RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD
Fredericksburg, Virginia

FINANCIAL REPORT - YEAR ENDED JUNE 30, 2023

Table of Contents

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Table of Contents

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Board of Directors

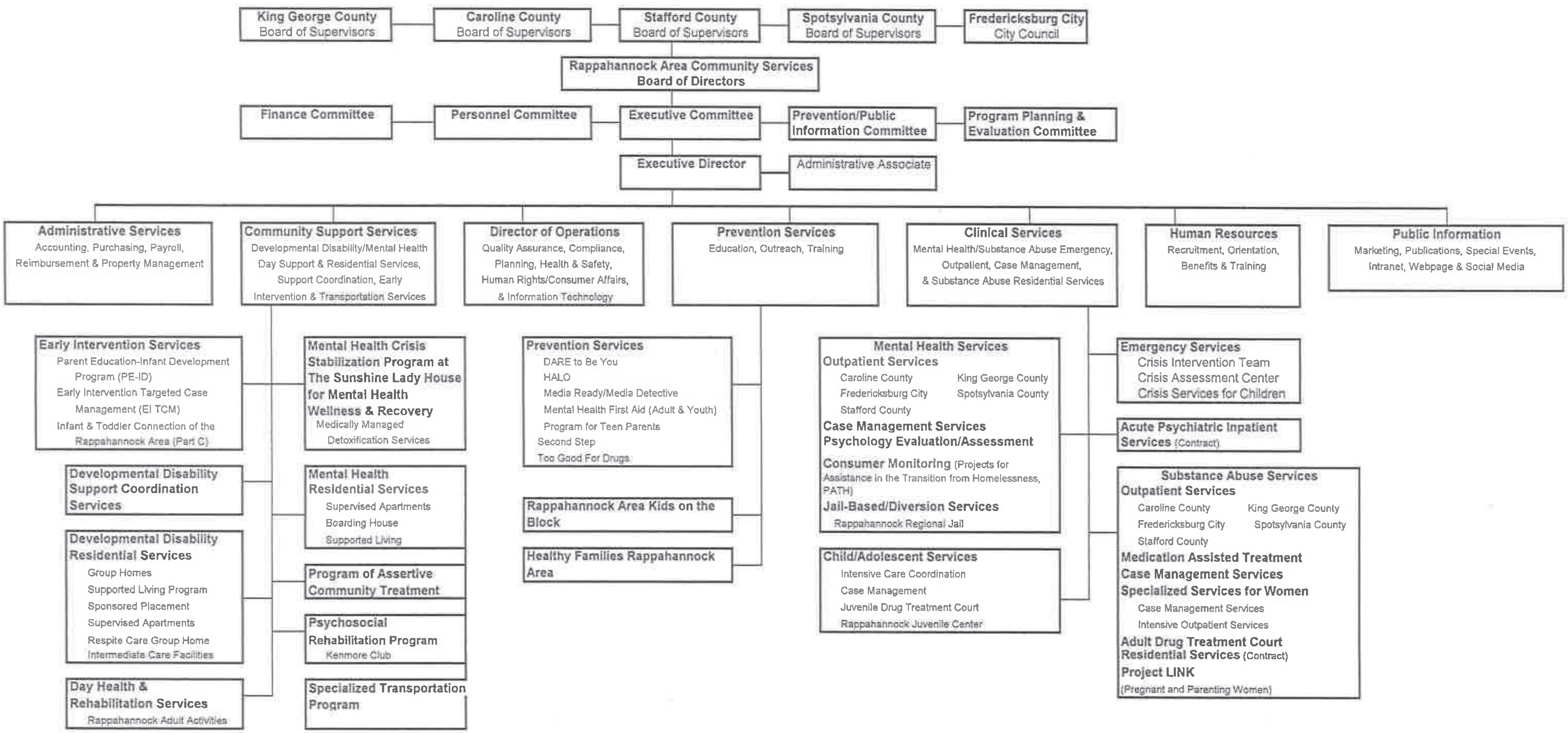
Nancy Beebe, Chair	Jacob Parcell, Vice-Chair
Claire Curcio	Susan Gayle
Carol Walker	Gregory J. Sokolowski
Bridgette Y. Williams	Melissa White
Glenna Boerner	Matthew Zurasky
Sarah Ritchie	Kenneth W. Lapin

Principal Management Team

Joe Wickens	Executive Director
Brandie Williams	Deputy Executive Director
Tina Cleveland	Finance and Administration Director
Jacque Kobuchi	Clinical Services Director
Amy Jindra	Community Support Services Director
Michelle Runyon	Human Resources Director

Rappahannock Area Community Services Board

Table of Organization



Revised June 2017

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rappahannock Area Community Services Board
Fredericksburg, 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 Rappahannock Area Community Services Board, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Rappahannock Area Community Services Board'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 respective financial position of the business-type activities and the aggregate remaining fund information of Rappahannock Area Community Services Board, as of June 30, 2023, and the changes in financial position, and, where applicable, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rappahannock Area Community Services Board, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the Rappahannock Area Community Services Board adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based IT Arrangements (SBITAs)*. Our opinions are not modified with respect to the matter.

Responsibilities of Management for the Financial Statements

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

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 Rappahannock Area Community Services Board'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, *Government 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, *Government 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 Rappahannock Area Community Services Board'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 Rappahannock Area Community Services Board'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.

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, 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.

Report on Summarized Comparative Information

We have previously audited the Rappahannock Area Community Services Board's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rappahannock Area Community Services Board's basic financial statements. The accompanying combining financial statements and 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, the combining financial statements 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 30, 2023, on our consideration of Rappahannock Area Community Services Board'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 Rappahannock Area Community Services Board'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 Rappahannock Area Community Services Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 30, 2023

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The following Management's Discussion and Analysis (MD&A) of the Rappahannock Area Community Services Board's (RACSB) financial performance provides the reader with an introduction and overview to the financial statements of the RACSB for the fiscal year ended June 30, 2023.

Following this MD&A are the basic financial statements of the RACSB together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, there is certain information regarding the schedule of expenditures of federal awards. Please read this information in conjunction with the RACSB's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Rappahannock Area Community Services Board presents five basic financial statements for the purpose of analyzing the financial position of the RACSB as of June 30, 2023. These are: (1) a Statement of Net Position; (2) a Statement of Revenues, Expenses and Changes in Net Position; (3) a Statement of Cash Flows; (4) Statement of Fiduciary Net Position; and (5) Statement of Changes in Fiduciary Net Position.

RACSB's financial position is measured in terms of resources (assets and deferred outflows) owned and obligations (liabilities and deferred inflows) owed as of June 30, 2023. This information is reported on the statement of net position, which reflects RACSB's assets and deferred outflows in relation to its debts to its suppliers, employees and other creditors, and deferred inflows. The excess of assets and deferred outflows over liabilities and deferred inflows is the net position.

Information regarding the results of RACSB's operations during fiscal year 2023 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement shows how much overall net position increased or decreased during the year as a result of operations.

The Statement of Cash Flows discloses the flow of cash resources into and out of RACSB during fiscal year 2023 (from operations, contributions and other sources) and how those funds were applied (for example: payment of expenses, repayment of debt, purchase of new property, etc.).

Component unit organizations Rappahannock Community Services, Inc., Churchill Drive Group Home, Devon Drive Group Home, Galveston Road Group Home, Igo Road Group Home, Leeland Road Group Home, New Hope Estates Group Home, Piedmont Drive Group Home, Scottsdale Estates Group Home and Stonewall Estates Group Home are included as a part of the financial reporting entity of RACSB.

Financial Summary

Financial Position: A summary of RACSB's Statement of Net Position for fiscal years 2023 and 2022 is presented below.

Condensed Statement of Net Position

	2023	2022
Current assets	$ 33,774,578	$ 25,803,420
Restricted assets	621,497	624,679
Capital assets	25,491,866	25,963,960
Other assets	7,722,696	11,233,779
Total assets	$ 67,610,637	$ 63,625,838
Deferred outflows of resources	$ 1,494,447	$ 2,174,126
Total assets and deferred outflows of resources	$ 69,105,084	$ 65,799,964
Current liabilities	$ 6,200,470	$ 6,826,514
Liabilities payable from restricted assets	157,631	217,251
Long-term liabilities	1,831,436	1,429,795
Total liabilities	$ 8,189,537	$ 8,473,560
Deferred inflows of resources	$ 2,262,994	$ 7,164,314
Net Position:		
Net investment in capital assets	$ 24,425,901	$ 25,557,328
Restricted	8,184,677	11,639,442
Unrestricted	26,041,975	12,965,320
Total net position	$ 58,652,553	$ 50,162,090
Total liabilities, deferred inflows of resources and net position	$ 69,105,084	$ 65,799,964

The financial position of the Rappahannock Area Community Services Board remains strong. This is evidenced by strong liquidity. The current ratio (current assets /current liabilities) of the RACSB was 5.41 as of June 30, 2023 and 3.77 at June 30, 2022. The liquidity remains strong as a current ratio of 2:1 is considered favorable.

Change in net position: A summary of the RACSB's Statement of Revenues, Expenses and Changes in Net Position for 2023 and 2022 is presented below.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2023	2022
Operating revenue	$ 34,656,193	$ 28,560,277
Operating expenses	46,725,408	45,624,901
Operating income (loss)	$ (12,069,215)	$ (17,064,624)
Total nonoperating revenues (expenses)	20,559,678	19,843,256
Change in net position	$ 8,490,463	$ 2,778,632

Financial Summary (continued)

Operating Revenue is the amount of revenue received from providing patient services. The vast majority of those funds, approximately 86% (2023) and 86% (2022), were received from Medicaid (see Note 13). During 2023, Operating Revenue increased 21.34% as compared to a increase of 15.30% in 2022.

Operating Expenses are comprised of the direct and indirect costs of operating the RACSB. These include salaries and benefits, occupancy, payments to contracting agencies, depreciation, etc. Please see the full Statement of Revenues, Expenses and Changes in Net Position for a complete breakdown of these expenses for 2023 and 2022. During 2023, Operating Expenses increased approximately 2.49%, compared to an increase of 2.33% in 2022.

