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**COLONIAL BEHAVIORAL HEALTH**

**Williamsburg, Virginia**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2021**

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## COLONIAL BEHAVIORAL HEALTH

### BOARD OF DIRECTORS

At June 30, 2021

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Dr. Alfred Brassel, Jr., Chairperson

John Kuplinski, Vice-Chairperson

Rebecca Vinroot, Treasurer

Dr. Baljit Gill, Secretary

Hazel Braxton

June Hagee

Cindy Spitzer

Bruce Keener

Sheri Newcomb

Wendy Evans

Talbot Vivian

Kristen Nelson

Sherry Wharton

Teresa Christin

Ryan Ashe

### PRINCIPAL MANAGEMENT TEAM

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David Coe

Executive Director

Keith German

Director of Administrative Services

Dan Longo

Director of Behavioral Services

Marsha Obremski

Director of Child & Adolescent Services

Debbie Townsend

Director of Rehabilitative Services

Vacant

Director of Human Resources

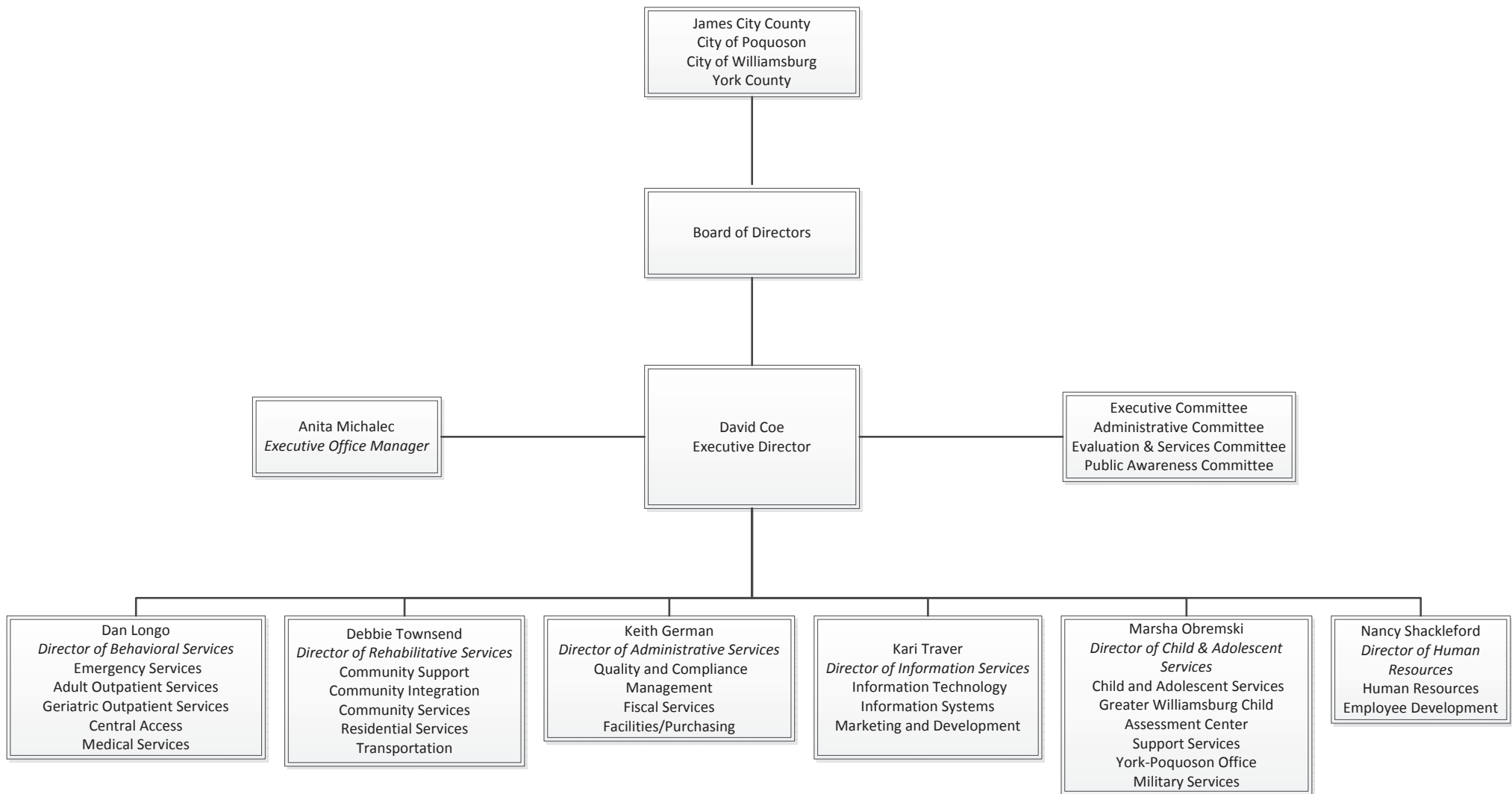
Kari Traver

Director of Information Systems



# Colonial Behavioral Health

## Executive Administration Organization Chart





# ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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## Independent Auditors' Report

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To the Board of Directors  
Colonial Behavioral Health  
Williamsburg, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and remaining fund information of Colonial Behavioral Health, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Colonial Behavioral Health's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and remaining fund information of Colonial Behavioral Health, as of June 30, 2021, and the respective 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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules related to pension and OPEB funding on pages 4-6 and 50-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colonial Behavioral Health's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

## **Report on Summarized Comparative Information**

We have previously audited Colonial Behavioral Health's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2021 on our consideration of Colonial Behavioral Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Colonial Behavioral Health's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Colonial Behavioral Health's internal control over financial reporting and compliance.

*Robinson Faren Cox Associates*

Charlottesville, Virginia  
November 2, 2021

## COLONIAL BEHAVIORAL HEALTH

### Management's Discussion and Analysis Year Ended June 30, 2021

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

#### **FISCAL YEAR 2021 HIGHLIGHTS**

- The COVID-19 pandemic continued to have a significant influence on CBH operations as CBH worked through the changing uncertainties of the situation. Although CBH continued to offer many services virtually, fewer client visits occurred than in previous years and some programs were suspended in an effort to keep both clients and staff safe.
- During FY21 CBH received \$478,000 in federal funds to provide treatment, recovery and prevention services to address the national opioid epidemic.
- Again this year, CBH was able to make a contribution to the VACO/VML POOLED OPEB TRUST Fund. These contributions continued to help manage the cost of the benefit, generate earnings and reduce the obligation's impact on the financial statements.
- In May CBH began to implement a new EHR system bringing Cerner Millennium to the agency. Work is continuing to bring CBH fully on board in the new system.

#### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

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

CBH maintains a non-profit corporation, Colonial Community Services, Inc. (CCSI), as a component unit for the purpose of acquiring and holding real property for use by the CBH. All condensed statements are combined, including the values and amounts for CBH and CCSI.

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



## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

A summary of CBH's Combined Statement of Net Position for 2021 and 2020 is presented below:

<b>Condensed Combined Statement of Net Position</b>		
	2021	2020
<b>Assets</b>		
Current assets	\$ 6,466,818	\$ 5,280,272
Other assets	-	1,047,016
Capital assets (net of accumulated depreciation)	5,210,773	5,554,005
Total assets	\$ 11,677,591	\$ 11,881,293
<b>Deferred Outflows of Resources</b>	\$ 1,771,223	\$ 1,110,642
<b>Liabilities</b>		
Current liabilities	\$ 3,137,142	\$ 2,460,117
Long-term liabilities	4,266,879	4,640,783
Total liabilities	\$ 7,404,021	\$ 7,100,900
<b>Deferred Inflows of Resources</b>	\$ 3,718,095	\$ 4,068,508
<b>Net Position</b>	\$ 2,326,698	\$ 1,822,527

CBH continues to present a strong balance sheet, with a Current Ratio of 2.06:1. The increase in current assets of \$1,186,546, along with the increase in current liabilities of \$677,025 led to the current ratio decrease from the FY 2020 Current Ratio of 2.15:1.

