

COLONIAL BEHAVIORAL HEALTH

Williamsburg, Virginia

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023

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COLONIAL BEHAVIORAL HEALTH

BOARD OF DIRECTORS

At June 30, 2023

Dr. Alfred Brassel, Jr., Chairman

Sheri Newcomb, Vice-Chairman

Ryan Ashe, Treasurer

Hazel Braxton, Vice-Chairman

Dr. Dawn Ide
Reynaldo Carpio
Donyale Wells

Denise Kirschbaum
John Collins
Kristen Nelson
Roy C. Witham

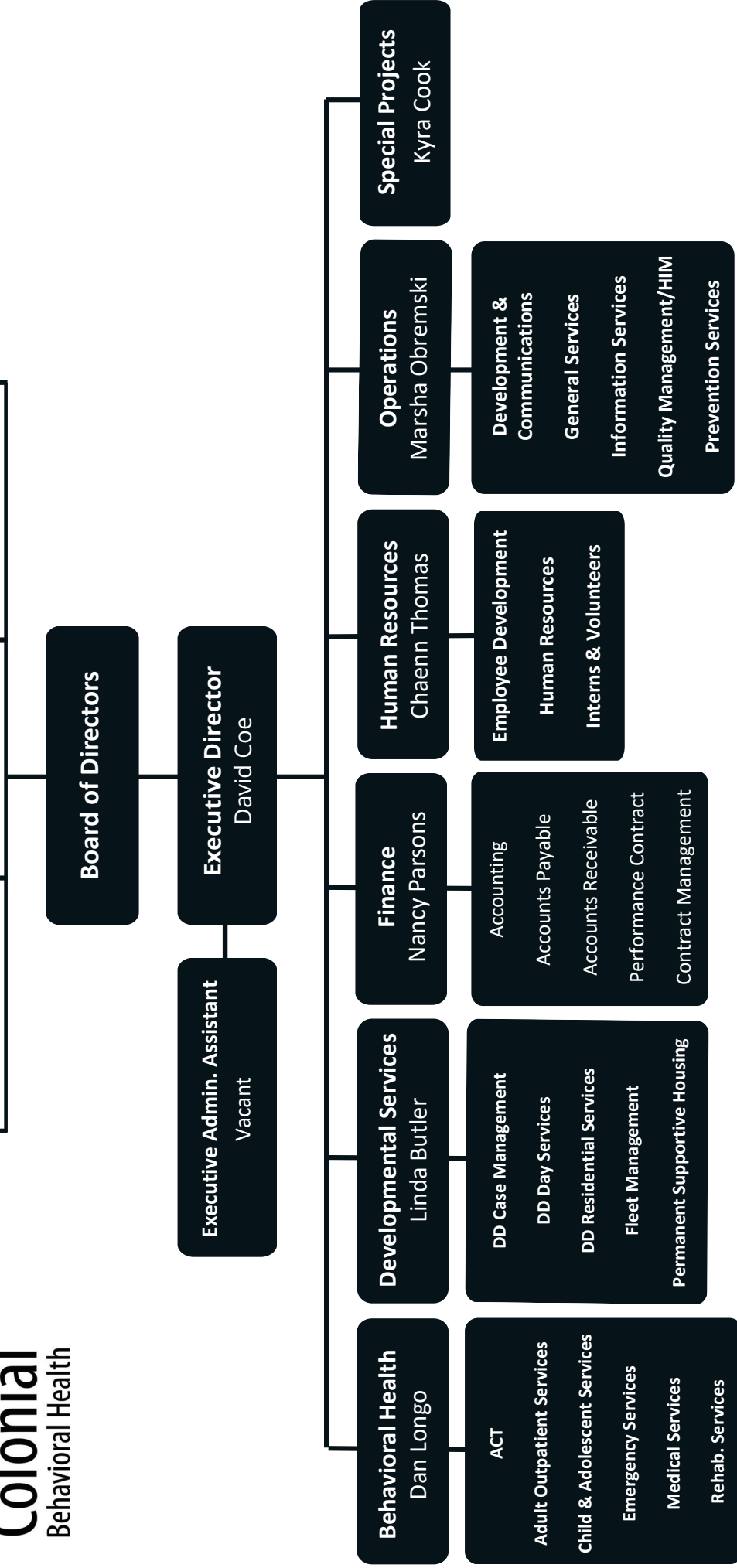
Steven Miller
Wendy Evans
Erin Otis

PRINCIPAL MANAGEMENT TEAM

David Coe	Executive Director
Nancy Parsons	Director of Finance
Dan Longo	Director of Behavioral Health
Marsha Obremski	Director of Operations
Linda Butler	Director of Developmental Services
Chaenn Thomas	Director of Human Resources



Organizational Chart





ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Colonial Behavioral Health
Williamsburg, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Colonial Behavioral Health as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Colonial Behavioral Health's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of Colonial Behavioral Health, as of June 30, 2023, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Colonial Behavioral Health, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, Colonial Behavioral Health adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Colonial Behavioral Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Colonial Behavioral Health's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited Colonial Behavioral Health's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colonial Behavioral Health's basic financial statements. The accompanying combining financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2023, 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.



Charlottesville, Virginia
November 23, 2023

COLONIAL BEHAVIORAL HEALTH

Management's Discussion and Analysis Year Ended June 30, 2023

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 2023 HIGHLIGHTS

- In FY23 CBH received funding to develop a Permanent Supportive Housing program providing supportive housing opportunities for adults with serious mental illness (SMI). The purpose of the program is to promote wellness, prevent and end experiences of homelessness, avoid unnecessary hospital admissions, and facilitate discharges from institutional facilities. Housing is prioritized for individuals with significant needs, barriers to accessing housing are minimized, and housing is maintained regardless of compliance with clinical services.