Nonoperating Revenue is comprised of income received as appropriations or grants as well as other income. Appropriations and grants from the State of Virginia constitute 57.78% for 2023, and 57.65% for 2022 of the net nonoperating revenue while grants from the federal government constitute 17.58% for 2023 and 22.36% for 2022. Appropriations from local governments constituted 9.07% for 2023 and 7.23% for 2022. The remaining Nonoperating Revenue (expenses) and Capital Contributions consist of Other Income, Interest Income and Expense, and Gains (Losses) on the Disposition of Capital Assets. Nonoperating Revenue (expenses) increased 3.61% in 2023.

Net Position increased $8,453,159 in 2023 and increased $2,778,632 in 2022.

Cash flows: A summary of the RACSB's Statement of Cash Flows for 2023 and 2022 is presented below.

Condensed Statement of Cash Flows

	2023	2022
Cash flows from operating activities	$ (14,127,506)	$ (16,696,492)
Cash flows from non capital financing activities	20,863,625	19,301,344
Cash flows from capital and related financing activities	(834,011)	(309,152)
Cash flows from investing activities	393,657	31,638
Net increase (decrease) in cash and cash equivalents	$ 6,295,765	$ 2,327,338
Cash and cash equivalents, beginning of year	20,911,778	18,584,440
Cash and cash equivalents, end of year	$ 27,207,543	$ 20,911,778

Cash flows from operating activities reconcile the Operating Loss recorded on the Statement of Revenues, Expenses and Changes in Net Position to cash provided by operating activities. In this process, the Operating Loss is decreased by the amount of any non-cash items (depreciation) and adjusted for changes in assets and liabilities (please see the full Statement of Cash Flows for a complete listing of these items). Of these adjustments, the significant entries are $2,000,040 (2023), and $1,587,663 (2022) in depreciation.

Cash flows from noncapital financing transactions are comprised of income received as appropriations or grants (please see Statement of Revenues, Expenses and Changes in Net Position discussion above). Cash flows from capital and related financing activities are comprised of the acquisition of capital assets by the RACSB, and principal and interest payments on mortgages and loans payable (please see Note 4 for a breakdown of Capital Assets). Cash flows from investing activities are comprised of interest income.

There was a net increase of $6,295,765 in 2023, and a net increase of $2,327,338 in 2022 in cash and cash equivalents.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2023, the Rappahannock Area Community Services Board had $25,491,866 in Net Capital Assets. This is comprised of $42,777,741 in capital assets less $17,285,875 in accumulated depreciation (please see Note 4). Of the total capital assets, equipment and vehicles (including information technology assets and vehicles) constitutes 11%, land constitutes 8%, lease assets 1%, subscription asset 4%, and buildings and improvements constitute 66%. Construction in progress constitutes the remaining 10% and consists of renovation projects.

Summary

The Statement of Net Position shows that, on June 30, 2023, the RACSB had approximately 5.4 times more current assets than current liabilities. In addition, RACSB had $58,615,249 in total net position.

The Statement of Revenues, Expenses and Changes in Net Position shows the net position of the RACSB increased $8,453,159 during 2023.

The Statement of Cash Flows shows that cash increased $6,295,765 in 2023.

The financial position of the Rappahannock Area Community Services Board measured, in terms of the five basic financial statements presented as of June 30, 2023, is very strong and secure.

- Basic Financial Statements -

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Statement of Net Position
At June 30, 2023
(With Comparative Totals for 2022)

		2023		2022
ASSETS				
Current Assets:				
Cash and cash equivalents	$	26,692,730	$	20,427,976
Accounts receivable, less allowance for uncollectibles		6,927,121		4,831,625
Grants and other receivables		124,481		520,724
Prepaid items		30,246		23,095
Total current assets	$	33,774,578	$	25,803,420
Restricted Assets:				
Cash and cash equivalents	$	514,813	$	483,802
Grants and other receivables		91,221		126,328
Prepaid items		15,463		14,549
Total restricted assets	$	621,497	$	624,679
Capital Assets:				
Property and equipment, less accumulated depreciation	$	25,491,866	$	25,963,960
Other Assets:				
Net pension asset	$	6,886,300	$	10,368,292
Net OPEB assets		836,396		865,487
Total other assets	$	7,722,696	$	11,233,779
Total assets	$	67,610,637	$	63,625,838
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$	780,441	$	1,373,066
OPEB related items		714,006		801,060
Total deferred outflows of resources	$	1,494,447	$	2,174,126
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	$	647,872	$	3,065,595
Compensated absences		1,349,996		1,481,624
Accrued health insurance liabilities		1,343,472		-
Unexpended grant funds and other unearned revenue		2,338,506		2,207,250
Subscription liability, current portion		446,081		-
Lease liabilities, current portion		74,543		72,045
Total current liabilities	$	6,200,470	$	6,826,514
Liabilities Payable from Restricted Assets:				
Accounts payable and accrued expenses	$	133,652	$	193,731
Tenant security deposits		23,979		23,520
Total liabilities payable from restricted assets	$	157,631	$	217,251
Long-term Liabilities:				
Subscription liability, less current portion	$	456,117	$	-
Lease liabilities, less current portion		89,224		163,767
Net OPEB liabilities		1,286,095		1,266,028
Total long-term liabilities	$	1,831,436	$	1,429,795
Total liabilities	$	8,189,537	$	8,473,560
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$	1,596,890	$	6,180,893
OPEB related items		666,104		983,421
Total deferred inflows of resources	$	2,262,994	$	7,164,314
NET POSITION				
Net investment in capital assets	$	24,425,901	$	25,557,328
Restricted		8,184,677		11,639,442
Unrestricted		26,041,975		12,965,320
Total net position	$	58,652,553	$	50,162,090

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Operating revenue:		
Net patient service revenue	$ 34,656,193	$ 28,560,277
Operating expenses:		
Salaries and benefits	$ 32,876,641	$ 32,218,479
Staff development	249,774	197,680
Facilities	2,542,087	2,298,935
Supplies	2,194,962	2,302,386
Travel	687,268	519,038
Contractual and consulting	5,722,681	5,980,247
Depreciation	2,000,040	1,587,663
Other	451,955	520,473
Total operating expenses	$ 46,725,408	$ 45,624,901
Operating income (loss)	$ (12,069,215)	$ (17,064,624)
Nonoperating revenues (expenses):		
Capital contributions:		
Commonwealth of Virginia	$ 11,879,692	$ 11,439,534
Federal government	3,614,797	4,436,875
Local governments	1,864,970	1,435,163
Other	2,857,370	2,506,697
Interest income	393,657	31,638
Interest expense	(34,029)	(6,651)
Gain (loss) on disposition of capital assets	(16,779)	-
Net nonoperating revenues (expenses)	$ 20,559,678	$ 19,843,256
Change in net position	$ 8,490,463	$ 2,778,632
Net position, beginning of year	50,162,090	47,383,458
Net position, end of year	$ 58,652,553	$ 50,162,090

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Statement of Cash Flows
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Receipts from customers	$ 32,561,797	$ 27,183,924
Payments to suppliers	(14,084,241)	(10,789,630)
Payments to and for employees	(32,605,062)	(33,090,786)
Net cash flow provided by (used for) operating activities	$ (14,127,506)	$ (16,696,492)
Cash flows from noncapital financing activities:		
Government grants	$ 17,972,368	$ 16,912,625
Other	2,891,257	2,388,719
Net cash flow provided by (used for) noncapital financing activities	$ 20,863,625	$ 19,301,344
Cash flows from capital and related financing activities:		
Purchase of capital assets	$ (299,110)	$ (422,494)
Proceeds from sale of capital assets	92,848	-
Issuance of lease liabilities	-	185,767
Principal paid on lease liabilities	(72,045)	(61,963)
Amount paid on subscription liabilities	(436,265)	-
Principal payments on mortgages and loans payable	(85,410)	(3,811)
Interest expense	(34,029)	(6,651)
Net cash flow provided by (used for) capital and related financing activities	$ (834,011)	$ (309,152)
Cash flows from investing activities:		
Interest income	$ 393,657	$ 31,638
Net increase (decrease) in cash and cash equivalents	$ 6,295,765	$ 2,327,338
Cash and cash equivalents, beginning of year (including restricted cash of $483,802)	20,911,778	18,584,440
Cash and cash equivalents, end of year (including restricted cash of $514,813)	$ 27,207,543	$ 20,911,778
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (12,069,215)	$ (17,064,624)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	2,000,040	1,587,663
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	(2,094,396)	(1,376,353)
Prepaid items	(8,065)	(1,147)
Net pension asset	3,481,992	(8,087,504)
Net OPEB assets	29,091	279,632
Deferred outflows of resources	679,679	1,420,563
Accounts payable and accrued expenses	(1,134,330)	783,090
Compensated absences	(131,628)	128,000
Net OPEB liabilities	20,067	(571,119)
Deferred inflows of resources	(4,901,320)	6,204,057
Other	579	1,250
Net cash provided by (used for) operating activities	$ (14,127,506)	$ (16,696,492)

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2023

		Private-Purpose Trust Funds		Investment Trust Funds
ASSETS				
Cash and cash equivalents	$	314,696	$	-
Investments designated for postemployment benefits other than pensions:				
VML/VACO Pooled OPEB Trust Portfolio I		-		3,807,059
Total assets	$	314,696	$	3,807,059
NET POSITION				
Restricted:				
Client funds	$	314,696	$	-
Postemployment benefits other than pensions		-		3,807,059
Total net position	$	314,696	$	3,807,059

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Private-Purpose Trust Funds	Investment Trust Funds
ADDITIONS		
Contributions:		
Employer	$ -	$ 95,913
Social security income	786,229	-
Other income	223,227	-
Investment Earnings:		
Net increase (decrease) in fair value of investments	-	265,864
Total investment earnings	$ -	$ 265,864
Total additions	$ 1,009,456	$ 361,777
DEDUCTIONS		
Retirement and disability benefits	$ -	$ 70,939
Administrative expenses	-	4,124
Food and housing	371,297	-
Client's personal use of funds	993,629	-
Total deductions	$ 1,364,926	$ 75,063
Net increase (decrease) in fiduciary net position	$ (355,470)	$ 286,714
Net position, beginning	670,166	3,520,345
Net position, ending	$ 314,696	$ 3,807,059

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Organization:

The Board operates as an agent for the Counties of Stafford, King George, Caroline, Spotsylvania and the City of Fredericksburg in the establishment and operation of community mental health, intellectual disabilities and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950), relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Board provides a system of community mental health, intellectual disabilities and substance abuse services which relate to and are integrated with existing and planned programs. The Board's activities also include Healthy Families, Kids on the Block and Rappahannock Adult Activities. The Board was established in 1970.