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

A summary of CBH's Statement of Revenues, Expenses and Changes in Net Position for 2021 and 2020 is presented below:

<b>Condensed Combined Statement of Revenues, Expenses and Changes in Net Position</b>		
	2021	2020
Operating revenues	\$ 4,872,282	\$ 5,439,554
Operating expenses	16,738,655	17,143,510
Operating income (loss)	\$ (11,866,373)	\$ (11,703,956)
Net nonoperating income	12,370,544	12,706,508
Change in net position	\$ 504,171	\$ 1,002,552

## **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

CBH's Statement of Changes in Net Position reflects the volatile environment of the COVID-19 pandemic. Operating revenues decreased by \$567,272 or 10.43% from 2020 to 2021, and operating expenses decreased by \$404,855 or 2.36%. Nonoperating income increased by 7.24% helping to offset the increase in operating expenses. The resulting Change in Net Position was \$504,171.

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

A summary of CBH's Statement of Cash Flows for 2021 and 2020 is presented below:

<b>Condensed Combined Statement of Cash Flows</b>		
	<b>2021</b>	<b>2020</b>
Cash flows from operating activities	\$ (11,102,817)	\$ (11,290,038)
Cash flows from noncapital financing activities	12,413,230	12,715,229
Cash flows from capital and related financing activities	(228,834)	(362,785)
Cash flows from investing activities	5,148	44,500
Net cash increase (decrease)	\$ 1,086,727	\$ 1,106,906

CBH's Combined Statement of Cash Flows increased by \$1,086,727 in 2021. The primary factor for the increased cash position is attributable to the increase in governmental grants and contributions.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets as shown on the Condensed Combined Statement of Net Position total \$5,210,773. Over 94% of this value (\$4,914,044) consists of the value of building and property held by CCSI for use by CBH. The remainder consists of vehicles and office equipment used by CBH. Decreases from FY 2020 amounts represent depreciation expense of \$343,232.

There was no new long-term debt issued during FY2021. Long-term balances decreased by \$181,000 for the year ended June 30, 2021. For more information see note 10 for the financial statements.

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

## **- Basic Financial Statements -**

**COLONIAL BEHAVIORAL HEALTH**

**Statement of Net Position  
At June 30, 2021  
(With Comparative Totals for 2020)**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 5,787,453	\$ 4,700,726
Accounts receivable, less allowance for uncollectibles	655,065	576,881
Prepaid items	24,300	2,665
Total current assets	<u>\$ 6,466,818</u>	<u>\$ 5,280,272</u>
<b>Capital Assets:</b>		
Property and equipment, less accumulated depreciation	<u>\$ 5,210,773</u>	<u>\$ 5,554,005</u>
<b>Other Assets:</b>		
Net pension asset	<u>\$ -</u>	<u>\$ 1,047,016</u>
Total assets	<u>\$ 11,677,591</u>	<u>\$ 11,881,293</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related items	\$ 1,535,200	\$ 905,262
OPEB related items	<u>236,023</u>	<u>205,380</u>
Total deferred outflows of resources	<u>\$ 1,771,223</u>	<u>\$ 1,110,642</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,047,936	\$ 1,045,787
Compensated absences, current portion	588,499	577,272
Revenue bond, current portion	188,000	181,000
Unearned revenue	<u>312,707</u>	<u>656,058</u>
Total current liabilities	<u>\$ 3,137,142</u>	<u>\$ 2,460,117</u>
<b>Long-Term Liabilities:</b>		
Compensated absences, less current portion	\$ 869,649	\$ 820,461
Net OPEB liabilities	1,829,189	2,378,322
Net pension liability	314,041	-
Revenue bond, less current portion	<u>1,254,000</u>	<u>1,442,000</u>
Total long-term liabilities	<u>\$ 4,266,879</u>	<u>\$ 4,640,783</u>
Total liabilities	<u>\$ 7,404,021</u>	<u>\$ 7,100,900</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related items	\$ 83,048	\$ 352,354
OPEB related items	<u>3,635,047</u>	<u>3,716,154</u>
Total deferred inflows of resources	<u>\$ 3,718,095</u>	<u>\$ 4,068,508</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 3,768,773	\$ 3,931,005
Restricted for unspent grant proceeds	312,707	656,058
Unrestricted	<u>(1,754,782)</u>	<u>(2,764,536)</u>
Total net position	<u>\$ 2,326,698</u>	<u>\$ 1,822,527</u>

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

# COLONIAL BEHAVIORAL HEALTH

## Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2021 (With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>Operating revenues:</b>		
Net patient service revenue	\$ 4,872,282	\$ 5,439,554
<b>Operating expenses:</b>		
Salaries and benefits	\$ 13,201,273	\$ 13,260,196
Staff development	39,196	65,831
Facility	720,022	879,457
Supplies	686,181	608,382
Travel	40,784	132,983
Contractual and consulting	1,576,671	1,683,479
Depreciation	343,232	343,731
Other	131,296	169,451
Total operating expenses	\$ 16,738,655	\$ 17,143,510
<b>Operating income (loss)</b>	\$ (11,866,373)	\$ (11,703,956)
<b>Nonoperating income (expenses):</b>		
Appropriations:		
Commonwealth of Virginia	\$ 7,041,570	\$ 7,187,051
Federal government	1,191,068	1,227,484
Local governments	3,081,000	3,050,000
Other	1,099,592	1,250,694
Interest income	5,148	44,500
Interest expense	(47,834)	(53,221)
Net nonoperating income (expenses)	\$ 12,370,544	\$ 12,706,508
<b>Change in net position</b>	\$ 504,171	\$ 1,002,552
<b>Net position, beginning of year</b>	1,822,527	819,975
<b>Net position, end of year</b>	\$ 2,326,698	\$ 1,822,527

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

**COLONIAL BEHAVIORAL HEALTH**

**Statement of Cash Flows**  
**Year Ended June 30, 2021**  
**(With Comparative Totals for 2020)**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 4,450,747	\$ 5,947,556
Payments to suppliers	(2,213,636)	(3,614,646)
Payments to and for employees	(13,339,928)	(13,622,948)
Net cash flows provided by (used for) operating activities	\$ (11,102,817)	\$ (11,290,038)
<b>Cash flows from noncapital financing activities:</b>		
Government grants	\$ 11,313,638	\$ 11,464,535
Other	1,099,592	1,250,694
Net cash flows provided by (used for) noncapital financing activities	\$ 12,413,230	\$ 12,715,229
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	\$ -	\$ (133,564)
Interest payments on loans	(47,834)	(53,221)
Principal payments on loans	(181,000)	(176,000)
Net cash flows provided by (used for) capital and related financing activities	\$ (228,834)	\$ (362,785)
<b>Cash flows from investing activities:</b>		
Interest income	\$ 5,148	\$ 44,500
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 1,086,727</b>	<b>\$ 1,106,906</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>4,700,726</b>	<b>3,593,820</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,787,453</b>	<b>\$ 4,700,726</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (11,866,373)	\$ (11,703,956)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	343,232	343,731
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	(78,184)	55,116
Prepaid items	(21,635)	127,273
Net pension asset	1,047,016	778,822
Deferred outflows of resources	(660,581)	(608,789)
Accounts payable and accrued expenses	1,002,149	(225,905)
Compensated absences	60,415	146,106
Net OPEB liabilities	(549,133)	(772,634)
Net pension liability	314,041	-
Unearned revenue	(343,351)	476,455
Deferred inflows of resources	(350,413)	93,743
Cash flows provided by (used for) operating activities	\$ (11,102,817)	\$ (11,290,038)

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

COLONIAL BEHAVIORAL HEALTH

Statement of Fiduciary Net Position  
Fiduciary Funds  
At June 30, 2021

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	<u>Trust Funds</u>
<b>ASSETS</b>	
Investments designated for postemployment benefits other than pensions:	
VACO/VML Pooled OPEB Trust Portfolio I	\$ <u>247,929</u>
<b>NET POSITION</b>	
Net position restricted for postemployment benefits other than pensions	\$ <u>247,929</u>

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

# COLONIAL BEHAVIORAL HEALTH

## Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Year Ended June 30, 2021

	<u>Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 167,514
Total contributions	<u>\$ 167,514</u>
Investment Earnings:	
Net increase (decrease) in fair value of investments	\$ 52,104
Total investment earnings	<u>\$ 52,104</u>
Total additions	<u>\$ 219,618</u>
<b>DEDUCTIONS</b>	
Retirement and disability benefits	\$ 67,514
Administrative expenses	675
Total deductions	<u>\$ 68,189</u>
Change in fiduciary net position	\$ 151,429
Net position, beginning of the year	96,500
Net position, ending of the year	<u><u>\$ 247,929</u></u>

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



## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

##### **A. Description and Purpose of Organization:**

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

##### **B. Financial Reporting Entity:**

CBH includes all organizations which exclusively benefit the entity. All component units included in these financial statements have years which end on June 30.