- CBH continued to experience significant staffing shortages during this year especially within the licensed professional areas. This resulted in increased cost in recruitment efforts and the need to expand recruitment resources.
- The temporary closure of one of our DD Residential Group Homes that had occurred in FY22 became permanent during FY23 due to continued staffing shortages.

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 2023 and 2022 is presented below:

Condensed Combined Statement of Net Position		
	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 8,118,329	\$ 7,246,759
Other assets	2,889,406	4,956,435
Capital assets (net of accumulated depreciation)	<u>5,060,649</u>	<u>4,971,557</u>
Total assets	<u>\$ 16,068,384</u>	<u>\$ 17,174,751</u>
Deferred Outflows of Resources	<u>\$ 849,609</u>	<u>\$ 1,203,278</u>
Liabilities		
Current liabilities	\$ 3,127,134	\$ 3,093,653
Long-term liabilities	<u>3,186,580</u>	<u>3,321,451</u>
Total liabilities	<u>\$ 6,313,714</u>	<u>\$ 6,415,104</u>
Deferred Inflows of Resources	<u>\$ 3,810,965</u>	<u>\$ 7,480,609</u>
Net Position	<u><u>\$ 6,793,314</u></u>	<u><u>\$ 4,482,316</u></u>

CBH continues to present a strong balance sheet, with a Current Ratio of 2.60:1. The increase in current assets of \$871,570, along with the decrease in current liabilities of \$33,481 led to the current ratio increase from the FY 2022 Current Ratio of 2.34:1.

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 2023 and 2022 is presented below:

Condensed Combined Statement of Revenues, Expenses and Changes in Net Position		
	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 5,330,727	\$ 4,939,767
Operating expenses	<u>17,198,807</u>	<u>15,878,068</u>
Operating income (loss)	\$ (11,868,080)	\$ (10,938,301)
Net nonoperating income	<u>14,179,078</u>	<u>13,093,919</u>
Change in net position	<u><u>\$ 2,310,998</u></u>	<u><u>\$ 2,155,618</u></u>

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Operating revenues increased by \$390,960 or 1.91% from 2022 to 2023, and operating expenses increased by \$1,320,739 or 8.32%. Nonoperating income increased by 8.29%. The resulting Change in Net Position was \$2,310,998.