B. Financial Reporting Entity:

For financial reporting purposes the Board includes all organizations for which it is considered financially accountable.

Blended Component Units:

Blended component units, although legally separate entities are, in substance, part of the Organization's operations, and so data from these units are combined with data of the Organization. The Organization has the following blended component units: Rappahannock Community Services, Inc., Churchill Drive Group Home, Devon Drive Group Home, Galveston Road Group Home, Igo Road Group Home, Leeland Road Group Home, New Hope Estates Group Home, Piedmont Drive Group Home, Scottsdale Estates Group Home, and Stonewall Estates Group Home. All of these organizations has been included as part of the reporting entity. These entities are not-for-profit organizations exempt under Section 501(c)(3) of the Internal Revenue Code and were organized to own and operate facilities for handicapped individuals. Rappahannock Community Services has a June 30 fiscal year. All of the other organizations have fiscal years which end on December 31.

C. 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 has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

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 has one type of item that qualifies for reporting in this category. It is 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)

D. Basis of Accounting:

The Board is funded by Federal, State and local funds. Its accounting policies are governed by applicable provisions of these grants and applicable pronouncements and publications of the grantors. The Board utilizes the accrual basis of accounting where revenues are recorded when earned and expenses recorded when incurred, regardless of when the related cash flow takes place.

E. Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board and the Virginia Department of Behavioral Health and Developmental Services. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

F. Enterprise Fund Accounting:

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

G. Use of Estimates:

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

H. Cash and Cash Equivalents:

The Board maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the Code of Virginia. The Act requires financial institutions to meet specific collateralization requirements. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less at the date of acquisition. The Board considers all certificates of deposit to be cash and cash equivalents. The certificates of deposit have maturity dates of more than three months at the date of acquisition; however, the certificates may be redeemed without interest penalty at any time, and thus are considered to be cash and cash equivalents.

I. Investments:

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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

J. Net Client Service Revenue:

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

K. 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, the payment of amounts charged is based on individual circumstances and unpaid balances are pursued to the extent of the client's ability to pay. 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, they are not reported as revenue.

L. Rental Income:

Rental income is recognized on a monthly basis pursuant to lease agreements, which generally have terms of one year or less. Rental revenue is reported in other nonoperating income.

M. Capital Assets:

Capital assets acquired that cost $5,000 or more are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Donated capital assets are recorded at their acquisition value at the time of the gift. The range of estimated useful lives for depreciation of capital assets is as follows:

Buildings and improvements	10 to 40 years
Furniture and equipment	3 to 10 years
Equipment and vehicles	4 years
Lease items: buildings	5 years

N. Restricted Assets:

The Board segregates monies held on behalf of third parties and restricted donations which have not yet been totally expended for their intended purposes.

O. Compensated Absences:

Employees are entitled to certain compensated absences based upon length of employment. Sick leave does not vest with the employee and is recorded as an expense when paid. Vacation pay does vest with the employee and is accrued when earned. Provision for the estimated liability for these compensated absences has been recorded in the financial statements. Because the timing of the use of the benefit cannot be reasonably estimated, all of the liability has been classified as current.

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

P. Budgetary Accounting:

The Board follows these procedures in establishing its budgets.

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

2. The Board's Performance reports are filed with the Department at the start of the fiscal year, and mid-year through the fiscal year. The final report is generally due by August 31, unless extended, following the end of the fiscal year.

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

Q. Fiscal Agent:

The City of Fredericksburg is the fiscal agent for the Rappahannock Area Community Services Board.

R. Comparative Totals:

Amounts for the prior year are presented for comparative and informational purposes only.

S. Operating and Nonoperating Revenues and Expenses:

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

T. 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.

- 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.

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

U. Net Position Flow Assumption:

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

V. Pensions:

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

W. 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, HIC and VLDP OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary 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.

X. Leases and Subscription-Based IT Arrangements:

Leases

The Board has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lessee

The Board recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of $5,000, individually or in the aggregate. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

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

X. Leases and Subscription-Based IT Arrangements: (Continued)

Subscriptions

The Board recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of $3,500, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key Estimates and Judgments

Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

- The Board uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Board uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.

- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

The Board monitors changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The Board will remeasure the lease receivable and deferred inflows of resources (lessor), the lease asset and liability (lessee) or the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability or subscription liability.

Y. Adoption of Accounting Principles:

The Board implemented provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based IT Arrangements (SBITAs),* during the fiscal year ended June 30, 2023. Statement No. 96, *SBITAs* requires recognition of certain subscription assets and liabilities for certain contracts that convey control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. No restatement of beginning net position was required as a result of this implementation.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

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 & 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).

Custodial Credit Risk (Investments):

The Board's investment policy requires the minimizing of custodial credit risk for its investments.

Credit Risk of Debt Securities:

As described above, the Board's investment policy mirrors the state statutes relating to investments.

The Board's rated debt investments as of June 30, 2023 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Rated Debt Investments' Values

Rated Debt Investments		**Fair Quality Ratings**
		AAAm
Virginia Local Government Investment Pool	$	33,183

Concentration of Credit Risk:

The Board's investment policy regarding the concentration of credit risk requires the investment of funds to be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities).

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk:

The Board's investment policy for interest rate risk requires that securities mature to meet cash requirements for on-going operations and investing primarily in short-term securities, money market mutual funds, or similar investment pools. The following details the Board's investments at June 30, 2023.

Investment Type	Fair Value	Less Than One Year
Virginia Local Government Investment Pool	$ 33,183	$ 33,183

The repurchase agreements are collateralized by U.S. Government Securities.

External Investment Pools:

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Cash and Cash Equivalents:

A summary of unrestricted cash and cash equivalents follows:

	2023	2022
Unrestricted:		
Cash on hand and petty cash	$ 585	$ 535
Cash in banks	26,658,962	20,395,527
Investments	33,183	31,914
Total	$ 26,692,730	$ 20,427,976

The Board serves as the agent for the receipt and disbursement of certain client funds. These amounts are reported as restricted assets on the Statement of Net Position.

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2023 and 2022 the Board had accounts receivable due from the following primary sources:

	2023	2022
Client fees:		
Virginia Department of Medical Assistance Services (Medicaid)	$ 3,205,391	$ 3,742,767
Direct client and third party	4,346,544	3,085,000
Other	576,697	746,968
Total	$ 8,128,632	$ 7,574,735
Less: Allowances for uncollectibles	1,201,511	2,743,110
Net client fees receivable	$ 6,927,121	$ 4,831,625
Grants and other:		
Other	$ 215,702	$ 647,052
Total grants and other receivables	$ 215,702	$ 647,052
Total receivables	$ 7,142,823	$ 5,478,677

NOTE 4 - CAPITAL ASSETS:

Capital assets (including component units) consist of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 3,377,168	$ -	$ -	$ 3,377,168
Construction in progress	4,050,330	110,626	-	4,160,956
Total capital assets not being depreciated	$ 7,427,498	$ 110,626	$ -	$ 7,538,124
Capital assets being depreciated:				
Building and improvements	$ 28,701,702	$ 21,726	$ 162,586	$ 28,560,842
Lease buildings and improvements	297,775	-	-	297,775
Subscription assets	-	1,338,463	-	1,338,463
Equipment and vehicles	7,718,480	166,758	2,842,701	5,042,537
Total capital assets being depreciated	$ 36,717,957	$ 1,526,947	$ 3,005,287	$ 35,239,617
Accumulated depreciation:				
Building and improvements	$ 11,177,453	$ 959,717	$ 162,586	$ 11,974,584
Lease buildings and improvements	64,419	73,887	-	138,306
Subscription assets	-	384,410	-	384,410
Equipment and vehicles	6,939,623	582,026	2,733,074	4,788,575
Total accumulated depreciation	$ 18,181,495	$ 2,000,040	$ 2,895,660	$ 17,285,875
Net capital assets being depreciated	$ 18,536,462	$ (473,093)	$ 109,627	$ 17,953,742
Net capital assets	$ 25,963,960	$ (362,467)	$ 109,627	$ 25,491,866

Total depreciation expense was $2,000,040 for 2023 and $1,587,673 for 2022.

NOTE 5 - COMPENSATED ABSENCES:

The Board has accrued the liability arising from compensated absences. Board employees earn leave based on length of service. The Board has outstanding accrued leave pay totaling $1,349,996 and $1,481,624 at June 30, 2023 and 2022, respectively. All of the leave balance is reported as current because the long-term portion is not determinable.

NOTE 6 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Board 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 6 - 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. 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. 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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	162
Inactive members:	
Vested inactive members	129
Non-vested inactive members	348
Long-term disability (LTD)	1
Inactive members active elsewhere in VRS	162
Total inactive members	640
Active members	421
Total covered employees	1,223

NOTE 6 - 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.

The Board's contractually required employer contribution rate for the year ended June 30, 2023 was 3.07% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were $462,878 and $383,250 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Board, the net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Board's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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 6 - 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, 2021 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 6 - 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		**Expected arithmetic nominal return	7.83%

* The above allocation provides a one-year expected return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which is 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%.