##### **Blended Component Units:**

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

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

##### **C. Basis of Accounting:**

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

##### **D. Financial Statement Presentation:**

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

##### **E. Enterprise Fund Accounting:**

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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

##### **F. Use of Estimates:**

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

##### **G. Cash and Cash Equivalents:**

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

##### **H. Investments:**

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

##### **I. Net Client Service Revenue:**

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

##### **J. Financial Assistance:**

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

The vast majority of fees collected result from Medicaid billings.

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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

##### **K. Capital Assets:**

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

##### **L. Deferred Outflows/Inflows of Resources:**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Colonial Behavioral Health has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Colonial Behavioral Health has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

##### **M. Pensions:**

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

##### **N. Other Postemployment Benefits (OPEB):**

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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

##### **O. Compensated Absences:**

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

##### **P. Budgetary Accounting:**

CBH follows these procedures in establishing its budgets:

1. In response to Letters of Notification received from the Virginia Department of Behavioral Health and Developmental Services (the Department), CBH submits a Performance Contract to the Department. This application contains complete budgets for all Core Services.
2. CBH's performance reports are filed with the Department during the fiscal year, 45 working days after the end of the second and fourth quarters. The final quarterly report is due by August 31 following the end of the fiscal year, unless extended.
3. If any changes are made during the fiscal year in state or federal block grants or local match funds, CBH submits Performance Contract revisions which reflect these changes in time to be received by the Department by required deadlines.

##### **Q. Operating and Nonoperating Revenues and Expenses:**

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

##### **R. Comparative Totals:**

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

##### **S. Net Position:**

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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

##### **T. Net Position Flow Assumption:**

CBH 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 CBH's policy to consider restricted net position to have been depleted or used before unrestricted net position is applied.

#### **NOTE 2 - DEPOSITS AND INVESTMENTS:**

##### **Deposits:**

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

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

##### **Investments:**

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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

##### **Custodial Credit Risk (Investments):**

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

##### Credit Risk of Debt Securities:

CBH's rated debt investments as of June 30, 2021 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

<u>Rated Debt Investments Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Virginia Local Government Investment Pool	\$ 3,323,735
Total	\$ 3,323,735

##### Concentration of Credit Risk:

At June 30, 2021 CBH's investment policy regarding the concentration of credit risk was the same as the County of York.

##### Interest Rate Risk:

CBH has adopted the County of York policy that addresses interest rate risk. The following details the entity's interest rate risk at June 30, 2021.

<u>Investment Type</u>	<u>Value</u>	<u>Less Than One Year</u>
Virginia Local Government Investment Pool	\$ 3,323,735	\$ 3,323,735

##### External Investment Pool:

The value of the external investment pool is the same as the value of the pool shares. Investments in the Local Government Investment Pool that are not SEC registered are monitored by the Treasurer of Virginia and other applicable state agencies. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)**

##### Summary of Cash and Cash Equivalents:

	<u>2021</u>	<u>2020</u>
Cash:		
Petty cash	\$ 370	\$ 370
Checking	2,463,348	2,180,902
Total cash	\$ 2,463,718	\$ 2,181,272
Investments	3,323,735	2,519,454
Total cash and cash equivalents	<u>\$ 5,787,453</u>	<u>\$ 4,700,726</u>

#### **NOTE 3 - ACCOUNTS RECEIVABLE:**

##### Client Accounts Receivable:

At June 30, 2021 and 2020 CBH had client accounts receivable due, net of estimated uncollectibles of \$824,604 (2021) and \$788,965 (2020) from the following primary sources:

	<u>2021</u>	<u>2020</u>
Virginia Department of Medical Assistance Services (Medicaid)	\$ 487,881	\$ 427,561
Direct client and third party	146,337	118,643
Other	20,847	30,677
Total	<u>\$ 655,065</u>	<u>\$ 576,881</u>

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### NOTE 4 - CAPITAL ASSETS:

Capital assets consist of the following:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 959,412	\$ -	\$ -	\$ 959,412
Total capital assets not being depreciated	\$ 959,412	\$ -	\$ -	\$ 959,412
Capital assets being depreciated:				
Building and improvements	\$ 6,841,965	\$ -	\$ -	\$ 6,841,965
Furniture, fixtures and equipment	362,038	-	78,829	283,209
Vehicles	1,095,852	-	-	1,095,852
Total capital assets being depreciated	\$ 8,299,855	\$ -	\$ 78,829	\$ 8,221,026
Accumulated depreciation:				
Building and improvements	\$ 2,732,012	\$ 169,460	\$ -	\$ 2,901,472
Furniture, fixtures and equipment	249,147	23,982	78,829	194,300
Vehicles	724,103	149,790	-	873,893
Total accumulated depreciation	\$ 3,705,262	\$ 343,232	\$ 78,829	\$ 3,969,665
Net capital assets being depreciated	\$ 4,594,593	\$ (343,232)	\$ -	\$ 4,251,361
Net capital assets	\$ 5,554,005	\$ (343,232)	\$ -	\$ 5,210,773

Total depreciation expense was \$343,232 for 2021 and \$343,731 for 2020.

#### NOTE 5 - LEASE COMMITMENTS:

CBH leases facilities from various lessors. The lease terms range from monthly to one year. CBH also leases facilities from its blended component unit under an operating lease that expires in 2023. Rentals paid under this agreement are not on an arms-length basis and totaled \$282,824 for 2021 and \$282,824 for 2020.

Total rent expenses for the year ended June 30, 2021, exclusive of intercompany payments of \$282,824, totaled \$148,707.

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

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 122,481
2023	23,365
Total	\$ 145,846



## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 6 - CLAIMS AND COMPENSATED ABSENCES:**

CBH has accrued the liability arising from compensated absences.

CBH employees earn vacation and sick leave based on length of service. CBH has outstanding accrued leave pay totaling \$1,458,148 at June 30, 2021 and \$1,397,733 at June 30, 2020. Upon termination of employment employees are paid their accumulated annual leave up to certain limits.

#### **NOTE 7 - 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.

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 7 - PENSION PLAN: (CONTINUED)**

##### ***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

##### ***Employees Covered by Benefit Terms***

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	89
Inactive members:	
Vested inactive members	55
Non-vested inactive members	113
Inactive members active elsewhere in VRS	<u>55</u>
Total inactive members	223
Active members	<u>167</u>
Total covered employees	<u><u>479</u></u>

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 7 - 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, 2021 was 4.58% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$370,356 and \$372,113 for the years ended June 30, 2021 and June 30, 2020, respectively.