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 2023 and 2022 is presented below:

Condensed Combined Statement of Cash Flows		
	2023	2022
Cash flows from operating activities	\$ (12,764,285)	\$ (12,069,497)
Cash flows from noncapital financing activities	14,070,929	13,127,846
Cash flows from capital and related financing activities	(636,388)	(320,713)
Cash flows from investing activities	132,780	9,248
Net cash increase (decrease)	<u>\$ 803,036</u>	<u>\$ 746,884</u>

CBH's Combined Statement of Cash Flows increased by \$803,036 in 2023. 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 \$5,060,049. Over 90% of this value (\$4,570,747) 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 2022 amounts represent depreciation expense of \$461,016.

There was no new long-term debt issued during FY2023. Long-term balances decreased by \$193,000 for the year ended June 30, 2023. 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, 2023
(With Comparative Totals for 2022)**

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,337,373	\$ 6,534,337
Accounts receivable, less allowance for uncollectibles	769,756	687,048
Prepaid items	11,200	25,374
Total current assets	\$ 8,118,329	\$ 7,246,759
Capital Assets:		
Property and equipment, less accumulated depreciation	\$ 5,060,649	\$ 4,971,557
Other Assets:		
Net OPEB asset	\$ 6,538	\$ -
Net pension asset	2,882,868	4,956,435
Total other assets	\$ 2,889,406	\$ 4,956,435
Total assets	\$ 16,068,384	\$ 17,174,751
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 499,800	\$ 985,769
OPEB related items	349,809	217,509
Total deferred outflows of resources	\$ 849,609	\$ 1,203,278
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 695,428	\$ 1,280,510
Compensated absences, current portion	563,120	423,750
Subscription liability, current portion	143,344	-
Lease liability	-	61,966
Revenue bond, current portion	199,000	193,000
Unearned revenue	1,526,242	1,134,427
Total current liabilities	\$ 3,127,134	\$ 3,093,653
Long-Term Liabilities:		
Compensated absences, less current portion	\$ 703,858	\$ 823,433
Subscription liability, less current portion	73,708	-
Net OPEB liabilities	1,547,014	1,437,018
Revenue bond, less current portion	862,000	1,061,000
Total long-term liabilities	\$ 3,186,580	\$ 3,321,451
Total liabilities	\$ 6,313,714	\$ 6,415,104
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 1,296,687	\$ 4,265,266
OPEB related items	2,514,278	3,215,343
Total deferred inflows of resources	\$ 3,810,965	\$ 7,480,609
NET POSITION		
Net investment in capital assets	\$ 3,782,597	\$ 3,655,591
Restricted for net OPEB asset	6,538	-
Restricted for net pension asset	2,882,868	-
Unrestricted (deficit)	121,311	826,725
Total net position	\$ 6,793,314	\$ 4,482,316

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, 2023

(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Net patient service revenue	\$ 5,330,727	\$ 4,939,767
Operating expenses:		
Salaries and benefits	\$ 12,932,063	\$ 12,032,671
Staff development	131,707	92,746
Facility	696,293	559,671
Supplies	689,308	637,278
Travel	38,838	161,136
Contractual and consulting	2,172,328	1,887,751
Depreciation	461,016	390,720
Other	77,254	116,095
Total operating expenses	\$ 17,198,807	\$ 15,878,068
Operating income (loss)	\$ (11,868,080)	\$ (10,938,301)
Nonoperating income (expenses):		
Appropriations:		
Commonwealth of Virginia	\$ 8,194,105	\$ 7,190,244
Federal government	1,232,746	1,292,761
Local governments	3,527,000	3,289,000
Other	1,140,813	1,355,841
Interest income	132,780	9,248
Interest expense	(48,366)	(43,175)
Net nonoperating income (expenses)	\$ 14,179,078	\$ 13,093,919
Change in net position	\$ 2,310,998	\$ 2,155,618
Net position, beginning of year	4,482,316	2,326,698
Net position, end of year	\$ 6,793,314	\$ 4,482,316