NOTE 6 - PENSION PLAN: (CONTINUED)

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 state and teacher employer contributions; the Board was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, 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, 2021 actuarial valuations, whichever was greater. From July 1, 2022 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 Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	$ 46,706,652	$ 57,074,944	$ (10,368,292)
Changes for the year:			
Service cost	$ 1,624,100	$ -	$ 1,624,100
Interest	3,198,828	-	3,198,828
Differences between expected and actual experience	41,656	-	41,656
Contributions - employer	-	402,883	(402,883)
Contributions - employee	-	1,084,070	(1,084,070)
Net investment income	-	(70,450)	70,450
Benefit payments, including refunds of employee contributions	(1,881,405)	(1,881,405)	-
Administrative expenses	-	(35,240)	35,240
Other changes	-	1,329	(1,329)
Net changes	$ 2,983,179	$ (498,813)	$ 3,481,992
Balances at June 30, 2022	$ 49,689,831	$ 56,576,131	$ (6,886,300)

NOTE 6 - PENSION PLAN: (CONTINUED)

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

The following presents the net pension asset of the Board using the discount rate of 6.75%, as well as what the Board's net pension asset 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%)
Board's Net Pension Liability (Asset)	$ 768,780	$ (6,886,300)	$ (12,955,234)

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

For the year ended June 30, 2023, the Board recognized pension expense of ($26,875). At June 30, 2023, the Board 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	$ 25,126	$ 7,168
Change of assumptions	292,437	-
Net difference between projected and actual earnings on pension plan investments	-	1,589,722
Employer contributions subsequent to the measurement date	462,878	-
Total	$ 780,441	$ 1,596,890

NOTE 6 - PENSION PLAN: (CONTINUED)

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

There was $462,878 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. 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		
2024	$	(330,821)
2025		(646,469)
2026		(1,083,749)
2027		781,712
2028		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 7 – LONG-TERM LIABILITIES:

Summary of Changes in Long-Term Liabilities:

Changes in the Board's long-term liabilities for the year ended June 30, 2023, are as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Net OPEB liability:					
Group life Insurance	$ 1,266,028	$ 746,922	$ 726,855	$ 1,286,095	$ -
Lease liabilites	$ 235,812	$ -	$ 72,045	$ 163,767	$ 74,543
Subscription liabilites	$ -	$ 1,338,463	$ 436,265	$ 902,198	$ 446,081
Total	$ 1,501,840	$ 2,085,385	$ 1,235,165	$ 2,352,060	$ 520,624

NOTE 7 – LONG-TERM LIABILITIES: (CONTINUED)

Leases

The Board has entered into lease agreements for two buildings. The terms and conditions for these leases vary. The leases have fixed, monthly payments over the lease term. Individual lease information for long-term leases held as of June 30, 2023 is presented below.

Lease Description	Initial Term	Installments	Discount Rate
Building - 4605 Carr Drive	60 Months	$3,065 per month	2.00%
Building - 4815 Carr Drive	60 Months	$3,196 per month	1.75%

The future principal and interest payments as of June 30, 2023 were as follows:

	Lease Liabilities			Subscription Liabilities		
Year	Principal	Interest	Total	Principal	Interest	Total
2024	$ 74,543	$ 361	$ 74,904	$ 446,081	$ -	$ 446,081
2025	38,462	-	38,462	456,117	-	456,117
2026	40,447	-	40,447	-	-	-
2027	10,315	-	10,315	-	-	-
	$ 163,767	$ 361	$ 164,128	$ 902,198	$ -	$ 902,198

NOTE 8 - DEFERRED COMPENSATION PLAN:

The Board provides a deferred compensation plan whereby eligible employees elect to defer a portion of their compensation until some later date. The amount deferred is placed in a contract on behalf of the participant where it is not subject to federal income tax until withdrawn. The Board does not contribute to this plan. The plan assets are not subject to claims of the Board’s creditors.

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

Federal programs in which the Board participates were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of this guidance all major programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 10 - RISK MANAGEMENT:

The Board participates in the Commonwealth of Virginia Risk Sharing Association for general, professional liability, and directors and officers liability coverage which have up to $1,700,000 per occurrence of coverage limits. Other insurance coverage for property, workers compensation, crime, dishonesty and related coverage are purchased from a commercial insurance carrier. Coverage for these items varies from stated property values to $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 and there has been no reduction in the amount of insurance coverage from the prior year.

Employee Health Insurance:

The Board has a self-insurance plan for its employee health program. The program is administered by a private insurance carrier. Premium payments are based on the number of employees insured and benefits.

Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued based upon history and estimates from the insurance carrier.

Fiscal Year Ended	Estimated Claims Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Estimated Claims Liability End of Fiscal Year
June 30, 2023	$ -	$ 4,591,623	$ 3,248,151	$ 1,343,472
June 30, 2022	48,256	3,614,209	3,662,465	-
June 30, 2021	246,249	3,881,625	4,079,618	48,256

NOTE 11 - CONTRIBUTIONS FROM LOCAL PARTICIPATING GOVERNMENTAL UNITS:

The participating local governmental units contributed funds for the Board's operations as follows:

	2023	2022
City of Fredericksburg	$ 302,359	$ 277,306
County of Spotsylvania	575,164	467,230
County of Stafford	718,457	449,037
County of Caroline	124,492	115,684
County of King George	144,498	125,906
Total	$ 1,864,970	$ 1,435,163

NOTE 12 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenues for 2023 and 2022 were from the following sources:

	2023	2022
Medicaid	$ 29,714,021	$ 24,462,901
Direct client and third party	904,201	1,250,579
Other	4,037,971	2,846,797
Total	$ 34,656,193	$ 28,560,277

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

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 GLI 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:

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Benefit Amounts: (Continued)

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 $8,984 as of June 30, 2023.

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, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 GLI Plan from the entity were $132,413 and $125,462 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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, 2023, the entity reported a liability of $1,286,095 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .1068% as compared to .1087% at June 30, 2021.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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, 2023, the participating employer recognized GLI OPEB expense of $69,114. 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, 2023, 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	$ 101,843	$ 51,595
Net difference between projected and actual earnings on GLI OPEB program investments	-	80,362
Change in assumptions	47,969	125,271
Changes in proportionate share	42,956	22,895
Employer contributions subsequent to the measurement date	132,413	-
Total	$ 325,181	$ 280,123

$132,413 was 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, 2024. 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	
2024	$ (5,500)
2025	(14,692)
2026	(61,351)
2027	8,265
2028	(14,077)
Thereafter	-

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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, 2021, 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, 2022. 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 program 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 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 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
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, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	$	3,672,085
Plan Fiduciary Net Position		2,467,989
GLI Net OPEB Liability	$	1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

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 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		**Expected arithmetic nominal return	7.83%

*The above allocation provides a one-year return of 7.83%. 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 6.72%, 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, 2022, 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, 2022 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's proportionate share of the Group Life Insurance Plan Net OPEB Liability	$ 1,871,419	$ 1,286,095	$ 813,074

GLI Plan Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Virginia Local Disability Program (VLDP) (OPEB Plan):

Plan Description

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

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

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Benefit Amounts

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

VLDP Notes

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2023 was 0.85% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 the Board to the VRS Political Subdivision VDLP were $132,958 and $117,138 for the years ended June 30, 2023 and June 30, 2022, respectively.

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2023, the Board reported an asset of $17,712 for its proportionate share of the VLDP Net OPEB Asset. The Net VLDP OPEB Asset was measured as of June 30, 2022 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Asset was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Board's proportion of the Net VLDP OPEB Asset was based on the Board's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Board's proportion of the VLDP was 3.0124% as compared to 3.2120% at June 30, 2021.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

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

For the year ended June 30, 2023, the Board recognized VLDP OPEB expense of $95,411. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 24,902	$ 37,900
Net difference between projected and actual earnings on VLDP OPEB plan investments	-	77
Change in assumptions	678	6,354
Changes in proportion and differences between employer contributions and proportionate share of contributions	5	3,500
Employer contributions subsequent to the measurement date	132,958	-
Total	$ 158,543	$ 47,831

$132,958 was reported as deferred outflows of resources related to the VLDP OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Year Ended June 30	
2024	$ (2,669)
2025	(2,515)
2026	(8,636)
2027	599
2028	(1,566)
Thereafter	(7,459)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

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

Post-Retirement:
Pub-2010 Amount Weighted General 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 General 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 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 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 VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

	Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$ 7,360
Plan Fiduciary Net Position	7,948
Political Subdivision net VLDP OPEB Liability (Asset)	$ (588)
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	107.99%

The total Political Subdivision VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision VLDP 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 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS 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 VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year return of 7.83%. 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 6.72%, 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 VLDP OPEB 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 actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the Board for the VLDP was 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, 2022 on, all agencies are assumed to

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Discount Rate (Continued)

continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

Sensitivity of the Board's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net VLDP OPEB liability using the discount rate of 6.75%, as well as what the Board's proportionate share of the net VLDP 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%)
Board's proportionate share of the Net VLDP OPEB Liability	$ 1,877	$ (17,712)	$ (34,720)

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/ 2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

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.

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, 2021 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	41
Inactive members:	
Vested inactive members	8
Total inactive members	49
Active members	421
Total covered employees	470

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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. The Board's contractually required employer contribution rate for the year ended June 30, 2023 was .04% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 the Board to the HIC Plan were $9,785 and $16,212 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net HIC OPEB Liability (Asset)

The Board's net HIC OPEB liability (asset) was measured as of June 30, 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

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

The actuarial assumptions used in the June 30, 2021 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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Health Insurance Credit (HIC) 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investement Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year return of 7.83%. 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 6.72%, 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, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate (Continued)

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 (Asset)

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2021	$ 363,846	$ 415,357	$ (51,511)
Changes for the year:			
Service cost	$ 13,113	$ -	$ 13,113
Interest	24,708	-	24,708
Differences between expected and actual experience	706	-	706
Assumption changes	25,209	-	25,209
Contributions - employer	-	16,212	(16,212)
Net investment income	-	601	(601)
Benefit payments	(21,823)	(21,823)	-
Administrative expenses	-	(733)	733
Other changes	-	14,797	(14,797)
Net changes	$ 41,913	$ 9,054	$ 32,859
Balances at June 30, 2022	$ 405,759	$ 424,411	$ (18,652)

Sensitivity of the Board's Health Insurance Credit Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Board's HIC Program net HIC OPEB liability (asset) using the discount rate of 6.75%, as well as what the Board's net HIC OPEB liability (asset) 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%)
Board's Net HIC OPEB Liability/(Asset)	$ 29,626	$ (18,652)	$ (59,010)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

For the year ended June 30, 2023, the Board recognized HIC Plan OPEB expense of ($4,354). At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to the Board's HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,043	$ 1,885
Net difference between projected and actual earnings on HIC OPEB plan investments	-	10,077
Change in assumptions	25,120	4,377
Employer contributions subsequent to the measurement date	9,785	-
Total	$ 42,948	$ 16,339

$9,785 was reported as deferred outflows of resources related to the HIC OPEB resulting from the Board'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, 2024. 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	
2024	$ 293
2025	1,345
2026	(1,437)
2027	10,487
2028	4,443
Thereafter	1,693

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan Data

Information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Medical, Dental, and Life Insurance - (OPEB Plan):

Plan Description

The Post-Retirement Medical Plan (The Plan) is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. Retirees are eligible for postretirement medical coverage if they are a full-time employee who retires directly from the Rappahannock Area Community Services Board and is eligible for retirement from VRS. The Board's post-retirement medical plan does not issue a separate, audited GAAP basis report.