##### ***Net Pension Liability***

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

##### ***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the Colonial Behavioral Health's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### NOTE 7 - 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:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### NOTE 7 - 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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

\* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

##### *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, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### NOTE 7 - PENSION PLAN: (CONTINUED)

##### *Discount Rate: (Continued)*

employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

##### *Changes in Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 29,545,642	\$ 30,592,658	\$ (1,047,016)
Changes for the year:			
Service cost	\$ 883,371	\$ -	\$ 883,371
Interest	1,954,126	-	1,954,126
Differences between expected and actual experience	(109,218)	-	(109,218)
Contributions - employer	-	364,637	(364,637)
Contributions - employee	-	438,664	(438,664)
Net investment income	-	584,419	(584,419)
Benefit payments, including refunds of employee contributions	(1,191,259)	(1,191,259)	-
Administrative expenses	-	(19,804)	19,804
Other changes	-	(694)	694
Net changes	\$ 1,537,020	\$ 175,963	\$ 1,361,057
Balances at June 30, 2020	\$ 31,082,662	\$ 30,768,621	\$ 314,041

# COLONIAL BEHAVIORAL HEALTH

## Notes to Financial Statements At June 30, 2021 (Continued)

### NOTE 7 - PENSION PLAN: (CONTINUED)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Net Pension Liability (Asset)	\$ 4,008,947	\$ 314,041	\$ (2,782,915)

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

For the year ended June 30, 2021, the Board recognized pension expense of \$824,693. At June 30, 2021, 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	\$ -	\$ 83,048
Change of assumptions	241,810	-
Net difference between projected and actual earnings on pension plan investments	923,034	-
Employer contributions subsequent to the measurement date	370,356	-
Total	\$ 1,535,200	\$ 83,048

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 7 - PENSION PLAN: (CONTINUED)**

\$370,356 was 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, 2022. 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:

<u>Year ended June 30</u>		
2022	\$	215,527
2023		263,461
2024		309,448
2025		293,360
2026		-
Thereafter		-

#### ***Pension Plan Data***

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

#### **NOTE 8 - UNEARNED REVENUE:**

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

<u>Unearned Revenue</u>	<u>2021</u>	<u>2020</u>
Advanced payment of local private grants	\$ 449	\$ 276,432
Unexpended state grant funds	75,000	221,993
Unexpended federal grant funds	237,258	157,633
Total	<u>\$ 312,707</u>	<u>\$ 656,058</u>



## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### NOTE 9 - RISK MANAGEMENT:

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

#### NOTE 10 - LONG-TERM OBLIGATIONS:

##### Changes in Long-Term Obligations:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions/</u> <u>Issuances</u>	<u>Deletions/</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Amount Due</u> <u>In One Year</u>
<b>General obligation bonds:</b>					
Direct Borrowings and Direct Placements:					
Revenue bond	\$ 1,623,000	\$ -	\$ 181,000	\$ 1,442,000	\$ 188,000
Compensated absences	1,397,733	60,415	-	1,458,148	588,499
Net pension liability	-	1,810,979	1,496,938	314,041	-
Net OPEB liability - group life insurance	746,752	241,678	227,274	761,156	-
Net OPEB liability - health insurance credit	75,319	57,246	19,143	113,422	-
Net OPEB liability - health insurance	1,556,251	165,399	767,039	954,611	-
Total	<u>\$ 5,399,055</u>	<u>\$ 2,335,717</u>	<u>\$ 2,691,394</u>	<u>\$ 5,043,378</u>	<u>\$ 776,499</u>

##### General Obligation Bond:

##### Revenue Bond:

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

	<u>Balance</u>	<u>Current</u> <u>Portion</u>
\$2,750,000 qualified non-profit revenue and refunding bond, issued through the Economic Development Authority of the County of York, Virginia dated July 19, 2013, annual principal payments ranging from \$145,000 to \$226,000, interest at 2.99% payable semiannually each June 1 and December 1, maturing June 1, 2028.	<u>\$ 1,442,000</u>	<u>\$ 188,000</u>

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### NOTE 10 - LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term debt existing at June 30, 2021 at current interest rates are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements	
	Revenue Bond	
	Principal	Interest
2022	\$ 188,000	\$ 43,116
2023	193,000	37,495
2024	199,000	31,724
2025	205,000	25,774
2026	213,000	19,644
2027-2028	444,000	20,033
Total	<u>\$ 1,442,000</u>	<u>\$ 177,786</u>

CBH has no federal arbitrage liability.

#### NOTE 11 - PARTICIPANT LOCALITY CONTRIBUTIONS:

The participating localities appropriated the following amounts to CBH:

	2021	2020
County of York	\$ 900,000	\$ 869,000
County of James City	1,732,000	1,732,000
City of Williamsburg	259,000	259,000
City of Poquoson	190,000	190,000
Total	<u>\$ 3,081,000</u>	<u>\$ 3,050,000</u>

#### NOTE 12 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenues were from the following sources:

	2021	2020
Medicaid	\$ 4,080,748	\$ 4,693,661
Direct client and third party	590,757	583,505
Other	200,777	162,388
Total	<u>\$ 4,872,282</u>	<u>\$ 5,439,554</u>

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 13 - COMMITMENTS AND CONTINGENCIES:**

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

#### **NOTE 14 - MEDICAL AND DENTAL INSURANCE - (OPEB PLAN):**

##### ***Plan Description***

In addition to the pension benefits described in Note 7, the Colonial Behavioral Health administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Board's pension plans. The plan does not issue a publicly available financial report.

##### ***Plan Administration***

Management of the Plan is vested in Plan Trustees, which consist of Board members of Colonial Behavioral Health.

##### ***Benefits Provided***

The Colonial Behavioral Health 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 which 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.

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### NOTE 14 - MEDICAL AND DENTAL INSURANCE - (OPEB PLAN): (CONTINUED)

##### *Plan Membership*

At June 30, 2021 (measurement date), the following employees were covered by the benefit terms:

	<u>Total</u>
Total active employees with coverage	137
Total retirees with coverage	<u>9</u>
Total	<u><u>146</u></u>

##### *Contributions*

The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2021, the Board's average contribution rate was 2.14% percent of covered payroll. For the year ended June 30, 2021, the Board contributed \$167,514 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, 2021:

<u>Asset Class</u>	<u>Target Percentage</u>
US Core Fixed Income	21.00%
US Large Cap US Equities	26.00%
US Small Cap US Equities	10.00%
Foreign Developed Equities	13.00%
Emerging Market Equities	5.00%
Private Real Estate Property	7.00%
Private Equities	5.00%
Commodities	3.00%
Hedge FOF Strategic	10.00%
Total	<u><u>100.00%</u></u>

##### *Concentrations*

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 14 - MEDICAL AND DENTAL INSURANCE - (OPEB PLAN): (CONTINUED)**

##### ***Rate of Return***

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 30.14 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***

<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>	
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6/30/2021	30.14%
6/30/2020	-6.11%

*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, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

##### ***Actuarial Assumptions***

The total OPEB liability in the July 1, 2020 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 AA.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study at July 1, 2020.

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### NOTE 14 - MEDICAL AND DENTAL INSURANCE - (OPEB PLAN): (CONTINUED)

##### *Actuarial Assumptions: (Continued)*

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 arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 (see the discussion of The Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
US Core Fixed Income	0.83%
US Large Cap US Equities	3.93%
US Small Cap US Equities	5.09%
Foreign Developed Equities	5.73%
Emerging Market Equities	7.51%
Private Real Estate Property	3.89%
Private Equities	8.99%
Commodities	2.29%
Hedge FOF Strategic	2.71%
Assumed Inflation	2.40%
Portfolio Real Mean Return	3.93%
Portfolio Nominal Mean Return	6.33%
Portfolio Standard Deviation	11.60%
<b>Long-Term Expected Rate of Return</b>	<b>6.50%</b>

##### *Discount Rate*

The discount rate used to measure the total OPEB liability was 6.5 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.