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

COLONIAL BEHAVIORAL HEALTH

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

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from customers	\$ 5,687,138	\$ 5,729,504
Payments to suppliers	(4,400,205)	(4,223,177)
Payments to and for employees	(14,051,218)	(13,575,824)
Net cash flows provided by (used for) operating activities	\$ (12,764,285)	\$ (12,069,497)
Cash flows from noncapital financing activities:		
Government grants	\$ 12,953,851	\$ 11,772,005
Other	1,117,078	1,355,841
Net cash flows provided by (used for) noncapital financing activities	\$ 14,070,929	\$ 13,127,846
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ (201,163)	\$ -
Interest payments on loans	(48,366)	(43,175)
Principal payments on loans	(193,000)	(188,000)
Principal payments on subscription liabilities	(131,893)	-
Payments on lease liability	(61,966)	(89,538)
Net cash flows provided by (used for) capital and related financing activities	\$ (636,388)	\$ (320,713)
Cash flows from investing activities:		
Interest income	\$ 132,780	\$ 9,248
Net increase (decrease) in cash and cash equivalents	\$ 803,036	\$ 746,884
Cash and cash equivalents, beginning of year	6,534,337	5,787,453
Cash and cash equivalents, end of year	\$ 7,337,373	\$ 6,534,337
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (11,868,080)	\$ (10,938,301)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	461,016	390,720
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	(35,404)	(31,983)
Prepaid items	14,174	(1,074)
Net OPEB asset	(6,538)	-
Net pension asset	2,073,567	(4,956,435)
Deferred outflows of resources	353,669	567,945
Accounts payable and accrued expenses	(585,082)	(767,426)
Compensated absences	19,795	(210,965)
Net OPEB liabilities	109,996	(392,171)
Net pension liability	-	(314,041)
Unearned revenue	368,246	821,720
Deferred inflows of resources	(3,669,644)	3,762,514
Cash flows provided by (used for) operating activities	\$ (12,764,285)	\$ (12,069,497)

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, 2023

	Trust Funds
<hr/>	
ASSETS	
Investments designated for postemployment benefits other than pensions:	
VACO/VML Pooled OPEB Trust Portfolio I	\$ <u>545,542</u>
NET POSITION	
Net position restricted for postemployment benefits other than pensions	\$ <u>545,542</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, 2023**

	<u>Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 181,000
Total contributions	<u>\$ 181,000</u>
Investment Earnings:	
Net increase (decrease) in fair value of investments	\$ 31,904
Total investment earnings	<u>\$ 31,904</u>
Total additions	<u>\$ 212,904</u>
DEDUCTIONS	
Retirement and disability benefits	\$ 81,000
Administrative expenses	942
Total deductions	<u>\$ 81,942</u>
Change in fiduciary net position	\$ 130,962
Net position, beginning of the year	414,580
Net position, ending of the year	<u><u>\$ 545,542</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, 2023

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, 2023 (Continued)

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 & 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. Leases and Subscription-Based IT Arrangements:

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

Lessor

CBH recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

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

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

Lessee

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

Subscriptions

CBH recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$5,000, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key Estimates and Judgments

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

- CBH uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the CBH uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.
- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

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

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

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

J. Net Client Service Revenue:

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

K. Financial Assistance:

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.

L. Capital Assets:

Capital assets acquired are recorded at cost, except for intangible right to use lease assets (lease assets), and subscription assets the measurement of which is discussed in more detail below. 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. Lease assets and subscription assets are amortized using the straight line method over the estimated useful lives. All capital asset purchases of \$5,000 or more are capitalized.

M. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Colonial Behavioral Health has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Colonial Behavioral Health has one type of item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

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

N. Pensions:

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

O. Other Postemployment Benefits (OPEB):

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

P. 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.

Q. 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.

R. 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.

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

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

S. Comparative Totals:

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

T. Net Position:

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

U. 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.

V. Adoption of Accounting Principle:

The Authority implemented provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* during the fiscal year ended June 30, 2023. Statement No. 96, 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. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2022 related to the subscriptions.