Plan Administration

Management of The Plan is vested in the Plan Trustees, which consists of the Board members of the Rappahannock Area Community Services Board.

Benefits Provided

The Rappahannock Area Community Services Board has established an irrevocable trust pursuant to Section 15.2-1544 of the Code of Virginia, as amended for the purpose of accumulating and investing assets to fund Other Postemployment Benefits (OPEB) and to participate in the Virginia Pooled OPEB Trust Fund and has established a Local Finance Board to become a Participating Employer in the Trust Fund. The Trust Fund provides administrative, custodial and investment services to the Participating Employers in the Trust Fund. The Board participates in the Virginia Pooled OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League (VML) at P.O. Box 12164, Richmond, Virginia 23241.

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Life insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. Retirees are reimbursed for the allowable portion of premiums paid. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance - (OPEB Plan): (Continued)

Plan Membership

At June 30, 2023 (measurement date), the following employees were covered by the benefit terms:

	Total
Total active employees with coverage	409
Total retirees with coverage	10
Total	419

The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2023, the Board's average contribution rate was 0.44% percent of covered- payroll. For the year ended June 30, 2023, the Board contributed $95,913 to the Plan. Plan members are not required to contribute to the plan.

Investment Policy

The Board’s policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2023:

Asset Class	Target Percentage
Core Fixed Income	20.00%
Large Cap US Equities	21.00%
Small Cap US Equities	10.00%
Developed Foreign Equities	13.00%
Emerging Market Equities	5.00%
Private Real Estate	15.00%
Private Equity	10.00%
Hedge FOF Strategic	6.00%
Total	100.00%

Concentrations

The Trust does not hold investments in any one organization that represent five percent or more of the OPEB Trust’s Fiduciary Net Position.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance – (OPEB Plan): (Continued)

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 7.59% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Schedule of Investment Returns

Last 10 Fiscal Years

	Annual Money-Weighted Rate of Return Net of Investment Expense
6/30/2017	12.73%
6/30/2018	9.53%
6/30/2019	4.56%
6/30/2020	3.04%
6/30/2021	30.02%
6/30/2022	-9.44%
6/30/2023	7.59%

The chart is intended to show information for 10 years. More data will be added as it becomes available.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021.

Actuarial Assumptions

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Discount Rate	6.50%
Investment Rate of Return	6.50%

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance – (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study at January 1, 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 (see the discussion of The Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Geometric Real Rate of Return
Core Fixed Income	2.13%
Large Cap US Equities	4.09%
Small Cap US Equities	4.67%
Developed Foreign Equities	5.15%
Emerging Market Equities	6.20%
Private Real Estate	3.70%
Private Equity	6.54%
Hedge FOF Strategic	3.48%
Assumed Inflation	2.33%
Portfolio Real Mean Return	4.90%
Portfolio Nominal Mean Return	7.34%
Portfolio Standard Deviation	13.07%
Long-Term Expected Rate of Return	**6.50%**

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance - (OPEB Plan): (Continued)

Changes in Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at June 30, 2022	$ 2,738,884	$ 3,520,345	$ (781,461)
Changes for the year:			
Service cost	$ 119,677	$ -	$ 119,677
Interest	183,537	-	183,537
Changes in assumptions	35,868	-	35,868
Contributions - employer	-	95,913	(95,913)
Net investment income	-	265,864	(265,864)
Administrative expenses	-	(4,124)	4,124
Benefit payments	(70,939)	(70,939)	-
Net changes	$ 268,143	$ 286,714	$ (18,571)
Balances at June 30, 2023	$ 3,007,027	$ 3,807,059	$ (800,032)

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

The following amounts present the net OPEB liability (asset) of the Board, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current discount rate:

Rate		
1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
$ (384,745)	$ (800,032)	$ (1,155,489)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the Board, as well as what the net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.30%) or one percentage point higher (6.30%) than the current healthcare cost trend rates:

Rates		
1% Decrease (3.90%)	Healthcare Cost Trend (4.90%)	1% Increase (5.90%)
$ (1,167,660)	$ (800,032)	$ (348,704)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance – (OPEB Plan): (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the Board recognized OPEB expense in the amount of $62,302. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 88,618	$ -
Change in assumptions	31,883	193,391
Differences between expected and actual experience	66,833	128,420
Total	$ 187,334	$ 321,811

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	
2024	$ (29,496)
2025	(47,599)
2026	79,608
2027	(38,939)
2028	(31,261)
Thereafter	(66,790)

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Aggregate OPEB Pension Information:

	Rappahannock Area Community Services Board				
	Deferred Outflows	Deferred Inflows	Net OPEB Asset	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:					
Group Life Insurance Plan	$ 325,181	$ 280,123	$ -	$ 1,286,095	$ 69,114
Health Insurance Credit Plan	42,948	16,339	18,652	-	(4,354)
Virginia Local Disability Program	158,543	47,831	17,712	-	95,411
Stand-Alone Plan	187,334	321,811	800,032	-	62,302
Totals	$ 714,006	$ 666,104	$ 836,396	$ 1,286,095	$ 222,473

NOTE 14 - RESTRICTED NET POSITION:

Restricted net position consists of the net position of the component units with HUD funding less the net investment in capital assets or $461,981 at June 30, 2023 and $405,663 at June 30, 2022. The net position is considered restricted due to the regulatory oversight over the Organization by the U.S. Department of Housing and Urban Development and the restrictions on the use of the property pursuant to the acceptance of capital advance funds by the Organization. There is also restricted net position of $7,722,696 for the net pension asset and net OPEB assets.

NOTE 15 - UPCOMING PRONOUNCEMENTS:

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. 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.

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- Required Supplementary Information -

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Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019	2018
Total pension liability					
Service cost	$ 1,624,100	$ 1,645,401	$ 1,575,288	$ 1,492,503	$ 1,446,958
Interest	3,198,828	2,828,423	2,602,040	2,395,418	2,213,618
Differences between expected and actual experience	41,656	(29,222)	779,680	561,269	278,214
Changes of assumptions		1,192,243	-	1,302,924	-
Benefit payments	(1,881,405)	(1,665,520)	(1,540,842)	(1,306,415)	(1,376,882)
Net change in total pension liability	$ 2,983,179	$ 3,971,325	$ 3,416,166	$ 4,445,699	$ 2,561,908
Total pension liability - beginning	46,706,652	42,735,327	39,319,161	34,873,462	32,311,554
Total pension liability - ending (a)	$ 49,689,831	$ 46,706,652	$ 42,735,327	$ 39,319,161	$ 34,873,462
Plan fiduciary net position					
Contributions - employer	$ 402,883	$ 388,492	$ 209,391	$ 256,415	$ 358,568
Contributions - employee	1,084,070	1,008,985	982,691	937,400	902,891
Net investment income	(70,450)	12,355,858	850,529	2,813,847	2,892,557
Benefit payments	(1,881,405)	(1,665,520)	(1,540,842)	(1,306,415)	(1,376,882)
Administratior charges	(35,240)	(30,157)	(28,672)	(27,191)	(24,571)
Other	1,329	1,171	(1,015)	(1,778)	(2,599)
Net change in plan fiduciary net position	$ (498,813)	$ 12,058,829	$ 472,082	$ 2,672,278	$ 2,749,964
Plan fiduciary net position - beginning	57,074,944	45,016,115	44,544,033	41,871,755	39,121,791
Plan fiduciary net position - ending (b)	$ 56,576,131	$ 57,074,944	$ 45,016,115	$ 44,544,033	$ 41,871,755
Board's net pension asset - ending (a) - (b)	$ (6,886,300)	$ (10,368,292)	$ (2,280,788)	$ (5,224,872)	$ (6,998,293)
Plan fiduciary net position as a percentage of the total pension liability	113.86%	122.20%	105.34%	113.29%	120.07%
Covered payroll	$ 23,150,063	$ 22,386,497	$ 22,075,863	$ 20,672,063	$ 19,787,291
Board's net pension asset as a percentage of covered payroll	-29.75%	-46.31%	-10.33%	-25.28%	-35.37%

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.

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 1,497,145	$ 1,480,553	$ 1,514,991	$ 1,453,677
Interest	2,123,849	2,016,286	1,870,481	1,701,667
Differences between expected and actual experience	(523,148)	(863,558)	(442,973)	-
Changes of assumptions	(496,368)	-	-	-
Benefit payments	(1,261,255)	(932,066)	(787,076)	(700,350)
Net change in total pension liability	$ 1,340,223	$ 1,701,215	$ 2,155,423	$ 2,454,994
Total pension liability - beginning	30,971,331	29,270,116	27,114,693	24,659,699
Total pension liability - ending (a)	$ 32,311,554	$ 30,971,331	$ 29,270,116	$ 27,114,693
Plan fiduciary net position				
Contributions - employer	$ 370,563	$ 713,143	$ 689,023	$ 983,504
Contributions - employee	894,895	808,979	791,251	761,729
Net investment income	4,269,791	617,675	1,473,770	4,236,654
Benefit payments	(1,261,255)	(932,066)	(787,076)	(700,350)
Administratior charges	(24,174)	(20,392)	(19,191)	(21,737)
Other	(3,823)	(254)	(313)	224
Net change in plan fiduciary net position	$ 4,245,997	$ 1,187,085	$ 2,147,464	$ 5,260,024
Plan fiduciary net position - beginning	34,875,794	33,688,709	31,541,245	26,281,221
Plan fiduciary net position - ending (b)	$ 39,121,791	$ 34,875,794	$ 33,688,709	$ 31,541,245
Board's net pension asset - ending (a) - (b)	$ (6,810,237)	$ (3,904,463)	$ (4,418,593)	$ (4,426,552)
Plan fiduciary net position as a percentage of the total pension liability	121.08%	112.61%	115.10%	116.33%
Covered payroll	$ 19,145,833	$ 17,277,503	$ 16,124,859	$ 15,309,883
Board's net pension asset as a percentage of covered payroll	-35.57%	-22.60%	-27.40%	-28.91%

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.

