing, extensive cleaning, and other vigorous measures to ensure a safe and secure work environment. In addition, Telehealth and Telework were put into practice in accordance with State guidelines.

Management continues monitoring the situation closely and adjusting operations accordingly.

These measures continue to allow our agency to provide services and business operations although there has been a financial impact on the agency as a whole.

Funding Analysis

Over the past year, there were several changes in SBH's funding that primarily resulted from the following:

1. Mental Health
    a. Continue to develop Permanent Supportive Housing program.
    b. Ensure that the number of individuals attending Psychosocial Rehab meet ratios for staffing.
    c. Same Day Access should be evaluated to ensure client needs are being met.
    d. Continue to work with local school districts to increase access to services in the school system.
2. Developmental Disabilities
    a. Continue to develop workforce for case management, day support programs and residential programs.
    b. Continue to develop programing for day support programs and community engagement to build community based services.
    c. Continue growth in the number of individuals receiving Early Intervention Services.
3. Substance Use Disorder
    a. Continue capacity building of Southside Wellness Coalition to provide training and education to the community.
    b. Continue providing virtual suicide and substance misuse prevention trainings.
    c. Continue to provide Drug Court Services.
    d. Continue to build services for opiate addiction and other substances in the area and find increased funding.

The Board's three disability programs' total funding is as follows:

	2022	2021	2022 (Decrease) Increase to 2021%
Mental Health	$ 7,873,142	$ 6,477,133	21.55 %
Developmental Disabilities	5,195,030	5,695,911	(8.79)
Substance Use Disorder	1,657,841	1,341,376	23.59
Annual Totals	$ 14,726,013	$ 13,514,420	8.97 %

Other items, included in the fiscal year revenue, are HUD projects revenue, interest revenue, gain or loss on sale of asset, and other miscellaneous items.

Financial Analysis

It should be noted that SBH does not carry any long-term liabilities on its Statement of Net Position except for the net postemployment benefit liability, which is a result of no outstanding debt incurred from previously borrowed money.

Over the past years, all capital outlays have been absorbed through either annual operational cost and/or net position.

Net position is an excellent barometer of SBH's current financial position. The following condensed summary of SBH's statement of net position and operations for the years ending June 30, 2021, and June 30, 2020, lists net position at $11,738,287 and $10,980,046 with respective changes in net position of $758,241 and $41,930.

SBH's cash position increased approximately fourteen percent, mainly due to a decrease of operating expenses and an increase of funding from state and federal governments.

Financial Summary

Financial Position: A summary of the Board's Statement of Net Position as of June 30, 2022 and June 30, 2021 is presented below:

Condensed Combined Statement of Net Position

	2022	2021
Assets		
Current assets	$ 8,226,229	$ 7,354,877
Current restricted	221,659	178,319
Capital assets (net of accumulated depreciation)	5,698,395	-
Net pension asset	2,807,331	5,860,791
Total assets	$ 16,953,614	$ 13,393,987
Deferred Outflows of Resources		
Pension related items	$ 836,248	$ 1,158,704
OPEB related items	141,026	169,040
Total deferred outflow of resources	$ 977,274	$ 1,327,744
Liabilities		
Current liabilities	$ 2,632,784	$ 2,060,049
Restricted	43,932	48,258
Net pension liability	-	607,689
Net OPEB liabilities	441,797	670,842
Total liabilities	$ 3,118,513	$ 3,386,838
Deferred Inflows of Resources		
Pension related items	$ 2,853,198	$ 300,461
OPEB related items	220,890	54,386
Total deferred inflow of resources	3,074,088	354,847
Net Position		
Net investment in capital assets	$ 5,698,395	$ 5,860,791
Restricted	4,588,294	1,780,963
Unrestricted	1,451,598	3,338,292
	$ 11,738,287	$ 10,980,046

Summary of Operations and Changes in Net Position

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

		2022		2021
Operating revenues	$	7,947,056	$	7,824,959
Operating expenses		14,172,063		13,627,380
Operating income (loss)	$	(6,225,007)	$	(5,802,421)
Net nonoperating income		6,983,248		5,844,351
Change in net position	$	758,241	$	41,930

Operating Revenue is the amount of revenue received from providing services to the individuals. The vast majority of that revenue, approximately 97.87% in 2022 fiscal year, was received from Medicaid (see Note 8). The gradual migration to Medicaid revenues will no longer allow management to provide services based only on state or federal program funding. Medicaid payments are becoming the largest source of the Board's revenue (52.09% in fiscal year 2022). Overall, Operating Revenue increased approximately 1.56% mainly due to increase in services provided such as psychiatric services and residential services.

Operating Expenses are the sum of direct and indirect costs of operating SBH. These include salaries and benefits, occupancy, payments to contracting entities, depreciation, etc. See the full Statement of Revenues, Expenses, and Changes in Fund Net Position for a complete breakdown of these expenditures for 2022 and 2021 fiscal years. During 2022 fiscal year, Operating Expenses increased approximately by 4%. The increase is primarily attributed to hiring of workforce which lead to a increase in personnel and other operating expenses.

Analysis of Cash Flows

There was a net increase of $924,600 in cash and cash equivalents for the year ending June 30, 2022, compared to a net increase of $1,403,894 for the year ending June 30, 2021. This increase mainly attributed to a reduction in payments for goods and services, payments to employees, and an increase in contributions from federal and local government. During 2022 fiscal year, the contributions from state, federal, and local governments increased by 20.07%.

During 2022 fiscal year, interest earned on investments increased when compared to 2021 fiscal year. The SBH continued to invest in the same sources in 2022 as in 2021. Earnings from these investments were $10,026 in 2022 and $6,688 in 2021.

Condensed Combined Statement of Cash Flows

		2022		2021
Cash flows from operating activities	$	(6,307,304)	$	(4,986,597)
Cash flows from noncapital financing activities		7,458,803		6,542,507
Cash flows from capital and related financing activities		(236,925)		(158,704)
Cash flows from investing activities		10,026		6,688
Net cash increase (decrease)	$	924,600	$	1,403,894

Capital Assets

SBH's net capital assets decreased by $162,396 in 2022 from 2021 and decreased by $364,396 in 2021 from 2020.

The assets which are no longer in service were removed from the Capital Assets.

The financial position of SBH is measured in terms of resources (assets) it owns and obligations (liabilities) it owes on a given date. This strong liquidity and lack of debt shows our financial position to be robust and secure.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Galyna Hightower, Financial Services Director, Southside Behavioral Health, 143 Industrial Parkway, Clarksville, Virginia 23927.