	Business-Type Activities
Subscription assets	\$ 348,945
Subscription liabilities	\$ 348,945

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

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.

Credit Risk of Debt Securities:

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

Rated Debt Investments Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Virginia Local Government Investment Pool	\$ 3,464,792
Total	\$ 3,464,792

Concentration of Credit Risk:

At June 30, 2023 CBH’s investment policy regarding the concentration of credit risk was the same as the County of York.

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk:

CBH has adopted the County of York policy that addresses interest rate risk. The following details the entity's interest rate risk at June 30, 2023.

<u>Investment Type</u>	<u>Value</u>	<u>Less Than One Year</u>
Virginia Local Government Investment Pool	\$ 3,464,792	\$ 3,464,792

External Investment Pool:

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

Summary of Cash and Cash Equivalents:

	<u>2023</u>	<u>2022</u>
Cash:		
Petty cash	\$ 370	\$ 370
Checking	3,872,211	3,201,610
Total cash	\$ 3,872,581	\$ 3,201,980
Investments	3,464,792	3,332,357
Total cash and cash equivalents	\$ 7,337,373	\$ 6,534,337

NOTE 3 - ACCOUNTS RECEIVABLE:

Client Accounts Receivable:

At June 30, 2023 and 2022 CBH had client accounts receivable due, net of estimated uncollectibles of \$608,032 (2023) and \$681,289 (2022) from the following primary sources:

	<u>2023</u>	<u>2022</u>
Virginia Department of Medical Assistance Services (Medicaid)	\$ 508,223	\$ 501,553
Direct client and third party	195,807	163,462
Other	65,726	22,033
Total	\$ 769,756	\$ 687,048

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, 2023 (Continued)

NOTE 4 - CAPITAL ASSETS:

Capital assets consist of the following:

	Beginning Balances*	Increases	Decreases	Ending Balances
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
Lease equipment	151,504	-	-	151,504
Subscription assets	488,142	-	-	488,142
Furniture, fixtures and equipment	254,102	19,902	-	274,004
Vehicles	1,056,042	181,261	69,939	1,167,364
Total capital assets being depreciated	\$ 8,791,755	\$ 201,163	\$ 69,939	\$ 8,922,979
Accumulated depreciation:				
Building and improvements	\$ 3,070,858	\$ 169,386	\$ -	\$ 3,240,244
Lease equipment	87,498	64,006	-	151,504
Subscription assets	139,197	139,196	-	278,393
Furniture, fixtures and equipment	178,558	8,387	-	186,945
Vehicles	954,554	80,041	69,939	964,656
Total accumulated depreciation	\$ 4,430,665	\$ 461,016	\$ 69,939	\$ 4,821,742
Net capital assets being depreciated	\$ 4,361,090	\$ (259,853)	\$ -	\$ 4,101,237
Net capital assets	\$ 5,320,502	\$ (259,853)	\$ -	\$ 5,060,649

*Beginning balances have been adjusted to reflect subscription assets due to the implementation of GASB 96.

Total depreciation expense was \$461,016 for 2023 and \$390,720 for 2022.

NOTE 5 - 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 \$1,266,978 at June 30, 2023 and \$1,247,183 at June 30, 2022. Upon termination of employment employees are paid their accumulated annual leave up to certain limits.

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 6 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	103
Inactive members:	
Vested inactive members	56
Non-vested inactive members	123
Inactive members active elsewhere in VRS	<u>54</u>
Total inactive members	233
Active members	<u>166</u>
Total covered employees	<u><u>502</u></u>

NOTE 6 - PENSION PLAN: (CONTINUED)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Board’s contractually required employer contribution rate for the year ended June 30, 2023 was 4.44% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$361,770 and \$371,770 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Asset