# COLONIAL BEHAVIORAL HEALTH

## Notes to Financial Statements At June 30, 2021 (Continued)

### NOTE 14 - MEDICAL AND DENTAL INSURANCE - (OPEB PLAN): (CONTINUED)

#### Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at June 30, 2020	\$ 1,652,751	\$ 96,500	\$ 1,556,251
Changes for the year:			
Service cost	\$ 55,826	\$ -	\$ 55,826
Interest	108,898	-	108,898
Effect of economic/demographic gains or losses	(514,744)	-	(514,744)
Changes in assumptions	(32,677)	-	(32,677)
Contributions - employer	-	167,514	(167,514)
Net investment income	-	52,104	(52,104)
Administrative expenses	-	(675)	675
Benefit payments	(67,514)	(67,514)	-
Net changes	\$ (450,211)	\$ 151,429	\$ (601,640)
Balances at June 30, 2021	\$ 1,202,540	\$ 247,929	\$ 954,611

#### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following amounts present the net OPEB liability of the Board, as well as what the total OPEB liability 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%)
\$ 1,114,566	\$ 954,611	\$ 821,966

#### Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Board, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.40%) or one percentage point higher (6.40%) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.40%)	Healthcare Cost Trend (5.40%)	1% Increase (6.40%)
\$ 776,927	\$ 954,611	\$ 1,175,647

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### NOTE 14 - MEDICAL AND DENTAL INSURANCE - (OPEB PLAN): (CONTINUED)

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

For the year ended June 30, 2021, the Board recognized OPEB expense in the amount of (\$479,091). At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 28,454
Change in assumptions	-	2,927,672
Differences between expected and actual experience	-	623,993
Total	<u>\$ -</u>	<u>\$ 3,580,119</u>

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

<u>Year Ended June 30</u>	
2022	\$ (632,860)
2023	(632,860)
2024	(627,759)
2025	(583,169)
2026	(575,075)
Thereafter	(528,396)

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

#### NOTE 15 - 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.



## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 15 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

##### ***Plan Description***

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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>40</u>
Total inactive members	<u>40</u>
Active members	<u>167</u>
Total covered employees	<u><u>207</u></u>

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 15 - 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, 2021 was .17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate 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 \$15,752 and \$14,978 for the years ended June 30, 2021 and June 30, 2020, respectively.

##### ***Net HIC OPEB Liability***

The Board's net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

##### ***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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*

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### NOTE 15 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

##### **Mortality Rates - Non-Largest Ten Locality Employers - General Employees**

###### Pre-Retirement:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### NOTE 15 - 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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
	*Expected arithmetic nominal return		7.14%

\*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

# COLONIAL BEHAVIORAL HEALTH

## Notes to Financial Statements At June 30, 2021 (Continued)

### NOTE 15 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

#### *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, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

#### *Changes in Net HIC OPEB Liability*

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 283,882	\$ 208,563	\$ 75,319
Changes for the year:			
Service cost	\$ 8,268	\$ -	\$ 8,268
Interest	18,568	-	18,568
Differences between expected and actual experience	30,009	-	30,009
Contributions - employer	-	14,976	(14,976)
Net investment income	-	4,167	(4,167)
Benefit payments	(17,587)	(17,587)	-
Administrative expenses	-	(399)	399
Other changes	-	(2)	2
Net changes	\$ 39,258	\$ 1,155	\$ 38,103
Balances at June 30, 2020	\$ 323,140	\$ 209,718	\$ 113,422

# COLONIAL BEHAVIORAL HEALTH

## Notes to Financial Statements At June 30, 2021 (Continued)

### NOTE 15 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

#### *Sensitivity of the Board's HIC Net OPEB Liability to Changes in the Discount Rate*

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Board's				
Net HIC OPEB Liability	\$	145,619	\$ 113,422	\$ 85,776

#### *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, 2021, the Board recognized HIC Plan OPEB expense of \$17,551. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to the Board's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,879	\$ 4,650
Net difference between projected and actual earnings on HIC OPEB plan investments	6,915	-
Change in assumptions	4,385	2,842
Employer contributions subsequent to the measurement date	15,752	-
Total	\$ 51,931	\$ 7,492

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 15 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

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

\$15,752 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, 2022. 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:

<u>Year Ended June 30</u>		
2022	\$	4,289
2023		5,791
2024		7,005
2025		7,214
2026		4,388
Thereafter		-

##### ***HIC Program Plan Data***

Information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### **NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):**

##### ***Plan Description***

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

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

##### ***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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$50,116 and \$48,809 for the years ended June 30, 2021 and June 30, 2020, respectively.



## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### **NOTE 16 - 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***

At June 30, 2021, the entity reported a liability of \$761,156 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .04560% as compared to .04589% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$34,145. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 48,821	\$ 6,837
Net difference between projected and actual earnings on GLI OPEB program investments	22,864	-
Change in assumptions	38,067	15,893
Changes in proportion	24,224	24,706
Employer contributions subsequent to the measurement date	50,116	-
Total	<b>\$ 184,092</b>	<b>\$ 47,436</b>

\$50,116 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<b><u>Year Ended June 30</u></b>	
2022	\$ 16,583
2023	23,040
2024	23,494
2025	19,308
2026	3,839
Thereafter	276

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 16 - 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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

##### **Mortality Rates - Non-Largest Ten Locality Employers - General Employees**

###### **Pre-Retirement:**

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

###### **Post-Retirement:**

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

###### **Post-Disablement:**

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

##### *Actuarial Assumptions: (Continued)*

##### **Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

##### **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, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		<b>GLI OPEB Plan</b>
		<hr/>
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
GLI Net OPEB Liability (Asset)	\$	<hr/> <hr/> 1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### NOTE 16 - 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:

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

\*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

#### **NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

##### ***Discount Rate***

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

##### ***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 GLI Plan Net OPEB Liability	\$ 1,000,598	\$ 761,156	\$ 566,707

##### ***GLI Program Fiduciary Net Position***

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

#### **NOTE 17 - AGGREGATE OPEB INFORMATION**

	Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan (Note 16)	\$ 184,092	\$ 47,436	\$ 761,156	\$ 34,145
Health Insurance Credit Plan (Note 15)	51,931	7,492	113,422	17,551
Stand-Alone Plan (Note 14)	-	3,580,119	954,611	(479,091)
Totals	<u>\$ 236,023</u>	<u>\$ 3,635,047</u>	<u>\$ 1,829,189</u>	<u>\$ (427,395)</u>

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2021 (Continued)

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#### **NOTE 18 - RESERVATION OF NET POSITION:**

Unrestricted net position has been reserved for:

Contingencies	\$	300,000
Board designation		<u>333,184</u>
Total	\$	<u><u>633,184</u></u>

#### **NOTE 19 - UPCOMING PRONOUNCEMENTS:**

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

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

#### **NOTE 20 - COVID-19 PANDEMIC:**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly since then and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Colonial Behavioral Health is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2022.