Basic Financial Statements

SOUTHSIDE BEHAVIORAL HEALTH

Statement of Net Position
At June 30, 2022
(With Comparative Totals for 2021)

		2022		2021
ASSETS				
Current Assets:				
Cash and cash equivalents (Note 2)	$	7,275,796	$	6,394,536
Accounts receivable, net (Note 3)		743,004		770,737
Other receivables		41,304		58,617
Prepaid expenses and other		166,125		130,987
Cash and cash equivalents, restricted (Note 2)		221,659		178,319
Total current assets	$	8,447,888	$	7,533,196
Capital Assets:				
Capital assets, net (Note 4)	$	5,698,395	$	5,860,791
Other Assets:				
Net pension asset (Note 5)	$	2,807,331	$	-
Total assets	$	16,953,614	$	13,393,987
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items (Note 5)	$	836,248	$	1,158,704
OPEB related items (Note 8)		141,026		169,040
Total deferred outflows of resources	$	977,274	$	1,327,744
LIABILITIES				
Current Liabilities:				
Accounts payable	$	206,292	$	185,219
Accrued payroll and related liabilities		372,493		369,220
Other liabilities		5,949		6,389
Unearned revenue		1,644,950		1,166,127
Amounts held for clients, payable from restricted assets		43,932		48,258
Compensated absences		403,100		333,094
Total current liabilities	$	2,676,716	$	2,108,307
Long-Term Liabilities:				
Net pension liability (Note 5)	$	-	$	607,689
Net OPEB liabilities (Note 8)		441,797		670,842
Total long-term liabilities	$	441,797	$	1,278,531
Total liabilities	$	3,118,513	$	3,386,838
DEFERRED INFLOWS OF RESOURCES				
Pension related items (Note 5)	$	2,853,198	$	300,461
OPEB related items (Note 8)		220,890		54,386
Total deferred inflows of resources	$	3,074,088	$	354,847
NET POSITION				
Investment in capital assets	$	5,698,395	$	5,860,791
Restricted				
Net pension asset		2,807,331		-
HUD advance		1,780,963		1,780,963
Unrestricted		1,451,598		3,338,292
Total net position	$	11,738,287	$	10,980,046

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

SOUTHSIDE BEHAVIORAL HEALTH

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Operating revenues:		
Net patient service revenue	$ 7,947,056	$ 7,824,959
Operating expenses:		
Salaries and benefits	$ 10,079,181	$ 10,160,111
Staff development and recruitment	96,193	46,567
Facility	530,806	525,380
Supplies	514,600	507,136
Travel	63,961	33,761
Client Services	1,558,672	1,360,040
Contractual and professional services	353,142	300,028
Rentals and leases	17,155	48,237
Insurance	150,801	139,991
Depreciation	399,321	385,810
Other	408,231	120,319
Total operating expenses	$ 14,172,063	$ 13,627,380
Operating loss	$ (6,225,007)	$ (5,802,421)
Nonoperating revenues (expenses):		
Commonwealth of Virginia grants	$ 5,070,730	$ 4,253,011
Federal grants	1,123,933	929,504
Contributions from participating local governments (Note 11)	508,023	399,638
Interest income	10,026	6,688
Rental income	243,259	271,627
Gain on sale of assets	-	800
Impairment loss	-	(138,090)
Other income	27,277	121,173
Net nonoperating revenues (expenses)	$ 6,983,248	$ 5,844,351
Change in net position	$ 758,241	$ 41,930
Net position, beginning of year	10,980,046	10,938,116
Net position, end of year	$ 11,738,287	$ 10,980,046

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

Statement of Cash Flows
Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Receipts from customers	$ 7,992,102	$ 8,282,265
Payments to suppliers	(3,719,150)	(3,141,917)
Payments to and for employees	(10,580,256)	(10,145,834)
Other receipts (payments)	-	18,889
Net cash flows provided by (used for) operating activities	$ (6,307,304)	$ (4,986,597)
Cash flows from noncapital financing activities:		
Government grants	$ 7,181,509	$ 6,140,972
Other	277,294	401,535
Net cash flows provided by (used for) noncapital financing activities	$ 7,458,803	$ 6,542,507
Cash flows from capital and related financing activities:		
Acquisition of capital assets	$ (236,925)	$ (159,504)
Proceeds from the sale of capital assets	-	800
Net cash flows provided by (used for) capital and related financing activities	$ (236,925)	$ (158,704)
Cash flows from investing activities:		
Interest income	$ 10,026	$ 6,688
Net increase (decrease) in cash and cash equivalents	$ 924,600	$ 1,403,894
Cash and cash equivalents, beginning of year	6,572,855	5,168,961
Cash and cash equivalents, end of year	$ 7,497,455	$ 6,572,855
Reconciliation to Statement of Net Position		
Cash and cash equivalents	$ 7,275,796	$ 6,394,536
Cash and cash equivalents, restricted	221,659	178,319
	$ 7,497,455	$ 6,572,855
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (6,225,007)	$ (5,802,421)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	399,321	385,810
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net	27,733	457,814
Other receivables	17,313	-
Prepaid expenses and other	(35,138)	1,546
Deferred outflows of resources - pension related	322,456	30,085
Deferred outflows of resources - OPEB related	28,014	(18,286)
Accounts payable	9,989	(14,694)
Accrued payroll and related liabilities	3,273	64,718
Other liabilities	(440)	18,889
Compensated absences	70,006	(110,058)
Net pension liability	(3,415,020)	-
Net OPEB liability	(229,045)	-
Deferred inflows of resources - pension related	2,552,737	-
Deferred inflows of resources - OPEB related	166,504	-
Cash flows provided by (used for) operating activities	$ (6,307,304)	$ (4,986,597)

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

Note 1 – Summary of Significant Accounting Policies:

A. Financial Reporting Entity

Southside Behavioral Health (the "Board") is a jointly governed entity that operates as an agent for the Counties of Brunswick, Halifax, and Mecklenburg in the establishment and operation of treatment programs for community mental health disorders, developmental disabilities, and substance abuse disorders as provided for in Chapter 5 of Title 37.2 of the *Code of Virginia* (1950), as amended, relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Board provides treatment of community mental health disorders, developmental disabilities, and substance abuse disorders with a system of services that relates to, and is integrated with, existing and planned programs. Substantially all of the Board's funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the aforementioned localities.