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Board’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees : (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Board was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 6 - 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 Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 33,401,623	\$ 38,358,058	\$ (4,956,435)
Changes for the year:			
Service cost	\$ 835,784	\$ -	\$ 835,784
Interest	2,259,135	-	2,259,135
Differences between expected and actual experience	(286,575)	-	(286,575)
Contributions - employer	-	359,887	(359,887)
Contributions - employee	-	430,849	(430,849)
Net investment income	-	(32,904)	32,904
Benefit payments, including refunds of employee contributions	(1,537,486)	(1,537,486)	-
Administrative expenses	-	(23,937)	23,937
Other changes	-	882	(882)
Net changes	\$ 1,270,858	\$ (802,709)	\$ 2,073,567
Balances at June 30, 2022	\$ 34,672,481	\$ 37,555,349	\$ (2,882,868)

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Board's Net Pension Liability (Asset)	\$ 1,453,760	\$ (2,882,868)	\$ (6,433,306)

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

For the year ended June 30, 2023, the Board recognized pension expense of (\$59,156). At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 176,642
Change of assumptions	138,030	-
Net difference between projected and actual earnings on pension plan investments	-	1,120,045
Employer contributions subsequent to the measurement date	361,770	-
Total	\$ 499,800	\$ 1,296,687

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

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

\$361,770 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2024	\$	(439,143)
2025		(491,377)
2026		(747,357)
2027		519,220
2028		-
Thereafter		-

Pension Plan Data

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

NOTE 7 - 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>2023</u>	<u>2022</u>
Unexpended state grant funds	\$ 1,308,208	\$ 568,513
Unexpended federal grant funds	218,034	565,914
Total	\$ <u>1,526,242</u>	\$ <u>1,134,427</u>

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 8 - 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 9 - LONG-TERM OBLIGATIONS:

Changes in Long-Term Obligations:

	<u>Balance</u> <u>July 1, 2022*</u>	<u>Additions/</u> <u>Issuances</u>	<u>Deletions/</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amount Due</u> <u>In One Year</u>
General obligation bonds:					
Direct Borrowings and Direct Placements:					
Revenue bond	\$ 1,254,000	\$ -	\$ 193,000	\$ 1,061,000	\$ 199,000
Compensated absences	1,247,183	19,795	-	1,266,978	563,120
Subscription liabilities	348,945	-	131,893	217,052	143,344
Lease liability	61,966	-	61,966	-	-
Net OPEB liability - group life insurance	523,340	309,130	310,133	522,337	-
Net OPEB liability - health insurance credit	37,827	68,641	106,468	-	-
Net OPEB liability - health insurance	875,851	361,730	212,904	1,024,677	-
Total	<u>\$ 4,349,112</u>	<u>\$ 759,296</u>	<u>\$ 1,016,364</u>	<u>\$ 4,092,044</u>	<u>\$ 905,464</u>

*Beginning balances have been adjusted to reflect subscription liabilities due to the implementation of GASB 96.

General Obligation Bond:

Revenue Bond:

Colonial Behavioral Health 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>\$ 1,061,000</u>	<u>\$ 199,000</u>

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term debt existing at June 30, 2023 at current interest rates are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements		Subscription Liabilities	
	Revenue Bond			
	Principal	Interest	Principal	Interest
2024	\$ 199,000	\$ 31,724	\$ 143,344	\$ 4,217
2025	205,000	25,774	73,708	599
2026	213,000	19,644	-	-
2027	218,000	13,276	-	-
2028	226,000	6,757	-	-
Total	<u>\$ 1,061,000</u>	<u>\$ 97,175</u>	<u>\$ 217,052</u>	<u>\$ 4,816</u>

CBH has no federal arbitrage liability.

NOTE 10 - PARTICIPANT LOCALITY CONTRIBUTIONS:

The participating localities appropriated the following amounts to CBH:

	2022	2022
County of York	\$ 998,000	\$ 940,000
County of James City	2,080,000	1,900,000
City of Williamsburg	259,000	259,000
City of Poquoson	190,000	190,000
Total	<u>\$ 3,527,000</u>	<u>\$ 3,289,000</u>

NOTE 11 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenues were from the following sources:

	2023	2022
Medicaid	\$ 4,576,325	\$ 4,206,103
Direct client and third party	611,984	539,559
Other	142,418	194,105
Total	<u>\$ 5,330,727</u>	<u>\$ 4,939,767</u>