- Required Supplementary Information -

**COLONIAL BEHAVIORAL HEALTH**

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan**  
**For the Measurement Dates of June 30, 2014 through June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total pension liability</b>				
Service cost	\$ 883,371	\$ 874,993	\$ 881,695	\$ 854,699
Interest	1,954,126	1,860,061	1,759,464	1,688,257
Changes in assumptions	-	824,488	-	(164,526)
Differences between expected and actual experience	(109,218)	(56,811)	(167,205)	(389,490)
Benefit payments, including refunds of employee contributions	(1,191,259)	(1,058,775)	(1,014,939)	(928,466)
<b>Net change in total pension liability</b>	<u>\$ 1,537,020</u>	<u>\$ 2,443,956</u>	<u>\$ 1,459,015</u>	<u>\$ 1,060,474</u>
<b>Total pension liability - beginning</b>	<u>29,545,642</u>	<u>27,101,686</u>	<u>25,642,671</u>	<u>24,582,197</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 31,082,662</u></u>	<u><u>\$ 29,545,642</u></u>	<u><u>\$ 27,101,686</u></u>	<u><u>\$ 25,642,671</u></u>
 <b>Plan fiduciary net position</b>				
Contributions - employer	\$ 364,637	\$ 360,680	\$ 444,990	\$ 436,666
Contributions - employee	438,664	448,323	443,165	421,943
Net investment income	584,419	1,935,048	2,002,020	2,959,960
Benefit payments, including refunds of employee contributions	(1,191,259)	(1,058,775)	(1,014,939)	(928,466)
Administrative expense	(19,804)	(18,921)	(17,075)	(16,815)
Other	(694)	(1,221)	(1,795)	(2,646)
<b>Net change in plan fiduciary net position</b>	<u>\$ 175,963</u>	<u>\$ 1,665,134</u>	<u>\$ 1,856,366</u>	<u>\$ 2,870,642</u>
<b>Plan fiduciary net position - beginning</b>	<u>30,592,658</u>	<u>28,927,524</u>	<u>27,071,158</u>	<u>24,200,516</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 30,768,621</u></u>	<u><u>\$ 30,592,658</u></u>	<u><u>\$ 28,927,524</u></u>	<u><u>\$ 27,071,158</u></u>
 <b>CBH's net pension liability (asset) - ending (a) - (b)</b>	<u><u>\$ 314,041</u></u>	<u><u>\$ (1,047,016)</u></u>	<u><u>\$ (1,825,838)</u></u>	<u><u>\$ (1,428,487)</u></u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	98.99%	103.54%	106.74%	105.57%
 <b>Covered payroll</b>	\$ 9,361,000	\$ 8,994,220	\$ 9,067,190	\$ 8,817,048
 <b>CBH's net pension liability (asset) as a percentage of covered payroll</b>	3.35%	-11.64%	-20.14%	-16.20%

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.



# COLONIAL BEHAVIORAL HEALTH

## Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan (Continued) For the Measurement Dates of June 30, 2014 through June 30, 2020

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 795,788	\$ 768,126	\$ 800,602
Interest	1,617,582	1,516,141	1,416,803
Changes in assumptions	-	-	-
Differences between expected and actual experience	(491,830)	(3,556)	-
Benefit payments, including refunds of employee contributions	(895,303)	(767,826)	(828,733)
<b>Net change in total pension liability</b>	<b>\$ 1,026,237</b>	<b>\$ 1,512,885</b>	<b>\$ 1,388,672</b>
<b>Total pension liability - beginning</b>	<b>23,555,960</b>	<b>22,043,075</b>	<b>20,654,403</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 24,582,197</b>	<b>\$ 23,555,960</b>	<b>\$ 22,043,075</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 606,799	\$ 560,643	\$ 651,201
Contributions - employee	398,577	355,647	363,855
Net investment income	424,830	1,040,717	3,068,218
Benefit payments, including refunds of employee contributions	(895,303)	(767,826)	(828,733)
Administrative expense	(14,527)	(13,907)	(16,235)
Other	(177)	(221)	161
<b>Net change in plan fiduciary net position</b>	<b>\$ 520,199</b>	<b>\$ 1,175,053</b>	<b>\$ 3,238,467</b>
<b>Plan fiduciary net position - beginning</b>	<b>23,680,317</b>	<b>22,505,264</b>	<b>19,266,797</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 24,200,516</b>	<b>\$ 23,680,317</b>	<b>\$ 22,505,264</b>
<b>CBH's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 381,681</b>	<b>\$ (124,357)</b>	<b>\$ (462,189)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>98.45%</b>	<b>100.53%</b>	<b>102.10%</b>
<b>Covered payroll</b>	<b>\$ 7,940,954</b>	<b>\$ 7,219,337</b>	<b>\$ 7,020,849</b>
<b>CBH's net pension liability (asset) as a percentage of covered payroll</b>	<b>4.81%</b>	<b>-1.72%</b>	<b>-6.58%</b>

# COLONIAL BEHAVIORAL HEALTH

## Schedule of Employer Contributions - Pension Plan For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 370,356	\$ 370,356	\$ -	\$ 9,265,599	4.00%
2020	372,113	372,113	-	9,361,000	3.98%
2019	360,680	360,680	-	8,994,220	4.01%
2018	444,990	444,990	-	9,067,190	4.91%
2017	467,304	467,304	-	8,817,048	5.30%
2016	622,571	622,571	-	7,940,954	7.84%
2015	565,996	565,996	-	7,219,337	7.84%
2014	651,535	651,535	-	7,020,849	9.28%
2013	628,377	628,377	-	6,771,303	9.28%
2012	478,168	478,168	-	6,792,164	7.04%

## COLONIAL BEHAVIORAL HEALTH

### Notes to Required Supplementary Information - Pension Plan For the Year Ended June 30, 2021

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**COLONIAL BEHAVIORAL HEALTH**

**Schedule of Changes in Net OPEB Liability and Related Ratios - Medical and Dental Plan  
For the Years Ended June 30, 2018 through June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service cost	\$ 55,826	\$ 168,915	\$ 340,978	\$ 336,342
Interest	108,898	86,837	208,045	193,055
Economic/demographic gains or losses	(514,744)	-	-	-
Changes in assumptions	(32,677)	(877,625)	(3,207,073)	(351,886)
Effect of economic/demographic gains or losses	-	-	(257,056)	-
Benefit payments	(67,514)	(74,397)	(55,050)	(75,007)
<b>Net change in total OPEB liability</b>	<u>\$ (450,211)</u>	<u>\$ (696,270)</u>	<u>\$ (2,970,156)</u>	<u>\$ 102,504</u>
<b>Total OPEB liability - beginning</b>	<u>1,652,751</u>	<u>2,349,021</u>	<u>5,319,177</u>	<u>5,216,673</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 1,202,540</u></u>	<u><u>\$ 1,652,751</u></u>	<u><u>\$ 2,349,021</u></u>	<u><u>\$ 5,319,177</u></u>
 <b>Plan fiduciary net position</b>				
Contributions - employer	\$ 167,514	\$ 174,397	\$ -	\$ -
Net investment income	52,104	(3,345)	-	-
Administrative expenses	(675)	(155)	-	-
Benefit payments	(67,514)	(74,397)	-	-
<b>Net change in plan fiduciary net position</b>	<u>\$ 151,429</u>	<u>\$ 96,500</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Plan fiduciary net position - beginning</b>	<u>96,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 247,929</u></u>	<u><u>\$ 96,500</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 <b>Board's net OPEB liability (asset) - ending (a) - (b)</b>	<u><u>\$ 954,611</u></u>	<u><u>\$ 1,556,251</u></u>	<u><u>\$ 2,349,021</u></u>	<u><u>\$ 5,319,177</u></u>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	20.62%	5.84%	0.00%	0.00%
 <b>Covered payroll</b>	\$ 7,839,613	\$ 9,163,945	\$ 9,163,945	\$ 8,080,700
 <b>CBH's net OPEB liability as a percentage of covered payroll</b>	12.18%	16.98%	25.63%	65.83%

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

# COLONIAL BEHAVIORAL HEALTH

## Schedule of Employer Contributions - Medical and Dental Plan For the Years Ended June 30, 2020 through June 30, 2021

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)
2021	\$ 174,159	\$ 167,514	\$ 6,645	\$ 7,839,613	2.14%
2020	161,907	174,397	(12,490)	9,163,945	1.90%

Schedule is intended to show information for 10 years. Additional years will be included as they become available. OPEB Trust established in December 2019.

COLONIAL BEHAVIORAL HEALTH

Schedule of Investment Returns - Medical and Dental Plan  
For the Years Ended June 30, 2020 through June 30, 2021

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	2020	2021
Annual money-weighted rate of return, net of investment expense	-6.11%	30.14%

Schedule is intended to show information for 10 years. Additional years will be included as they become available. OPEB Trust established in December 2019.