B. Blended Component Units

The following blended component units, although legally separate entities, are in substance part of the Board's operations, and so financial information from these units are combined with the financial statements of the Board. The Board can impose its will over these organizations and is financially accountable for them.

Alberta Manor, Inc. ("Alberta"), Gateway – Halifax Apartments, Inc. ("Gateway"), Brandon Home, Inc. ("Brandon"), and Marc of Virginia, Inc. ("Marc") are not-for-profit organizations exempt from income tax under Section 501(c)(3) of the *Internal Revenue Code*. Alberta, Gateway, Brandon, and Marc were organized to own and operate facilities for developmentally disabled and/or handicapped individuals as a Section 811 project under the National Affordable Housing Act.

Southside Behavioral Health System, Inc. ("SBHS, Inc.") is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the *Internal Revenue Code*. SBHS, Inc. was organized to assist in generating donations for the Board.

C. Measurement Focus and Basis of Accounting

The Board is a governmental health care entity and follows the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). The Board's financial statements consist of a single enterprise fund, which includes the blended component units previously described, and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Note 1 – Summary of Significant Accounting Policies: (Continued)

D. Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities as well as the reported revenues and expenses. Actual results could differ from those estimates.

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

E. Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

F. Valuation of Receivables

Receivables are reported net of the estimated allowance for uncollectible accounts. Management estimates this allowance using historical collection data and the aging of accounts receivable.

G. Net Client Service Revenue

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

H. Financial Assistance

The Board is required to collect the cost of services from third party sources and those individuals who are able to pay. However, amounts charged vary based on individual circumstances and unpaid balances are pursued to the extent of the clients ability to pay. The Board 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 the Board does not pursue the collection of amounts determined to qualify for financial assistance, such amounts are not reported as revenue.

I. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets, and are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

As the Board constructs or acquires capital assets each period, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which

Note 1 – Summary of Significant Accounting Policies: (Continued)

I. Capital Assets: (Continued)

are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the Board are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-31 years
Furniture and equipment	5-10 years
Software	3-5 years
Motor vehicles	5 years

J. Restricted Assets

The Board segregates funds held on behalf of clients and for deposit reserves required by the US Department of Housing and Urban Development (HUD) for replacement of property and other expenditures at Alberta, Gateway, Brandon, and Marc.

K. Pensions

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

L. Other Postemployment Benefits (OPEB)

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Board's deferred outflows of resources are comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

Note 1 – Summary of Significant Accounting Policies: (Continued)

M. Deferred Outflows/Inflows of Resources: (Continued)

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board's deferred inflows of resources are comprised of certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

N. 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 restricted funds and earmarked funds attached to specific clients. Revenue is recorded when expenses are incurred in accordance with the grantor's requirements. If expenses are not incurred, the funds may revert back to the grantor.

O. Compensated Absences

Employees are entitled to certain compensated absences based upon length of employment. Vacation and certain other compensated absences do vest with the employee. A provision for these vested compensated absences has been recorded in the financial statements. Because the timing of the use of the benefit is not estimable, all of the liability has been classified as current.

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Amount Due Within One Year
Compensated absences	$ 333,094	$ 199,856	$ 129,850	$ 403,100	$ 403,100

P. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Note 1 – Summary of Significant Accounting Policies: (Continued)

P. Net Position: (Continued)

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Q. Comparative Information

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

Note 2 - Deposits and Investments:

Deposits

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

Investments

Statutes authorize local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk

At June 30, 2022, the Board's investments were all in the LGIP, which has been assigned a credit rating of AAAm by Standard & Poor's (S&P).

At June 30, 2022, the Board had no significant exposure to interest rate, foreign currency, or concentration of credit risks.

Note 2 - Deposits and Investments: (Continued)

Credit Risk: (Continued)

Cash on hand	$ 1,265
Deposits	6,046,087
Local Government Investment Pool	1,450,103
	$ 7,497,455
Statement of net position:	
Cash and cash equivalents	$ 7,275,796
Cash and cash equivalents, restricted	221,659
	$ 7,497,455

Note 3 – Accounts Receivable:

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	$ 697,090
Direct client	58,304
Third-party insurers and other	232,805
	$ 988,199
Allowance for uncollectible accounts	(245,195)
	$ 743,004

Note 4 – Capital Assets:

Capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in progress	$ -	$ 36,820	$ -	$ 36,820
Land	793,157	-	-	793,157
Total capital assets not being depreciated	$ 793,157	$ 36,820	$ -	$ 829,977
Capital assets being depreciated:				
Land improvements	$ 34,644	$ 11,237	$ -	$ 45,881
Building and improvements	12,893,103	-	-	12,893,103
Furniture, fixtures and equipment	582,286	-	-	582,286
Vehicles	1,120,658	188,868	-	1,309,526
Total capital assets being depreciated	$ 14,630,691	$ 200,105	$ -	$ 14,830,796
Accumulated depreciation:				
Land improvements	$ -	$ (313)	$ -	$ (313)
Building and improvements	(7,902,852)	(368,434)	-	(8,271,286)
Furniture, fixtures and equipment	(577,776)	(1,927)	-	(579,703)
Vehicles	(1,082,429)	(28,647)	-	(1,111,076)
Total accumulated depreciation	$ (9,563,057)	$ (399,321)	$ -	$ (9,962,378)
Net capital assets being depreciated	$ 5,067,634	$ (199,216)	$ -	$ 4,868,418
Net capital assets	$ 5,860,791	$ (162,396)	$ -	$ 5,698,395

Note 5 – Pension Plan:

Plan Description

All full-time, salaried permanent employees of Southside Behavioral Health are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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.

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 5 – Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	76
Inactive members:	
Vested inactive members	32
Non-vested inactive members	63
Long-term disability (LTD)	-
Inactive members active elsewhere in VRS	32
Total inactive members	127
Active members	188
Total covered employees	391

Note 5 – Pension Plan: (Continued)

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.