Schedule of Employer Contributions - Pension Plan
Years Ended June 30, 2014 through June 30, 2023

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)
2023	$ 462,878	$ 462,878	$ -	$ 24,445,794	1.89%
2022	383,250	383,250	-	23,150,063	1.66%
2021	371,014	371,014	-	22,386,497	1.66%
2020	220,163	220,163	-	22,075,863	1.00%
2019	242,886	242,886	-	20,672,063	1.17%
2018	359,668	359,668	-	19,787,291	1.82%
2017	470,988	470,988	-	19,145,833	2.46%
2016	772,304	772,304	-	17,277,503	4.47%
2015	720,781	720,781	-	16,124,859	4.47%
2014	987,487	987,487	-	15,309,883	6.45%
2013	913,196	913,196	-	14,158,083	6.45%

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

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2023

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, 2021 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

Schedule of Changes in the Board's Net OPEB Liability (Asset) and Related Ratios - Health Plan
For the Years Ended June 30, 2017 and June 30, 2023

	2017	2018	2019
Total OPEB liability			
Service cost	$ 124,720	$ 133,450	$ 147,754
Interest	124,910	140,751	167,114
Changes in assumptions	-	-	(147,135)
Effect of economic/demographic gains or losses	-	-	123,473
Benefit payments	(27,036)	(37,282)	(33,392)
Net change in total OPEB liability	$ 222,594	$ 236,919	$ 257,814
Total OPEB liability - beginning	1,673,007	1,895,601	2,132,520
Total OPEB liability - ending (a)	$ 1,895,601	$ 2,132,520	$ 2,390,334
Plan fiduciary net position			
Contributions - employer	$ 271,062	$ 175,677	$ 204,649
Net investment income	189,753	181,705	101,688
Administrative expenses	(2,236)	(2,579)	(2,884)
Benefit payments	(27,036)	(37,282)	(33,392)
Net change in plan fiduciary net position	$ 431,543	$ 317,521	$ 270,061
Plan fiduciary net position - beginning	1,473,689	1,905,232	2,222,753
Plan fiduciary net position - ending (b)	$ 1,905,232	$ 2,222,753	$ 2,492,814
Board's net OPEB liability (asset) - ending (a) - (b)	$ (9,631)	$ (90,233)	$ (102,480)
Plan fiduciary net position as a percentage of the total OPEB liability	100.51%	104.23%	104.29%
Covered payroll	$ 18,964,868	$ 18,964,868	$ 21,000,512
Board's net OPEB liability (asset) as a percentage of covered payroll	-0.05%	-0.48%	-0.49%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in the Board's Net OPEB Liability (Asset) and Related Ratios - Health Plan
For the Years Ended June 30, 2017 and June 30, 2023

	2020	2021	2022	2023
Total OPEB liability				
Service cost	$ 131,907	$ 116,959	$ 116,192	$ 119,677
Interest	162,367	170,285	169,104	183,537
Changes in assumptions	(105,785)	(69,720)	-	35,868
Effect of economic/demographic gains or losses	-	(176,576)	-	-
Benefit payments	(49,353)	(54,172)	(62,658)	(70,939)
Net change in total OPEB liability	$ 139,136	$ (13,224)	$ 222,638	$ 268,143
Total OPEB liability - beginning	2,390,334	2,529,470	2,516,246	2,738,884
Total OPEB liability - ending (a)	$ 2,529,470	$ 2,516,246	$ 2,738,884	$ 3,007,027
Plan fiduciary net position				
Contributions - employer	$ 198,779	$ 191,597	$ 277,275	$ 95,913
Net investment income	76,200	812,266	(351,219)	265,864
Administrative expenses	(3,228)	(3,538)	(4,418)	(4,124)
Benefit payments	(49,353)	(54,172)	(62,658)	(70,939)
Net change in plan fiduciary net position	$ 222,398	$ 946,153	$ (141,020)	$ 286,714
Plan fiduciary net position - beginning	2,492,814	2,715,212	3,661,365	3,520,345
Plan fiduciary net position - ending (b)	$ 2,715,212	$ 3,661,365	$ 3,520,345	$ 3,807,059
Board's net OPEB liability (asset) - ending (a) - (b)	$ (185,742)	$ (1,145,119)	$ (781,461)	$ (800,032)
Plan fiduciary net position as a percentage of the total OPEB liability	107.34%	145.51%	128.53%	126.61%
Covered payroll	$ 22,074,590	$ 21,707,442	$ 21,707,442	$ 21,707,442
Board's net OPEB liability (asset) as a percentage of covered payroll	-0.84%	-5.28%	-3.60%	-3.69%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Employer Contributions - Health Plan
For the Years Ended June 30, 2014 through June 30, 2023

Date	Actuarially Determined Contribution (ADC) (1)	Contributions in Relation to ADC (2)	Contribution Deficiency (Excess) (3)	Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	$ 62,530	$ 95,913	$ (33,383)	$ 21,707,442	0.44%
2022	60,708	277,275	(216,567)	21,707,442	1.28%
2021	153,909	191,597	(37,688)	21,707,442	0.88%
2020	149,426	198,779	(49,353)	22,074,590	0.90%
2019	145,073	204,649	(59,576)	21,000,512	0.97%
2018	154,000	175,677	(21,677)	18,964,868	0.93%
2017	149,500	271,062	(121,562)	18,964,868	1.43%
2016	87,100	114,000	(26,900)	16,297,400	0.70%
2015	80,900	80,900	-	16,297,400	0.50%
2014	50,600	75,200	(24,600)	13,873,200	0.54%

Schedule of Investment Returns - Health Plan
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	7.59%	-9.44%	30.02%	3.04%	4.56%	9.53%	12.73%

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

Notes to Required Supplementary Information - Health Plan
Year Ended June 30, 2023

Valuation Date:	1/1/2021
Measurement Date:	6/30/2023

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay
Amortization Method/Period	Level Percentage of Payroll, Closed, 18 Years Remaing as of January 1, 2021, Amortization growth rate of 3.00%
Asset Valuation Method	Market Value
Inflation	2.50%
Medical Trend Rate	The medical trend rate assumption starts at 5.60% in 2021 and gradually declines to 4.00% by the year 2073.
Salary Increases	3.00%
Investment Rate of Return	6.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 using scale BB to 2020. The mortality rates for disabled retirees was calculated using the RP-2014 Disabled Mortality Rates with scale BB to 2020.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Board's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

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)
2022	0.1068%	$ 1,286,095	$ 23,233,774	5.54%	67.21%
2021	0.1087%	1,266,028	22,451,426	5.64%	67.45%
2020	0.1077%	1,797,670	22,169,153	8.11%	52.64%
2019	0.1059%	1,723,601	20,763,628	8.30%	52.00%
2018	0.1046%	1,588,000	19,881,849	7.99%	51.22%
2017	0.1041%	1,567,000	19,200,442	8.16%	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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2023

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)
2023	$ 132,413	$ 132,413	$ -	$ 24,520,956	0.54%
2022	125,462	125,462	-	23,233,774	0.54%
2021	121,238	121,238	-	22,451,426	0.54%
2020	115,280	115,280	-	22,169,153	0.52%
2019	107,971	107,971	-	20,763,628	0.52%
2018	103,386	103,386	-	19,881,849	0.52%
2017	99,842	99,842	-	19,200,442	0.52%

Schedule is intended to show information for 10 years. Information prior to 2017 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, 2021 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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Board's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP)
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2022	3.0124%	$ (17,712)	$ 14,113,002	-0.13%	107.99%
2021	3.2120%	(32,515)	12,903,297	-0.25%	119.59%
2020	3.2337%	32,279	12,049,745	0.27%	76.84%
2019	3.3070%	66,994	10,219,361	0.66%	49.19%
2018	3.7252%	29,000	9,045,116	0.32%	51.39%
2017	4.2128%	24,000	7,735,910	0.31%	38.40%

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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
Virginia Local Disability Program (VLDP)
For the Years Ended June 30, 2017 through June 30, 2023

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)
2023	$ 132,958	$ 132,958	$ -	$ 15,642,137	0.85%
2022	117,138	117,138	-	14,113,002	0.83%
2021	107,097	107,097	-	12,903,297	0.83%
2020	86,758	86,758	-	12,049,745	0.72%
2019	73,579	73,579	-	10,219,361	0.72%
2018	54,321	54,321	-	9,045,116	0.60%
2017	46,415	46,415	-	7,735,910	0.60%

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

Notes to Required Supplementary Information
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 thorugh 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 and Non-Hazardous Duty 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

Schedule of Changes in the Board's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