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 12 - 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 13 - MEDICAL AND DENTAL INSURANCE - (OPEB PLAN):

Plan Description

In addition to the pension benefits described in Note 6, 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, 2023 (Continued)

NOTE 13 - MEDICAL AND DENTAL INSURANCE - (OPEB PLAN): (CONTINUED)

Plan Membership

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

	<u>Total</u>
Total active employees with coverage	131
Total retirees with coverage	10
Spouses of retirees	<u>5</u>
Total	<u><u>146</u></u>

Contributions

The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2023, the Board's average contribution rate was 2.11% percent of covered payroll. For the year ended June 30, 2023, the Board contributed \$181,000 to the Plan. Plan members are not required to contribute to the plan.

Investment Policy

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

<u>Asset Class</u>	<u>Target Percentage</u>
US Core Fixed Income	20.00%
US Large Cap US Equities	21.00%
US Small Cap US Equities	10.00%
Foreign Developed Equities	13.00%
Emerging Market Equities	5.00%
Private Real Estate Property	15.00%
Private Equities	10.00%
Hedge FOF Strategic	<u>6.00%</u>
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.

NOTE 13 - MEDICAL AND DENTAL INSURANCE - (OPEB PLAN): (CONTINUED)

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 7.63 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

Annual Money-Weighted Rate of Return Net of Investment Expense	
6/30/2023	7.63%
6/30/2022	-9.35%
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, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 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, 2023 valuation were based on the results of an actuarial experience study at July 1, 2022.

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 13 - 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, 2023 (see the discussion of The Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Arithmetic Real Rate of Return
US Core Fixed Income	2.27%
US Large Cap US Equities	5.64%
US Small Cap US Equities	7.25%
Foreign Developed Equities	6.90%
Emerging Market Equities	9.58%
Private Real Estate Property	4.86%
Private Equities	10.74%
Commodities	0.00%
Hedge FOF Strategic	4.42%
Assumed Inflation	2.33%
Portfolio Real Mean Return	5.81%
Portfolio Nominal Mean Return	8.14%
Portfolio Standard Deviation	13.07%
Long-Term Expected Rate of Return	6.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 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, 2023 (Continued)

NOTE 13 - 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, 2022	\$ 1,290,431	\$ 414,580	\$ 875,851
Changes for the year:			
Service cost	\$ 62,330	\$ -	\$ 62,330
Interest on total OPEB liability	85,338	-	85,338
Effect of economic/demographic gains or losses	193,879	-	193,879
Effect of assumptions	19,241	-	19,241
Contributions - employer	-	181,000	(181,000)
Net investment income	-	31,904	(31,904)
Administrative expenses	-	(942)	942
Benefit payments	(81,000)	(81,000)	-
Net changes	\$ 279,788	\$ 130,962	\$ 148,826
Balances at June 30, 2023	\$ 1,570,219	\$ 545,542	\$ 1,024,677

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 (6.50%)	1% Increase (7.50%)
\$ 1,220,705	\$ 1,024,677	\$ 861,516

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%)
\$ 809,728	\$ 1,024,677	\$ 1,290,227

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 13 - 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, 2023, the Board recognized OPEB expense in the amount of (\$475,988). At June 30, 2023, 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	\$ 14,326	\$ -
Change in assumptions	16,950	1,852,952
Differences between expected and actual experience	170,798	446,567
Total	<u>\$ 202,074</u>	<u>\$ 2,299,519</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>	
2024	\$ (592,335)
2025	(547,745)
2026	(539,651)
2027	(397,007)
2028	(37,550)
Thereafter	16,843

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 14 - 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, 2023 (Continued)

NOTE 14 - 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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>39</u>
Inactive members:	
Vested inactive members	<u>3</u>
Total inactive members	<u>42</u>
Active members	<u>166</u>
Total covered employees	<u><u>208</u></u>

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Board’s contractually required employer contribution rate for the year ended June 30, 2023 was .12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Board to the HIC Plan were \$11,567 and \$15,999 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net HIC OPEB Asset

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution 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.