Southside Behavioral Health's contractually required employer contribution rate for the year ended June 30, 2022 was 4.76% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Southside Behavioral Health were $282,534 and $297,306 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Southside Behavioral Health, the net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in Southside Behavioral Health's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Note 5 – Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service-related

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 5 – Pension Plan: (Continued)

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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for

Note 5 – Pension Plan: (Continued)

Discount Rate: (Continued)

state and teacher employer contributions; Southside Behavioral Health was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	$ 20,643,907	$ 20,036,218	$ 607,689
Changes for the year:			
Service cost	$ 668,836	$ -	$ 668,836
Interest	1,362,369	-	1,362,369
Differences between expected and actual experience	(24,325)	-	(24,325)
Assumption changes	641,757	-	641,757
Contributions - employer	-	276,432	(276,432)
Contributions - employee	-	322,445	(322,445)
Net investment income	-	5,477,844	(5,477,844)
Benefit payments, including refunds	(921,336)	(921,336)	-
Administrative expenses	-	(13,581)	13,581
Other changes	-	517	(517)
Net changes	$ 1,727,301	$ 5,142,321	$ (3,415,020)
Balances at June 30, 2021	$ 22,371,208	$ 25,178,539	$ (2,807,331)

Note 5 – Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Southside Behavioral Health's Net Pension Liability (Asset)	95,509	(2,807,331)	(5,198,271)

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

For the year ended June 30, 2022, Southside Behavioral Health recognized pension expense of $(278,167). At June 30, 2022, Southside 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
Differences between expected and actual experience	$ -	$ 120,830
Change in assumptions	553,714	-
Net difference between projected and actual earnings on pension plan investments	-	2,732,368
Employer contributions subsequent to the measurement date	282,534	-
Total	$ 836,248	$ 2,853,198

Note 5 – Pension Plan: (Continued)

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

$282,534 reported as deferred outflows of resources related to pensions resulting from Southside Behavioral Health's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30		
2023	$	(435,230)
2024		(464,924)
2025		(571,987)
2026		(827,343)
2027		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 6 – Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Note 6 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were $39,534 and $40,241 for the years ended June 30, 2022 and June 30, 2021, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2022, the entity reported a liability of $424,959 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.0365% as compared to 0.0369% at June 30, 2020.

Note 6 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of $16,830. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 48,468	$ 3,238
Net difference between projected and actual earnings on GLI OPEB plan investments	-	101,429
Change in assumptions	23,428	58,143
Changes in proportionate share	11,192	12,641
Employer contributions subsequent to the measurement date	39,534	-
Total	$ 122,622	$ 175,451

$39,534 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2023	$ (21,515)
2024	(17,664)
2025	(16,087)
2026	(30,565)
2027	(6,532)
Thereafter	-

Note 6 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 6 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	$	1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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

Note 6 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 6 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Southside Behavioral Health's proportionate share of the GLI Plan Net OPEB Liability	620,881	424,959	266,743

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 7 – Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Note 7 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	31
Inactive members:	
Vested inactive members	6
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	37
Active members	188
Total covered employees	225

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. Southside Behavioral Health's contractually required employer contribution rate for the year ended June 30, 2022 was 0.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Southside Behavioral Health to the HIC Plan were $11,650 and $11,522 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately $2.5 million of additional employer contributions in FY 2021.

Note 7 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Net HIC OPEB Liability

Southside Behavioral Health's net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 7 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investement Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

Note 7 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return: (Continued)

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2020	$ 276,809	$ 221,433	$ 55,376
Changes for the year:			
Service cost	$ 7,908	$ -	$ 7,908
Interest	18,179	-	18,179
Differences between expected and actual experience	824	-	824
Assumption changes	3,162	-	3,162
Contributions - employer	-	11,435	(11,435)
Net investment income	-	57,853	(57,853)
Benefit payments	(14,981)	(14,981)	-
Administrative expenses	-	(677)	677
Net changes	$ 15,092	$ 53,630.00	$ (38,538)
Balances at June 30, 2021	$ 291,901	$ 275,063	$ 16,838

Note 7 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Sensitivity of Southside Behavioral Health's HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Southside Behavioral Health's Net HIC OPEB Liability	49,373	16,838	(10,681)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2022, Southside Behavioral Health recognized HIC Plan OPEB expense of $304. At June 30, 2022, Southside Behavioral Health reported deferred outflows of resources and deferred inflows of resources related to Southside Behavioral Health's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 684	$ 15,559
Net difference between projected and actual earnings on HIC OPEB plan investments	-	27,915
Change in assumptions	6,070	1,965
Employer contributions subsequent to the measurement date	11,650	-
Total	$ 18,404	$ 45,439

Note 7 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB: (Continued)

$11,650 reported as deferred outflows of resources related to the HIC OPEB resulting from Southside Behavioral Health's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30		
2023	$	(10,139)
2024		(9,794)
2025		(8,738)
2026		(10,529)
2027		515
Thereafter		-

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8 – Aggregate OPEB Information:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan (Note 6)	$ 122,622	$ 175,451	$ 424,959	$ 16,830
Health Insurance Credit Plan (Note 7)	18,404	45,439	16,838	304
Totals	$ 141,026	$ 220,890	$ 441,797	$ 17,134

Note 9 – Other Postemployment Benefits—Health Insurance Supplement:

Employees, upon retirement with 20 years of service with the Board and meeting certain other criteria, are eligible to receive a monthly health insurance supplement. For the year ended June 30, 2022, there were five persons covered under this plan and benefits totaling $4,386 were paid during the year. The health insurance supplement for retirees is no longer offered to new retirees effective January 1, 2014.

Note 10 – Net Client Service Revenue:

Net client revenues arose from the following sources:

Medicaid	$	7,777,809
Third-party, direct client fees, and other		169,247
Total	$	7,947,056

Note 11 – Contributions from Participating Local Governments:

Contributions from participating local governments were as follows:

County of Halifax	$	211,875
County of Mecklenburg		213,713
County of Brunswick		82,435
Total	$	508,023

Note 12 – Other Income:

Other income arose from the following sources:

Insurance proceeds	$	1,421
Donations and other grants		3,307
Management fees		16,932
Miscellaneous		5,617
Total		27,277

Note 13 – Commitments and Contingencies:

Contingencies

Certain state and federal grants and programs are subject to audit to determine compliance with their requirements. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 14 – Risk Management:

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; the health of and injuries to employees, and natural disasters. The Board has coverages of $30,013,531 for property, $1,000,000 for directors' and officers' liability, and $2,400,000 for professional liability policies. Workers' compensation covers are for $1,000,000. There are no surety bonds for directors. The Board assumes risks related to co-insurance, policy deductibles, and claims which exceed insurance coverage. There have been no settlements that have exceeded the insurance coverage in the last three years.