	2022	2021	2020	2019	2018	2017
Total HIC OPEB Liability						
Service cost	$ 13,113	$ 13,786	$ 12,675	$ 11,888	$ 11,684	$ 12,056
Interest	24,708	22,344	21,495	20,525	19,519	18,858
Differences between expected and actual experience	706	10,825	(2,331)	(140)	(1,603)	-
Changes in assumptions	25,209	(3,946)	-	8,742	-	(10,813)
Benefit payments	(21,823)	(20,381)	(18,138)	(13,415)	(17,046)	(4,277)
Net change in total HIC OPEB liability	$ 41,913	$ 22,628	$ 13,701	$ 27,600	$ 12,554	$ 15,824
Total HIC OPEB Liability - beginning	363,846	341,218	327,517	299,917	287,363	271,539
Total HIC OPEB Liability - ending (a)	$ 405,759	$ 363,846	$ 341,218	$ 327,517	$ 299,917	$ 287,363
Plan fiduciary net position						
Contributions - employer	$ 16,212	$ 15,680	$ 15,440	$ 14,463	$ 17,809	$ 17,229
Net investment income	601	87,062	6,625	20,047	20,704	29,448
Benefit payments	(21,823)	(20,381)	(18,138)	(13,415)	(17,046)	(4,277)
Administrative expense	(733)	(1,024)	(636)	(439)	(491)	(495)
Other	14,797	-	(3)	(24)	(1,437)	1,437
Net change in plan fiduciary net position	$ 9,054	$ 81,337	$ 3,288	$ 20,632	$ 19,539	$ 43,342
Plan fiduciary net position - beginning	415,357	334,020	330,732	310,100	290,561	247,219
Plan fiduciary net position - ending (b)	$ 424,411	$ 415,357	$ 334,020	$ 330,732	$ 310,100	$ 290,561
Board's net HIC OPEB liability (asset) - ending (a) - (b)	$ (18,652)	$ (51,511)	$ 7,198	$ (3,215)	$ (10,183)	$ (3,198)
Plan fiduciary net position as a percentage of the total HIC OPEB liability (asset)	104.60%	114.16%	97.89%	100.98%	103.40%	101.11%
Covered payroll	$ 23,160,566	$ 22,388,279	$ 22,073,211	$ 20,672,063	$ 19,881,849	$ 19,200,442
Board's net HIC OPEB liability (asset) as a percentage of covered payroll	-0.08%	-0.23%	0.03%	-0.02%	-0.05%	-0.02%

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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
Years Ended June 30, 2017 through June 30, 2023

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)
2023	$ 9,785	$ 9,785	$ -	$ 24,462,643	0.04%
2022	16,212	16,212	-	23,160,566	0.07%
2021	15,672	15,672	-	22,388,279	0.07%
2020	15,451	15,451	-	22,073,211	0.07%
2019	14,470	14,470	-	20,672,063	0.07%
2018	17,825	17,825	-	19,881,849	0.09%
2017	17,229	17,229	-	19,200,442	0.09%

Schedule is intended to show information for 10 years. Information prior to 2017 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, 2021, 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

- Supplementary Information -

Combining Financial Statements

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Combining Statement of Net Position
At June 30, 2023

	Rappahannock Area Community Services Board	Rappahannock Community Services, Inc.	Churchill Drive Group Home	Devon Drive Group Home
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 26,379,848	$ 312,882	$ -	$ -
Accounts receivable, less allowance for uncollectibles	6,925,981	1,140	-	-
Grants and other receivables	124,481	-	-	-
Prepaid items	-	30,246	-	-
Total current assets	$ 33,430,310	$ 344,268	$ -	$ -
Restricted Assets:				
Cash and cash equivalents	$ -	$ 13,700	$ 62,742	$ 38,492
Grants and other receivables	-	-	-	-
Prepaid items	-	-	1,993	1,408
Total restricted assets	$ -	$ 13,700	$ 64,735	$ 39,900
Capital Assets:				
Property and equipment, less accumulated depreciation	$ 20,810,367	$ 1,058,233	$ 542,363	$ 167,650
Other Assets:				
Net pension asset	$ 6,886,300	$ -	$ -	$ -
Net OPEB assets	836,396	-	-	-
Total other assets	$ 7,722,696	$ -	$ -	$ -
Total assets	$ 61,963,373	$ 1,416,201	$ 607,098	$ 207,550
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 780,441	$ -	$ -	$ -
OPEB related items	714,006	-	-	-
Total deferred outflows of resources	$ 1,494,447	$ -	$ -	$ -
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	$ 642,006	$ 5,866	$ -	$ -
Compensated absences	1,349,996	-	-	-
Accrued health insurance liabilities	1,343,472	-	-	-
Unexpended grant funds and other unearned revenue	2,338,506	-	-	-
Long-term debt, current portion	-	-	-	-
Subscription liability, current portion	446,081	-	-	-
Lease liabilities, current portion	74,543	-	-	-
Total current liabilities	$ 6,194,604	$ 5,866	$ -	$ -
Liabilities Payable from Restricted Assets:				
Accounts payable and accrued expenses	$ -	$ -	$ 7,732	$ 13,954
Tenant security deposits	-	11,815	1,216	1,068
Total liabilities payable from restricted assets	$ -	$ 11,815	$ 8,948	$ 15,022
Long-term Liabilities:				
Long-term debt, less current portion	$ -	$ -	$ -	$ -
Subscription liability, less current portion	456,117	-	-	-
Lease liabilities, less current portion	89,224	-	-	-
Net OPEB liabilities	1,286,095	-	-	-
Total long-term liabilities	$ 1,831,436	$ -	$ -	$ -
Total liabilities	$ 8,026,040	$ 17,681	$ 8,948	$ 15,022
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 1,596,890	$ -	$ -	$ -
OPEB related items	$ 666,104	$ -	$ -	$ -
Total deferred inflows of resources	$ 2,262,994	$ -	$ -	$ -
NET POSITION				
Net investment in capital assets	$ 19,744,402	$ 1,058,233	$ 542,363	$ 167,650
Restricted	7,722,696	-	55,787	24,878
Unrestricted	25,701,688	340,287	-	-
Total net position	$ 53,168,786	$ 1,398,520	$ 598,150	$ 192,528

	Galveston Road Group Home	Igo Road Group Home	Leeland Road Group Home	New Hope Estates Group Home	Piedmont Drive Group Home	Scottsdale Estates Group Home	Stonewall Estates Group Home	Intercompany Eliminations	Total
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,692,730
	-	-	-	-	-	-	-	-	6,927,121
	-	-	-	-	-	-	-	-	124,481
	-	-	-	-	-	-	-	-	30,246
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 33,774,578
	$ 62,529	$ 34,263	$ 50,037	$ 88,551	$ 63,053	$ 72,436	$ 29,010	$ -	$ 514,813
	6,630	49,973	6,311	-	24,645	-	3,662	-	91,221
	1,783	1,829	1,429	2,282	1,390	1,920	1,429	-	15,463
	$ 70,942	$ 86,065	$ 57,777	$ 90,833	$ 89,088	$ 74,356	$ 34,101	$ -	$ 621,497
	$ 556,642	$ 357,595	$ 153,218	$ 533,012	$ 370,273	$ 778,478	$ 164,035	$ -	$ 25,491,866
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,886,300
	-	-	-	-	-	-	-	-	836,396
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,722,696
	$ 627,584	$ 443,660	$ 210,995	$ 623,845	$ 459,361	$ 852,834	$ 198,136	$ -	$ 67,610,637
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 780,441
	-	-	-	-	-	-	-	-	714,006
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,494,447
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 647,872
	-	-	-	-	-	-	-	-	1,349,996
	-	-	-	-	-	-	-	-	1,343,472
	-	-	-	-	-	-	-	-	2,338,506
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	446,081
	-	-	-	-	-	-	-	-	74,543
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,200,470
	$ 9,907	$ 27,021	$ 19,114	$ 8,856	$ 13,328	$ 13,807	$ 19,933	$ -	$ 133,652
	2,278	1,488	1,280	1,825	677	1,322	1,010	-	23,979
	$ 12,185	$ 28,509	$ 20,394	$ 10,681	$ 14,005	$ 15,129	$ 20,943	$ -	$ 157,631
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-	-	-	456,117
	-	-	-	-	-	-	-	-	89,224
	-	-	-	-	-	-	-	-	1,286,095
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,831,436
	$ 12,185	$ 28,509	$ 20,394	$ 10,681	$ 14,005	$ 15,129	$ 20,943	$ -	$ 8,189,537
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,596,890
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 666,104
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,262,994
	$ 556,642	$ 357,595	$ 153,218	$ 533,012	$ 370,273	$ 778,478	$ 164,035	$ -	$ 24,425,901
	58,757	57,556	37,383	80,152	75,083	59,227	13,158	-	8,184,677
	-	-	-	-	-	-	-	-	26,041,975
	$ 615,399	$ 415,151	$ 190,601	$ 613,164	$ 445,356	$ 837,705	$ 177,193	$ -	$ 58,652,553

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

	Rappahannock Area Community Services Board	Rappahannock Community Services, Inc.	Churchill Drive Group Home	Devon Drive Group Home
Operating revenue:				
Net patient service revenue	$ 34,656,193	$ -	$ -	$ -
Operating expenses:				
Salaries and benefits	$ 32,876,641	$ -	$ -	$ -
Staff development	249,774	-	-	-
Facilities	1,885,077	474,640	30,057	24,932
Supplies	2,194,962	-	-	-
Travel	687,268	-	-	-
Contractual and consulting	5,722,681	-	-	-
Depreciation	1,762,280	73,945	17,941	14,479
Other	446,918	5,037	-	-
Total operating expenses	$ 45,825,601	$ 553,622	$ 47,998	$ 39,411
Operating income (loss)	$ (11,169,408)	$ (553,622)	$ (47,998)	$ (39,411)
Nonoperating revenues (expenses):				
Capital contributions:				
Commonwealth of Virginia	$ 11,879,692	$ -	$ -	$ -
Federal government	3,614,797	-	-	-
Local governments	1,864,970	-	-	-
Other	2,128,451	488,946	38,074	34,729
Interest income	393,125	488	4	4
Interest expense	(34,029)	-	-	-
Gain (loss) on disposition of capital assets	(16,779)	-	-	-
Net nonoperating revenues (expenses)	$ 19,830,227	$ 489,434	$ 38,078	$ 34,733
Change in net position	$ 8,660,819	$ (64,188)	$ (9,920)	$ (4,678)
Net position, beginning of year	44,507,967	$ 1,462,708	$ 608,070	$ 197,206
Net position, end of year	$ 53,168,786	$ 1,398,520	$ 598,150	$ 192,528