## COLONIAL BEHAVIORAL HEALTH

### Notes to Required Supplementary Information - Medical and Dental Plan For the Year Ended June 30, 2021

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Valuation Date: 7/1/2020

Actuarially determined contribution rates are calculated as of July 1, 2020, prior to the fiscal year in which they are reported, and have been projected to June 30, 2021 on a "no gain/no loss" basis.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay
Amortization Method	Level Percentage of Payroll, Closed, 29 Years Remaining as of July 1, 2020, Amortization growth rate of 3.00%
Asset Valuation Method	Market Value
Inflation	2.50%
Payroll Growth	3.00%
Discount Rate	6.50%
Age-Related Claims Cost	Blended premium rate for active employees and retirees under age 65
Healthcare Cost Trend Rates	Getzen Trend Model; rate of 5.40% for 2020 decreasing to eventual rate of 4.10% in 2093

**COLONIAL BEHAVIORAL HEALTH**

**Schedule of Changes in the CBH's Net OPEB Liability and Related Ratios  
Health Insurance Credit (HIC) Plan  
For the Measurement Dates of June 30, 2017 through June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total HIC OPEB Liability</b>				
Service cost	\$ 8,268	\$ 7,566	\$ 8,915	\$ 7,174
Interest	18,568	18,518	17,928	17,672
Differences between expected and actual experience	30,009	(5,444)	(1,901)	-
Changes in assumptions	-	6,493	-	(8,182)
Benefit payments	(17,587)	(15,594)	(17,419)	(8,606)
<b>Net change in total HIC OPEB liability</b>	<u>\$ 39,258</u>	<u>\$ 11,539</u>	<u>\$ 7,523</u>	<u>\$ 8,058</u>
<b>Total HIC OPEB Liability - beginning</b>	<u>283,882</u>	<u>272,343</u>	<u>264,820</u>	<u>256,762</u>
<b>Total HIC OPEB Liability - ending (a)</b>	<u><u>\$ 323,140</u></u>	<u><u>\$ 283,882</u></u>	<u><u>\$ 272,343</u></u>	<u><u>\$ 264,820</u></u>
 <b>Plan fiduciary net position</b>				
Contributions - employer	\$ 14,976	\$ 14,391	\$ 15,414	\$ 14,989
Net investment income	4,167	12,651	13,247	19,056
Benefit payments	(17,587)	(15,594)	(17,419)	(8,606)
Administrative expense	(399)	(278)	(311)	(317)
Other	(2)	(15)	(1,343)	1,343
<b>Net change in plan fiduciary net position</b>	<u>\$ 1,155</u>	<u>\$ 11,155</u>	<u>\$ 9,588</u>	<u>\$ 26,465</u>
<b>Plan fiduciary net position - beginning</b>	<u>208,563</u>	<u>197,408</u>	<u>187,820</u>	<u>161,355</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 209,718</u></u>	<u><u>\$ 208,563</u></u>	<u><u>\$ 197,408</u></u>	<u><u>\$ 187,820</u></u>
 <b>CBH's net HIC OPEB liability - ending (a) - (b)</b>	 \$ 113,422	 \$ 75,319	 \$ 74,935	 \$ 77,000
 <b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	 64.90%	 73.47%	 72.49%	 70.92%
 <b>Covered payroll</b>	 \$ 9,361,000	 \$ 8,994,220	 \$ 9,067,190	 \$ 8,817,048
 <b>CBH's net HIC OPEB liability as a percentage of covered payroll</b>	 1.21%	 0.84%	 0.83%	 0.87%

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.



COLONIAL BEHAVIORAL HEALTH

Schedule of Employer Contributions  
Health Insurance Credit (HIC) Plan

For the Years Ended June 30, 2017 through June 30, 2021

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2021	\$ 15,752	\$ 15,752	\$ -	\$ 9,265,599		0.17%
2020	14,978	14,978	-	9,361,000		0.16%
2019	14,391	14,391	-	8,994,220		0.16%
2018	15,414	15,414	-	9,067,190		0.17%
2017	14,989	14,989	-	8,817,048		0.17%

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.

## COLONIAL BEHAVIORAL HEALTH

### Notes to Required Supplementary Information Health Insurance Credit (HIC) Plan For the Year Ended June 30, 2021

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

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

#### Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COLONIAL BEHAVIORAL HEALTH

Schedule of CBH's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2020

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability		Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
2020	0.04560%	\$	761,156	\$ 9,386,368	8.11%	52.64%
2019	0.04589%		746,752	8,996,536	8.30%	52.00%
2018	0.04784%		727,000	9,067,190	8.02%	51.22%
2017	0.04797%		721,000	8,817,048	8.18%	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.

# COLONIAL BEHAVIORAL HEALTH

## Schedule of Employer Contributions Group Life Insurance (GLI) Plan For the Years Ended June 30, 2017 and June 30, 2021

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	\$ 50,116	\$ 50,116	\$ -	\$ 9,280,690	0.54%
2020	48,809	48,809	-	9,386,368	0.52%
2019	46,782	46,782	-	8,996,536	0.52%
2018	47,664	47,664	-	9,067,190	0.53%
2017	46,008	46,008	-	8,817,048	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.

## COLONIAL BEHAVIORAL HEALTH

### Notes to Required Supplementary Information Group Life Insurance (GLI) Plan For the Year Ended June 30, 2021

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

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

#### Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

- Other Supplementary Information -  
*Combining Financial Statements*

COLONIAL BEHAVIORAL HEALTH

Combining Statement of Net Position  
At June 30, 2021

	Colonial Behavioral Health	Colonial Community Services Inc.	Inter- Company Eliminations	Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 5,657,118	\$ 130,335	\$ -	\$ 5,787,453
Accounts receivable, less allowance for uncollectibles	678,634	-	(23,569)	655,065
Prepaid items	23,561	739	-	24,300
Total current assets	\$ 6,359,313	\$ 131,074	\$ (23,569)	\$ 6,466,818
<b>Capital Assets:</b>				
Property and equipment, less accumulated depreciation	\$ 296,729	\$ 4,914,044	\$ -	\$ 5,210,773
Total assets	\$ 6,656,042	\$ 5,045,118	\$ (23,569)	\$ 11,677,591
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 1,535,200	\$ -	\$ -	\$ 1,535,200
OPEB related items	236,023	-	-	236,023
Total deferred outflows of resources	\$ 1,771,223	\$ -	\$ -	\$ 1,771,223
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued expenses	\$ 2,040,042	\$ 7,894	\$ -	\$ 2,047,936
Compensated absences, current portion	588,499	-	-	588,499
Revenue bond, current portion	-	188,000	-	188,000
Unearned revenue	312,707	23,569	(23,569)	312,707
Total current liabilities	\$ 2,941,248	\$ 219,463	\$ (23,569)	\$ 3,137,142
<b>Long-Term Liabilities:</b>				
Compensated absences, less current portion	\$ 869,649	\$ -	\$ -	\$ 869,649
Net OPEB liabilities	1,829,189	-	-	1,829,189
Net pension liability	314,041	-	-	314,041
Revenue bond, less current portion	-	1,254,000	-	1,254,000
Total long-term liabilities	\$ 3,012,879	\$ 1,254,000	\$ -	\$ 4,266,879
Total liabilities	\$ 5,954,127	\$ 1,473,463	\$ (23,569)	\$ 7,404,021
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	\$ 83,048	\$ -	\$ -	\$ 83,048
OPEB related items	3,635,047	-	-	3,635,047
Total deferred inflows of resources	\$ 3,718,095	\$ -	\$ -	\$ 3,718,095
<b>NET POSITION</b>				
Net investment in capital assets	\$ 296,729	\$ 3,472,044	\$ -	\$ 3,768,773
Restricted for unspent grant proceeds	312,707	-	-	312,707
Unrestricted	(1,854,393)	99,611	-	(1,754,782)
Total net position	\$ (1,244,957)	\$ 3,571,655	\$ -	\$ 2,326,698