Note 15 – New Accounting Standards:

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62,* provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019	2018
Total pension liability:				
Service cost	$ 668,836	$ 643,943	$ 612,950	$ 651,467
Interest	1,362,369	1,309,638	1,262,300	1,194,917
Differences between expected and actual experience	(24,325)	(164,943)	(175,003)	(145,296)
Changes of assumptions	641,757	-	588,802	-
Benefit payments	(921,336)	(1,093,547)	(746,168)	(730,804)
Net change in total pension liability	$ 1,727,301	$ 695,091	$ 1,542,881	$ 970,284
Total pension liability - beginning	20,643,907	19,948,816	18,405,935	17,435,651
Total pension liability - ending (a)	$ 22,371,208	$ 20,643,907	$ 19,948,816	$ 18,405,935
Plan fiduciary net position:				
Contributions - employer	$ 276,432	$ 304,774	$ 308,933	$ 405,364
Contributions - employee	322,445	332,439	328,403	320,194
Net investment income	5,477,844	387,867	1,273,354	1,314,172
Benefit payments	(921,336)	(1,093,547)	(746,168)	(730,804)
Administrator charges	(13,581)	(13,187)	(12,398)	(11,141)
Other	517	(452)	(803)	(1,588)
Net change in plan fiduciary net position	$ 5,142,321	$ (82,106)	$ 1,151,321	$ 1,296,197
Plan fiduciary net position - beginning	20,036,218	20,118,324	18,967,003	17,670,806
Plan fiduciary net position - ending (b)	$ 25,178,539	$ 20,036,218	$ 20,118,324	$ 18,967,003
CBH's net pension liability (asset) - ending (a) - (b)	$ (2,807,331)	$ 607,689	$ (169,508)	$ (561,068)
Plan fiduciary net position as a percentage of the total pension liability	112.55%	97.06%	100.85%	103.05%
Covered payroll	$ 7,686,595	$ 6,348,328	$ 7,023,841	$ 6,818,628
CBH's net pension liability (asset) as a percentage of covered payroll	-36.52%	9.57%	-2.41%	-8.23%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2021 (Continued)

	2017	2016	2015	2014
Total pension liability:				
Service cost	$ 673,147	$ 706,260	$ 740,136	$ 710,187
Interest	1,169,856	1,090,678	1,026,037	945,168
Differences between expected and actual experience	(657,053)	1,726	(269,045)	-
Changes of assumptions	(99,143)	-	-	-
Benefit payments	(726,775)	(608,308)	(539,072)	(461,083)
Net change in total pension liability	$ 360,032	$ 1,190,356	$ 958,056	$ 1,194,272
Total pension liability - beginning	17,075,619	15,885,263	14,927,207	13,732,935
Total pension liability - ending (a)	$ 17,435,651	$ 17,075,619	$ 15,885,263	$ 14,927,207
Plan fiduciary net position:				
Contributions - employer	$ 414,682	$ 573,897	$ 579,205	$ 602,462
Contributions - employee	325,553	316,707	321,651	315,288
Net investment income	1,932,986	278,482	665,289	1,908,123
Benefit payments	(726,775)	(608,308)	(539,072)	(461,083)
Administrator charges	(10,948)	(9,233)	(8,610)	(9,795)
Other	(2,218)	(115)	(142)	100
Net change in plan fiduciary net position	$ 1,933,280	$ 551,430	$ 1,018,321	$ 2,355,095
Plan fiduciary net position - beginning	15,737,526	15,186,096	14,167,775	11,812,680
Plan fiduciary net position - ending (b)	$ 17,670,806	$ 15,737,526	$ 15,186,096	$ 14,167,775
CBH's net pension liability (asset) - ending (a) - (b)	$ (235,155)	$ 1,338,093	$ 699,167	$ 759,432
Plan fiduciary net position as a percentage of the total pension liability	101.35%	92.16%	95.60%	94.91%
Covered payroll	$ 7,439,570	$ 7,582,212	$ 6,533,095	$ 6,468,870
CBH's net pension liability (asset) as a percentage of covered payroll	-3.16%	17.65%	10.70%	11.74%

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Employer Contributions
Pension Plan
Years Ended June 30, 2015 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ 282,534	$ 282,534	$ -	$ 7,821,270	3.61%
2021	297,306	297,306	-	7,686,595	3.87%
2020	315,635	315,635	-	6,348,328	4.97%
2019	316,514	316,514	-	7,023,841	4.51%
2018	408,923	408,923	-	6,818,628	6.00%
2017	422,132	422,132	-	7,439,570	5.67%
2016	577,154	577,154	-	7,582,212	7.61%
2015	512,848	584,712	(71,864)	6,533,095	8.95%

* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Southside Behavioral Health's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.0365%	$ 424,959	$ 7,686,595	5.53%	67.45%
2020	0.0369%	615,466	6,348,238	9.70%	52.64%
2019	0.0364%	592,000	7,023,841	8.43%	52.00%
2018	0.0359%	546,000	6,818,628	8.01%	51.22%
2017	0.0372%	560,000	6,818,628	8.21%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
Years Ended June 30, 2018 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ 39,534	$ 39,534	$ -	$ 7,321,045	0.54%
2021	40,241	40,241	-	7,686,595	0.52%
2020	39,988	39,988	-	6,348,238	0.63%
2019	34,391	34,391	-	7,023,841	0.49%
2018	34,149	34,149	-	6,818,628	0.50%

Schedule is intended to show information for 10 years. Information prior to the FY2018 is not available. However, additional years will be included as they become available.

SOUTHSIDE BEHAVIORAL HEALTH

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Changes in the Southside Behavioral Health's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2021