Galveston Road Group Home	Igo Road Group Home	Leeland Road Group Home	New Hope Estates Group Home	Piedmont Drive Group Home	Scottsdale Estates Group Home	Stonewall Estates Group Home	Intercompany Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,656,193
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,876,641
-	-	-	-	-	-	-	-	249,774
25,891	26,944	21,207	31,316	19,257	31,609	25,107	(53,950)	2,542,087
-	-	-	-	-	-	-	-	2,194,962
-	-	-	-	-	-	-	-	687,268
-	-	-	-	-	-	-	-	5,722,681
16,375	16,598	14,582	18,899	21,800	24,214	18,927	-	2,000,040
-	-	-	-	-	-	-	-	451,955
$ 42,266	$ 43,542	$ 35,789	$ 50,215	$ 41,057	$ 55,823	$ 44,034	$ (53,950)	$ 46,725,408
$ (42,266)	$ (43,542)	$ (35,789)	$ (50,215)	$ (41,057)	$ (55,823)	$ (44,034)	$ 53,950	$ (12,069,215)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,879,692
-	-	-	-	-	-	-	-	3,614,797
-	-	-	-	-	-	-	-	1,864,970
39,582	27,637	29,642	20,262	34,324	46,088	23,585	(53,950)	2,857,370
7	4	3	7	6	6	3	-	393,657
-	-	-	-	-	-	-	-	(34,029)
-	-	-	-	-	-	-	-	(16,779)
$ 39,589	$ 27,641	$ 29,645	$ 20,269	$ 34,330	$ 46,094	$ 23,588	$ (53,950)	$ 20,559,678
$ (2,677)	$ (15,901)	$ (6,144)	$ (29,946)	$ (6,727)	$ (9,729)	$ (20,446)	$ -	$ 8,490,463
$ 618,076	$ 431,052	$ 196,745	$ 643,110	$ 452,083	$ 847,434	$ 197,639	$ -	$ 50,162,090
$ 615,399	$ 415,151	$ 190,601	$ 613,164	$ 445,356	$ 837,705	$ 177,193	$ -	$ 58,652,553

Combining Statement of Cash Flows
Year Ended June 30, 2023

	Rappahannock Area Community Services Board	Rappahannock Community Services, Inc.	Churchill Drive Group Home	Devon Drive Group Home
Cash flows from operating activities:				
Receipts from customers	$ 32,561,797	$ -	$ -	$ -
Payments to suppliers	(13,335,085)	(506,372)	(38,486)	(39,580)
Payments to and for employees	(32,605,062)	-	-	-
Net cash provided by (used for) operating activities	$ (13,378,350)	$ (506,372)	$ (38,486)	$ (39,580)
Cash flows from noncapital financing activities:				
Government grants	$ 17,972,368	$ -	$ -	$ -
Other	2,128,451	487,726	39,644	48,087
Net cash provided by (used for) noncapital financing activities	$ 20,100,819	$ 487,726	$ 39,644	$ 48,087
Cash flows from capital and related financing activities:				
Purchase of capital assets	$ (276,055)	$ (21,726)	$ -	$ -
Proceeds from sale of capital assets	92,848	-	-	-
Principal paid on lease liabilities	(72,045)	-	-	-
Amount paid on subscription liabilities	(436,265)	-	-	-
Principal payments on mortgages and loans payable	-	(85,410)	-	-
Interest expense	(34,029)	-	-	-
Net cash provided by (used for) capital and related financing activities	$ (725,546)	$ (107,136)	$ -	$ -
Cash flows from investing activities:				
Interest income	$ 393,125	$ 488	$ 4	$ 4
Net increase (decrease) in cash and cash equivalents	$ 6,390,048	$ (125,294)	$ 1,162	$ 8,511
Cash and cash equivalents, beginning of year	19,989,800	451,876	61,580	29,981
Cash and cash equivalents, end of year	$ 26,379,848	$ 326,582	$ 62,742	$ 38,492
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (11,169,408)	$ (553,622)	$ (47,998)	$ (39,411)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,762,280	73,945	17,941	14,479
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	(2,094,396)	-		
Prepaid items	-	(7,151)	(113)	(80)
Net pension asset	3,481,992	-	-	-
Net OPEB assets	29,091	-	-	-
Deferred outflows of resources	679,679	-	-	-
Accounts payable and accrued expenses	(1,054,707)	(19,544)	(8,316)	(14,568)
Compensated absences	(131,628)	-	-	-
Net OPEB liabilities	20,067	-	-	-
Deferred inflows of resources	(4,901,320)	-	-	-
Other	-	-	-	-
Net cash provided by (used for) operating activities	$ (13,378,350)	$ (506,372)	$ (38,486)	$ (39,580)

Galveston Road Group Home	Igo Road Group Home	Leeland Road Group Home	New Hope Estates Group Home	Piedmont Drive Group Home	Scottsdale Estates Group Home	Stonewall Estates Group Home	Intercompany Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,561,797
(35,043)	(17,169)	(17,109)	(39,785)	(31,581)	(46,628)	(31,353)	53,950	(14,084,241)
-	-	-	-	-	-	-	-	(32,605,062)
$ (35,043)	$ (17,169)	$ (17,109)	$ (39,785)	$ (31,581)	$ (46,628)	$ (31,353)	$ 53,950	$ (14,127,506)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,972,368
51,416	13,506	24,718	38,837	34,490	46,088	32,244	(53,950)	2,891,257
$ 51,416	$ 13,506	$ 24,718	$ 38,837	$ 34,490	$ 46,088	$ 32,244	$ (53,950)	$ 20,863,625
$ (1,329)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (299,110)
	-	-	-	-	-	-	-	92,848
-	-	-	-	-	-	-	-	(72,045)
-	-	-	-	-	-	-	-	(436,265)
-	-	-	-	-	-	-	-	(85,410)
-	-	-	-	-	-	-	-	(34,029)
$ (1,329)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (834,011)
$ 7	$ 4	$ 3	$ 7	$ 6	$ 6	$ 3	$ -	$ 393,657
$ 15,051	$ (3,659)	$ 7,612	$ (941)	$ 2,915	$ (534)	$ 894	$ -	$ 6,295,765
47,478	$ 37,922	$ 42,425	$ 89,492	$ 60,138	$ 72,970	$ 28,116	$ -	$ 20,911,778
$ 62,529	$ 34,263	$ 50,037	$ 88,551	$ 63,053	$ 72,436	$ 29,010	$ -	$ 27,207,543
$ (42,266)	$ (43,542)	$ (35,789)	$ (50,215)	$ (41,057)	$ (55,823)	$ (44,034)	$ 53,950	$ (12,069,215)
16,375	16,598	14,582	18,899	21,800	24,214	18,927	-	2,000,040
	-	-	-	-	-	-	-	(2,094,396)
(102)	(103)	108	(356)	(79)	(108)	(81)	-	(8,065)
-	-	-	-	-	-	-	-	3,481,992
-	-	-	-	-	-	-	-	29,091
-	-	-	-	-	-	-	-	679,679
(9,050)	9,878	3,990	(8,692)	(12,245)	(14,911)	(6,165)	-	(1,134,330)
-	-	-	-	-	-	-	-	(131,628)
-	-	-	-	-	-	-	-	20,067
-	-	-	-	-	-	-	-	(4,901,320)
-	-	-	579		-	-	-	579
$ (35,043)	$ (17,169)	$ (17,109)	$ (39,785)	$ (31,581)	$ (46,628)	$ (31,353)	$ 53,950	$ (14,127,506)

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- Compliance -

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

To the Board of Directors
Rappahannock Area Community Services Board
Fredericksburg, 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 the aggregate remaining fund information of Rappahannock Area Community Services Board, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Rappahannock Area Community Services Board's basic financial statements and have issued our report thereon dated November 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rappahannock Area Community Services Board'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 Rappahannock Area Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Rappahannock Area Community Services Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Rappahannock Area Community Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 the Rappahannock Area Community Services Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rappahannock Area Community Services Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 30, 2023

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

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
Rappahannock Area Community Services Board
Fredericksburg, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Rappahannock Area Community Services Board's 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 the Rappahannock Area Community Services Board's major federal programs for the year ended June 30, 2023. Rappahannock Area Community Services Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Rappahannock Area Community Services Board's basic financial statements include the operations of the component unit organizations Churchill Drive Group Home, Devon Drive Group Home, Galveston Road Group Home, Igo Road Group Home, Leeland Road Group Home, New Hope Estates Group Home, Piedmont Drive Group Home, Scottsdale Estates Group Home and Stonewall Estates Group Home, which received $4,566,842 in federal awards which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2023. Our audit, described below, did not include the operations of the above component units because each of the component units issues separate financial statements, and audits in compliance with the Uniform Guidance are performed at the component unit level, where applicable.

In our opinion, the Rappahannock Area Community Services Board complied, in all material respects, with the 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, 2023.

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 Rappahannock Area Community Services Board 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 Rappahannock Area Community Services Board'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 Rappahannock Area Community Services Board'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 Rappahannock Area Community Services Board'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 Rappahannock Area Community Services Board'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 Rappahannock Area Community Services Board'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 Rappahannock Area Community Services Board'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 Rappahannock Area Community Services Board'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 30, 2023

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Department of Treasury			
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	$ 398,500
Department of Health and Human Services			
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Not available	$ 123,264
Opioid STR	93.788	5H79TI080220-02	650,991
Block Grants for Community Mental Health Services	93.958	2B090SM010053-18	182,411
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053-18	1,273,054
Virginia Department of Health:			
ACA Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Not available	232,589
Virginia Department of Social Services:			
Temporary Assistance for Needy Families (TANF)	93.558	FAM-18-106A-19	356,581
Total Department of Health and Human Services			$ 2,818,890
Department of Education			
Pass-Through Payments:			
Virginia Department of Education:			
Special Education - Grants for Infants and Families	84.181	H181A190017	$ 397,407
Total expenditures of federal awards			$ 3,614,797

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 the Rappahannock Area Community Services Board under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rappahannock Area Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Rappahannock Area Community Services Board.

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 - Indirect Cost Recovery

The entity has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

There were no items reported.

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