**COLONIAL BEHAVIORAL HEALTH**

**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2021**

	Colonial Behavioral Health	Colonial Community Services Inc.	Inter- Company Eliminations	Total
<b>Operating revenues:</b>				
Net patient service revenue	\$ 4,872,282	\$ -	\$ -	\$ 4,872,282
<b>Operating expenses:</b>				
Salaries and benefits	\$ 13,201,273	\$ -	\$ -	\$ 13,201,273
Staff development	39,196	-	-	39,196
Facility	975,237	27,609	(282,824)	720,022
Supplies	686,181	-	-	686,181
Travel	40,784	-	-	40,784
Contractual and consulting	1,576,671	-	-	1,576,671
Depreciation	171,760	171,472	-	343,232
Other	128,516	2,780	-	131,296
Total operating expenses	\$ 16,819,618	\$ 201,861	\$ (282,824)	\$ 16,738,655
<b>Operating income (loss)</b>	\$ (11,947,336)	\$ (201,861)	\$ 282,824	\$ (11,866,373)
<b>Nonoperating income (expenses):</b>				
Appropriations:				
Commonwealth of Virginia	\$ 7,041,570	\$ -	\$ -	\$ 7,041,570
Federal government	1,191,068	-	-	1,191,068
Local governments	3,081,000	-	-	3,081,000
Other	1,099,592	282,824	(282,824)	1,099,592
Interest income	5,148	-	-	5,148
Interest expense	-	(47,834)	-	(47,834)
Net nonoperating income (expenses)	\$ 12,418,378	\$ 234,990	\$ (282,824)	\$ 12,370,544
<b>Change in net position</b>	\$ 471,042	\$ 33,129	\$ -	\$ 504,171
<b>Net position, beginning of year</b>	(1,715,999)	3,538,526	-	1,822,527
<b>Net position, end of year</b>	\$ (1,244,957)	\$ 3,571,655	\$ -	\$ 2,326,698



COLONIAL BEHAVIORAL HEALTH

Combining Statement of Cash Flows  
Year Ended June 30, 2021

	Colonial Behavioral Health	Colonial Community Services Inc.	Inter- Company Eliminations	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 4,450,747	\$ -	\$ -	\$ 4,450,747
Payments to suppliers	(2,462,200)	(34,260)	282,824	(2,213,636)
Payments to and for employees	(13,339,928)	-	-	(13,339,928)
Net cash flows provided by (used for) operating activities	\$ (11,351,381)	\$ (34,260)	\$ 282,824	\$ (11,102,817)
<b>Cash flows from noncapital financing activities:</b>				
Government grants	\$ 11,313,638	\$ -	\$ -	\$ 11,313,638
Other	1,099,592	282,824	(282,824)	1,099,592
Net cash flows provided by (used for) noncapital financial activities	\$ 12,413,230	\$ 282,824	\$ (282,824)	\$ 12,413,230
<b>Cash flows from capital and related financing activities:</b>				
Interest payments on loans	\$ -	\$ (47,834)	\$ -	\$ (47,834)
Principal payments on loans	-	(181,000)	-	(181,000)
Net cash flows provided by (used for) capital and related financing activities	\$ -	\$ (228,834)	\$ -	\$ (228,834)
<b>Cash flows from investing activities:</b>				
Interest income	\$ 5,148	\$ -	\$ -	\$ 5,148
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 1,066,997	\$ 19,730	\$ -	\$ 1,086,727
<b>Cash and cash equivalents, beginning of year</b>	4,590,121	110,605	-	4,700,726
<b>Cash and cash equivalents, end of year</b>	\$ 5,657,118	\$ 130,335	\$ -	\$ 5,787,453
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (11,947,336)	\$ (201,861)	\$ 282,824	\$ (11,866,373)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	171,760	171,472	-	343,232
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable	(78,184)	-	-	(78,184)
Prepaid items	(20,896)	(739)	-	(21,635)
Net pension asset	1,047,016	-	-	1,047,016
Deferred outflows of resources	(660,581)	-	-	(660,581)
Accounts payable and accrued expenses	1,005,281	(3,132)	-	1,002,149
Compensated absences	60,415	-	-	60,415
Net OPEB liabilities	(549,133)	-	-	(549,133)
Net pension liability	314,041	-	-	314,041
Unearned revenue	(343,351)	-	-	(343,351)
Deferred inflows of resources	(350,413)	-	-	(350,413)
Cash flows provided by (used for) operating activities	\$ (11,351,381)	\$ (34,260)	\$ 282,824	\$ (11,102,817)

- Compliance -



**Independent Auditors' Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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**To the Board of Directors  
Colonial Behavioral Health  
Williamsburg, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and remaining fund information of Colonial Behavioral Health, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Colonial Behavioral Health's basic financial statements and have issued our report thereon dated November 2, 2021.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colonial Behavioral Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Colonial Behavioral Health's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Colonial Behavioral Health's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson Faxon Cox Associates*

Charlottesville, Virginia  
November 2, 2021



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

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**To the Board of Directors  
Colonial Behavioral Health  
Williamsburg, Virginia**

**Report on Compliance for Each Major Federal Program**

We have audited the Colonial Behavioral Health's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Colonial Behavioral Health's major federal programs for the year ended June 30, 2021. Colonial Behavioral Health's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Colonial Behavioral Health complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control over Compliance

Management of the Colonial Behavioral Health is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Colonial Behavioral Health's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Colonial Behavioral Health's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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

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

*Robinson Faxon Cox Associates*

Charlottesville, Virginia  
November 2, 2021

**COLONIAL BEHAVIORAL HEALTH**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Expenditures</b>
<b>Department of Treasury:</b>			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
COVID-19 - Coronavirus Relief Fund	21.019	Not available	\$ 47,855
<b>Department of Health and Human Services:</b>			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
COVID-19 - Provider Relief Fund	93.498	Not available	\$ 97,654
Opioid STR	93.788	5H79TI080220	309,841
Block Grants for Community Mental Health Services	93.958	2B09SM010053	100,652
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053	485,240
Total Department of Health and Human Services			\$ 993,387
<b>Department of Education:</b>			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Special Education - Grants for Infants and Families	84.181	Not available	\$ 247,480
Total Department of Education			\$ 247,480
Total Expenditures of Federal Awards			\$ 1,288,722
Reconciliation of Schedule of Expenditures of Federal Awards to financial statements:			
Total Expenditures of Federal Awards - per Schedule of Expenditures of Federal Awards			\$ 1,288,722
Less: Provider Relief Fund received during the year ended June 30, 2020			(97,654)
Total federal revenues - per Statement of Revenues, Expenses and Changes in Net Position			\$ 1,191,068

**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 Colonial Behavioral Health under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Colonial Behavioral Health, it is not intended to and does not present the financial position, changes in net position, or cash flows of Colonial Behavioral Health.

**Note B - Summary of Significant Accounting Policies**

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

**Note C - Subrecipients**

No awards were passed through to subrecipients.

**Note D - De Minimis Cost Rate**

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

**Note E - Loan Balances**

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

**Note F - Provider Relief Funds**

For fiscal years ended (FYE) on or before June 29, 2021, no Provider Relief Fund (PRF) expenditures (including lost revenue) should have been reported on the SEFA. Due to guidance available when the FYE 2020 report was issued, the entity reported \$97,654 of PRF expenditures on the FYE 2020 SEFA with no significant impact on the SEFA. Based on current guidance from the Department of Health and Human Services (HHS), PRF expenditures (including lost revenue) are to be reported on the SEFA based upon PRF reports submitted through the Health Resources and Services Administration (HRSA) reporting portal. Therefore, the amount of PRF expenditures included on the FYE June 30, 2021 SEFA is based upon the PRF reporting portal guidelines for Period 1, as specified by HHS.

## COLONIAL BEHAVIORAL HEALTH

### Schedule of Findings and Questioned Costs Year Ended June 30, 2021

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#### 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	
<u>Listing</u>	<u>Name of Federal Program or Cluster</u>
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?	Yes

#### Section II - Financial Statement Findings

There are no financial statement findings to report.

#### Section III - Federal Award Findings and Questioned Costs

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



COLONIAL BEHAVIORAL HEALTH

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021

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There were no prior year findings.