	2021	2020	2019	2018	2017
Total HIC OPEB Liability					
Service cost	$ 7,908	$ 8,074	$ 7,441	$ 8,546	$ 8,064
Interest	18,179	18,373	18,066	17,417	16,881
Differences between expected and actual experience	3,162	(15,682)	(6,643)	(4,574)	-
Changes of assumptions	824	-	6,813	-	(7,580)
Benefit payments	(14,981)	(12,303)	(10,823)	(13,414)	(6,009)
Net change in total HIC OPEB liability	$ 15,092	$ (1,538)	$ 14,854	$ 7,975	$ 11,356
Total HIC OPEB Liability - beginning	276,809	278,347	263,493	255,518	244,162
Total HIC OPEB Liability - ending (a)	$ 291,901	$ 276,809	$ 278,347	$ 263,493	$ 255,518
Plan fiduciary net position					
Contributions - employer	$ 11,435	$ 13,889	$ 13,497	$ 14,347	$ 14,397
Net investment income	57,853	4,335	13,072	13,421	19,054
Benefit payments	(14,981)	(12,303)	(10,823)	(13,414)	(6,009)
Administrator charges	(677)	(424)	(288)	(319)	(322)
Other	-	(2)	(15)	(931)	931
Net change in plan fiduciary net position	$ 53,630	$ 5,495	$ 15,443	$ 13,104	$ 28,051
Plan fiduciary net position - beginning	221,433	215,938	200,495	187,391	159,340
Plan fiduciary net position - ending (b)	$ 275,063	$ 221,433	$ 215,938	$ 200,495	$ 187,391
Southside Behavioral Health's net HIC OPEB liability - ending (a) - (b)	$ 16,838	$ 55,376	$ 62,409	$ 62,998	$ 68,127
Plan fiduciary net position as a percentage of the total HIC OPEB liability	94.23%	79.99%	77.58%	76.09%	73.34%
Covered payroll	$ 7,686,595	$ 6,348,328	$ 7,023,841	$ 6,818,628	$ 7,439,570
Southside Behavioral Health's net HIC OPEB liability as a percentage of covered payroll	0.22%	0.87%	0.89%	0.92%	0.92%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
Years Ended June 30, 2018 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ 11,650	$ 11,650	$ -	$ 7,281,270	0.16%
2021	11,522	11,522	-	7,686,595	0.15%
2020	13,715	13,715	-	6,348,328	0.22%
2019	12,705	12,705	-	7,023,841	0.18%
2018	13,626	13,626	-	6,818,628	0.20%

Schedule is intended to show information for 10 years. Information prior to the FY2018 is not available. However, additional years will be included as they become available.

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 though June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Other Supplementary Information

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Net Position
At June 30, 2022

	Southside Behavioral Health	Alberta Manor, Inc.	Gateway - Halifax Apartments, Inc.	Brandon Homes, Inc.
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 7,271,249	$ -	$ -	$ -
Accounts receivable, net	741,293	178	1,533	-
Other receivables	41,304	-	-	-
Prepaid expenses and other	165,650	-	-	-
Advances to HUD component units	43,900	-	-	-
Cash and cash equivalents, restricted	43,932	73,532	45,381	11,090
Total current assets	$ 8,307,328	$ 73,710	$ 46,914	$ 11,090
Noncurrent Assets:				
Net pension asset	$ 2,807,331	$ -	$ -	$ -
Capital assets, net	5,302,903	172,925	59,162	54,510
Total noncurrent assets	$ 8,110,234	$ 172,925	$ 59,162	$ 54,510
Total assets	$ 16,417,562	$ 246,635	$ 106,076	$ 65,600
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 836,248	$ -	$ -	$ -
OPEB related items	141,026	-	-	-
Total deferred outflows of resources	$ 977,274	$ -	$ -	$ -
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 195,083	$ 25,442	$ 8,727	$ 14,266
Accrued payroll and related liabilities	372,493			
Other liabilities	-	1,684	1,733	894
Unearned revenue	1,644,950	-	-	-
Amounts held for clients, payable from restricted assets	43,932	-	-	-
Compensated absences	403,100	-	-	-
Total current liabilities	$ 2,659,558	$ 27,126	$ 10,460	$ 15,160
Long-Term Liabilities:				
Net OPEB liabilities	$ 441,797	$ -	$ -	$ -
Total liabilities	$ 3,101,355	$ 27,126	$ 10,460	$ 15,160
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 2,853,198	$ -	$ -	$ -
OPEB related items	220,890	-	-	-
Total deferred inflows of resources	$ 3,074,088	$ -	$ -	$ -
NET POSITION				
Investment in capital assets	$ 5,302,903	$ 172,925	$ 59,162	$ 54,510
Restricted				
Net pension asset	2,807,331	-	-	-
HUD advance	-	738,700	513,800	239,400
Unrestricted	3,109,159	(692,116)	(477,346)	(243,470)
Total net position	$ 11,219,393	$ 219,509	$ 95,616	$ 50,440

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Net Position
At June 30, 2022 (Continued)

	MARC of Virginia, Inc.	Southside Behavioral Health System Inc.	Inter-Company Eliminations	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ -	$ 4,547	$ -	$ 7,275,796
Accounts receivable, net	-	-	-	743,004
Other receivables	-	-	-	41,304
Prepaid expenses and other	-	475	-	166,125
Advances to HUD component units	-	-	(43,900)	-
Cash and cash equivalents, restricted	47,724	-	-	221,659
Total current assets	$ 47,724	$ 5,022	$ (43,900)	$ 8,447,888
Noncurrent Assets:				
Net pension asset	$ -	$ -	$ -	$ 2,807,331
Capital assets, net	108,895	-	-	5,698,395
Total noncurrent assets	$ 108,895	$ -	$ -	$ 8,505,726
Total assets	$ 156,619	$ 5,022	$ (43,900)	$ 16,953,614
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ -	$ -	$ -	$ 836,248
OPEB related items	-	-	-	141,026
Total deferred outflows of resources	$ -	$ -	$ -	$ 977,274
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 6,674	$ -	$ (43,900)	$ 206,292
Accrued payroll and related liabilities			-	372,493
Other liabilities	1,638	-	-	5,949
Unearned revenue	-	-	-	1,644,950
Amounts held for clients, payable from restricted assets	-	-	-	43,932
Compensated absences	-	-	-	403,100
Total current liabilities	$ 8,312	$ -	$ (43,900)	$ 2,676,716
Long-Term Liabilities:				
Net OPEB liabilities	$ -	$ -	$ -	$ 441,797
Total liabilities	$ 8,312	$ -	$ (43,900)	$ 3,118,513
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ -	$ -	$ -	$ 2,853,198
OPEB related items	-	-	-	220,890
Total deferred inflows of resources	$ -	$ -	$ -	$ 3,074,088
NET POSITION				
Net investment in capital assets	$ 108,895	$ -	$ -	$ 5,698,395
Restricted				
Net pension asset	-	-	-	2,807,331
HUD advance	289,063	-	-	1,780,963
Unrestricted	(249,651)	5,022	-	1,451,598
Total net position	$ 148,307	$ 5,022	$ -	$ 11,738,287

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

	Southside Behavioral Health	Alberta Manor, Inc.	Gateway - Halifax Apartments, Inc.	Brandon Homes, Inc.
Operating revenues:				
Net patient service revenue	$ 7,947,056	$ -	$ -	$ -
Operating expenses:				
Salaries and benefits	$ 10,037,215	$ 16,912	$ 15,335	$ -
Staff development and recruitment	96,193	-	-	-
Facility	445,586	25,336	19,439	12,379
Supplies	514,600	-	-	-
Travel	63,961	-	-	-
Client services	1,558,672	-	-	-
Contractual and professional services	341,042	4,250	3,000	2,375
Rentals and leases	17,155	-	-	-
Insurance	138,348	4,799	4,490	825
Depreciation	333,115	24,657	17,616	7,845
Other	390,566	225	477	202
Total operating expenses	$ 13,936,453	$ 76,179	$ 60,357	$ 23,626
Operating income (loss)	$ (5,989,397)	$ (76,179)	$ (60,357)	$ (23,626)
Nonoperating revenues (expenses):				
Commonwealth of Virginia grants	$ 5,070,730	$ -	$ -	$ -
Federal grants	1,123,933	-	-	-
Contributions from participating local governments	508,023	-	-	-
Interest income	9,883	47	35	10
Rental income	62,683	62,834	49,410	18,715
Other	23,970	-	-	-
Net nonoperating revenues (expenses)	$ 6,799,222	$ 62,881	$ 49,445	$ 18,725
Change in net position	$ 809,825	$ (13,298)	$ (10,912)	$ (4,901)
Net position, beginning of year	10,409,568	232,807	106,528	55,341
Net position, end of year	$ 11,219,393	$ 219,509	$ 95,616	$ 50,440

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022 (Continued)

	MARC of Virginia, Inc.	Southside Behavioral Health System Inc.	Inter-Company Eliminations	Total
Operating revenues:				
Net patient service revenue	$ -	$ -	$ -	$ 7,947,056
Operating expenses:				
Salaries and benefits	$ 9,719	$ -	$ -	$ 10,079,181
Staff development and recruitment	-	-	-	96,193
Facility	28,066	-	-	530,806
Supplies	-	-	-	514,600
Travel	-	-	-	63,961
Client services	-	-	-	1,558,672
Contractual and professional services	2,475	-	-	353,142
Rentals and leases	-	-	-	17,155
Insurance	2,339	-	-	150,801
Depreciation	16,088	-	-	399,321
Other	202	16,559	-	408,231
Total operating expenses	$ 58,889	$ 16,559	$ -	$ 14,172,063
Operating income (loss)	$ (58,889)	$ (16,559)	$ -	$ (6,225,007)
Nonoperating revenues (expenses):				
Commonwealth of Virginia grants	$ -	$ -	$ -	$ 5,070,730
Federal grants	-	-	-	1,123,933
Contributions from participating local governments	-	-	-	508,023
Interest income	43	8	-	10,026
Rental income	49,617	-	-	243,259
Other	-	3,307	-	27,277
Net nonoperating revenues (expenses)	$ 49,660	$ 3,315	$ -	$ 6,983,248
Change in net position	$ (9,229)	$ (13,244)	$ -	$ 758,241
Net position, beginning of year	157,536	18,266	-	10,980,046
Net position, end of year	$ 148,307	$ 5,022	$ -	$ 11,738,287

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Cash Flows
Year Ended June 30, 2022

	Southside Behavioral Health	Alberta Manor, Inc.	Gateway - Halifax Apartments, Inc.	Brandon Homes, Inc.
Cash flows from operating activities:				
Receipts from clients, private insurers, Medicaid, and others	$ 7,991,308	$ (176)	$ 970	$ -
Payments to suppliers	(3,591,272)	(34,709)	(27,406)	(15,781)
Payments to and for employees	(10,538,290)	(16,912)	(15,335)	-
Net cash flows provided by (used for) operating activities	$ (6,138,254)	$ (51,797)	$ (41,771)	$ (15,781)
Cash flows from noncapital financing activities:				
Contributions from local, state, and federal government	$ 7,181,509	$ -	$ -	$ -
Other receipts (expenses)	62,728	86,426	53,912	17,513
Net cash flows provided by (used for) noncapital financial activities	$ 7,244,237	$ 86,426	$ 53,912	$ 17,513
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	$ (225,688)	$ (11,237)	$ -	$ -
Net cash flows provided by (used for) capital and related financing activities	$ (225,688)	$ (11,237)	$ -	$ -
Cash flows from investing activities:				
Interest income	$ 9,883	$ 47	$ 35	$ 10
Net increase (decrease) in cash and cash equivalents	$ 890,178	$ 23,439	$ 12,176	$ 1,742
Cash and cash equivalents, beginning of year	6,425,003	50,093	33,205	9,348
Cash and cash equivalents, end of year	$ 7,315,181	$ 73,532	$ 45,381	$ 11,090
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (5,989,397)	$ (76,179)	$ (60,357)	$ (23,626)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	333,115	24,657	17,616	7,845
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable, net	26,939	(176)	970	-
Other receivables	17,313	-	-	-
Prepaid expenses and other	(35,138)	-	-	-
Deferred outflows of resources - pension related	322,456	-	-	-
Deferred outflows of resources - OPEB related	28,014	-	-	-
Accounts payable	9,989	-	-	-
Accrued payroll and related liabilities	3,273	-	-	-
Other liabilities	-	(99)	-	-
Compensated absences	70,006	-	-	-
Net pension liability/asset	(3,415,020)	-	-	-
Net OPEB liabilities	(229,045)	-	-	-
Deferred inflows of resources - pension related	2,552,737	-	-	-
Deferred inflows of resources - OPEB related	166,504	-	-	-
Cash flows provided by (used for) operating activities	$ (6,138,254)	$ (51,797)	$ (41,771)	$ (15,781)

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Cash Flows
Year Ended June 30, 2022 (Continued)

	MARC of Virginia, Inc.	Southside Behavioral Health System Inc.	Inter-Company Eliminations	Total
Cash flows from operating activities:				
Receipts from clients, private insurers, Medicaid, and others	$ -	$ -	$ -	$ 7,992,102
Payments to suppliers	(33,423)	(16,559)	-	(3,719,150)
Payments to and for employees	(9,719)	-	-	(10,580,256)
Net cash flows provided by (used for) operating activities	$ (43,142)	$ (16,559)	$ -	$ (6,307,304)
Cash flows from noncapital financing activities:				
Contributions from local, state, and federal government	$ -	$ -	$ -	$ 7,181,509
Other receipts (expenses)	53,408	3,307	-	277,294
Net cash flows provided by (used for) noncapital financial activities	$ 53,408	$ 3,307	$ -	$ 7,458,803
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	$ -	$ -	$ -	$ (236,925)
Net cash flows provided by (used for) capital and related financing activities	$ -	$ -	$ -	$ (236,925)
Cash flows from investing activities:				
Interest income	$ 43	$ 8	$ -	$ 10,026
Net increase (decrease) in cash and cash equivalents	$ 10,309	$ (13,244)	$ -	$ 924,600
Cash and cash equivalents, beginning of year	37,415	17,791	-	6,572,855
Cash and cash equivalents, end of year	$ 47,724	$ 4,547	$ -	$ 7,497,455
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (58,889)	$ (16,559)	$ -	$ (6,225,007)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	16,088	-	-	399,321
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable, net	-	-	-	27,733
Other receivables	-	-	-	17,313
Prepaid expenses and other	-	-	-	(35,138)
Deferred outflows of resources - pension related	-	-	-	322,456
Deferred outflows of resources - OPEB related	-	-	-	28,014
Accounts payable	-	-	-	9,989
Accrued payroll and related liabilities	-	-	-	3,273
Other liabilities	(341)	-	-	(440)
Compensated absences	-	-	-	70,006
Net pension liability/asset	-	-	-	(3,415,020)
Net OPEB liabilities	-	-	-	(229,045)
Deferred inflows of resources - pension related	-	-	-	2,552,737
Deferred inflows of resources - OPEB related	-	-	-	166,504
Cash flows provided by (used for) operating activities	$ (43,142)	$ (16,559)	$ -	$ (6,307,304)

SOUTHSIDE BEHAVIORAL HEALTH

SCHEDULE OF INSURANCE
Year Ended June 30, 2022

Insurance Coverage	Insurance Co./ Agent/Policy	Policy Period	Limits of Liability		Ded.	Annual Premium
Automobile Liability & Physical Damage	Co: VARisk2	7/1/21-22	BI/PD	$	$ 1,000	$ 13,412
	Ag:		Uninsured Motorist			
	Pol. #: G99E58		Medical Payments			
			Comprehensive			
			Collission			
Crime	Co: Philadelphia	7/1/21-22	Employee Dishonesty	200,000	2,500	694
	Ag: South Boston Ins		Money/Securities			
	Pol. #: PHPK1671152		Money Orders			
			Forgery or Alteration			
Commercial Crime	Co: Selective	8/10/21-24	Employee Theft	4,500 per loss	1,000	268
	Ag: The Andrew Agency					
	Pol. #: 00-06529-00000					
Electronic Data Processing	Co: Philadelphia	7/1/21-22	Hardware/Software	318,270	1,000	1,680
	Ag: South Boston Ins					
	Pol. #: PHPK1671152					
Medical Malpractice	Co: VARisk2	7/1/21-22	Occurance	2,400,000	1,000	2,659
	Ag:		Aggregate	Unlimited		
	Pol. #: G99E58					
Public Officials Liability D & O	Co: VARisk2	7/1/21-22	Occurance	1,000,000	1,000	8,305
	Ag:		Aggregate	Unlimited		
	Pol. #: G99E58					
	Co: Philadelphia	7/1/21-22	Real Property	13,048,377	1,000	33,984
	Ag: South Boston Ins		Personal Property	822,862	1,000	
	Pol. #: PHPK1671152		General Aggregate	2,000,000		
	Pol. #: PHPK1630181	5/6/21-22	Ashley Manor (HUD)	354,000	1,000	2,489
				32,000	1,000	
				1,000,000		
				2,000,000		
	Pol. #: PHPK1559539	10/7/21-22	Brandon Home (HUD)	224,992	1,000	776
Property	Act. #: 8278003			30,900	1,000	
				1,000,000		
				2,000,000		
	Pol. #: PHPK1420631	11/13/21-22	Gateway-Halifax Apts (HUD)	718,500	10,000	4,116
				1,000,000		
				2,000,000		
	Auto Owners #:	9/21/21-22	Alberta Manor (HUD)	781,900	10,000	4,158
	114645-4396935017			1,000,000		
				2,000,000		
Umbrella Excess	UMB0033746	11/13/21-22	Personal Property	1,000,000		850
			General Aggregate	2,000,000		
Miscellaneous Coverage	Co: Philadelphia	7/1/21-22	Contractor's Equipment	22,578	1,000	150
	Ag: South Boston Ins					
	Pol. #: PHPK1671152					
Workers' Compensation	Co: VACO Risk Management	7/1/21-22	Each Accident	1,000,000		
	Ag:		Policy Limit-Disease	1,000,000		
	Pol. #: VA-SO-084A-18		Each Employee-Disease	1,000,000		85,813
Total						$ 159,354

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

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
Southside Behavioral Health
Clarksville, 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 the business-type activities and remaining fund information of Southside Behavioral Health, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Southside Behavioral Health's basic financial statements and have issued our report thereon dated November 18, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southside Behavioral Health's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southside 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southside 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 financial statements. 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 Southside 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 Southside Behavioral Health’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 18, 2022

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Southside Behavioral Health
Clarksville, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southside Behavioral Health compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southside Behavioral Health's major federal programs for the year ended June 30, 2022. Southside Behavioral Health's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southside 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Southside Behavioral Health and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Southside Behavioral Health's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Southside Behavioral Health's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Southside Behavioral Health's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Southside Behavioral Health's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Southside Behavioral Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Southside Behavioral Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Southside Behavioral Health's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Report on Internal Control over Compliance: (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 18, 2022

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Department of Health and Human Services:			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Opioid STR	93.788	5H79TI080220	$ 411,606
Block Grants for Community Mental Health Services	93.958	2B09SM010053	100,733
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053	506,037
Total Department of Health and Human Services			$ 1,018,376
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	$ 105,557
Total Department of Education			$ 105,557
Total Expenditures of Federal Awards			$ 1,123,933

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 award activity of Southside Behavioral Health under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Southside Behavioral Health, it is not intended to and does not present the financial position, changes in net position, or cash flows of Southside Behavioral Health.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - De Minimis Cost Rate

The Board did not elect to use the 10-percent de minimis indirect cost rate under Uniform Guidance.

Note E - Loan Balances

The Board has no loan guarantees which are subject to reporting requirements for the current year.

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

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 2 CFR Section 200.516(a)?	No

Identification of major programs:

Assistance Listing	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	$750,000
Auditee qualified as low-risk auditee?	No

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.

SOUTHSIDE BEHAVIORAL HEALTH

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

There were no prior year findings.