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Changes in Net HIC OPEB Asset

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 299,977	\$ 262,150	\$ 37,827
Changes for the year:			
Service cost	\$ 7,822	\$ -	\$ 7,822
Interest	20,102	-	20,102
Differences between expected and actual experience	(5,760)	-	(5,760)
Assumption changes	(41,885)	-	(41,885)
Contributions - employer	-	16,000	(16,000)
Net investment income	-	432	(432)
Benefit payments	(19,979)	(19,979)	-
Administrative expenses	-	(460)	460
Other changes	-	8,672	(8,672)
Net changes	\$ (39,700)	\$ 4,665	\$ (44,365)
Balances at June 30, 2022	\$ 260,277	\$ 266,815	\$ (6,538)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's Net HIC OPEB Liability (Asset)	\$ 19,034	\$ (6,538)	\$ (28,470)

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 14 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

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

For the year ended June 30, 2023, the Board recognized HIC Plan OPEB expense of (\$12,002). At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to the Board's HIC Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,619	\$ 30,909
Net difference between projected and actual earnings on HIC OPEB plan investments	-	6,349
Change in assumptions	4,043	34,400
Employer contributions subsequent to the measurement date	<u>11,567</u>	<u>-</u>
Total	<u>\$ 30,229</u>	<u>\$ 71,658</u>

\$11,567 reported as deferred outflows of resources related to the HIC OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (12,662)
2025	(12,453)
2026	(15,280)
2027	(8,506)
2028	(4,095)
Thereafter	-

HIC Program Plan Data

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

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 15 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 15 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions (Continued)

the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$52,213 and \$50,952 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

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

At June 30, 2023, the entity reported a liability of \$522,337 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .04340% as compared to .04490% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$16,067. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,363	\$ 20,955
Net difference between projected and actual earnings on GLI OPEB program investments	-	32,638
Change in assumptions	19,482	50,878
Changes in proportion	4,448	38,630
Employer contributions subsequent to the measurement date	52,213	-
Total	<u>\$ 117,506</u>	<u>\$ 143,101</u>

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 15 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

\$52,213 was reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (15,209)
2025	(19,408)
2026	(33,960)
2027	(1,692)
2028	(7,539)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 15 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		<u>GLI OPEB Plan</u>
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		<u>2,467,989</u>
GLI Net OPEB Liability (Asset)	\$	<u><u>1,204,096</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 15 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability (Continued)

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.

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 15 - 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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to 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	\$ 760,062	\$ 522,337	\$ 330,223

GLI Program Fiduciary Net Position

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

NOTE 16 - AGGREGATE OPEB INFORMATION

	Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability (asset)	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan (Note 15)	\$ 115,409	\$ 143,101	\$ 522,337	\$ 16,067
Health Insurance Credit Plan (Note 14)	30,229	71,658	(6,538)	(12,002)
Stand-Alone Plan (Note 13)	202,074	2,299,519	1,024,677	(475,988)
Totals	<u>\$ 347,712</u>	<u>\$ 2,514,278</u>	<u>\$ 1,540,476</u>	<u>\$ (471,923)</u>

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements At June 30, 2023 (Continued)

NOTE 17 - 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 18 - UPCOMING PRONOUNCEMENTS:

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

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

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

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

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

- 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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability				
Service cost	\$ 835,784	\$ 872,473	\$ 883,371	\$ 874,993
Interest	2,259,135	2,045,002	1,954,126	1,860,061
Changes in assumptions	-	1,089,968	-	824,488
Differences between expected and actual experience	(286,575)	(115,799)	(109,218)	(56,811)
Benefit payments, including refunds of employee contributions	(1,537,486)	(1,572,683)	(1,191,259)	(1,058,775)
Net change in total pension liability	\$ 1,270,858	\$ 2,318,961	\$ 1,537,020	\$ 2,443,956
Total pension liability - beginning	33,401,623	31,082,662	29,545,642	27,101,686
Total pension liability - ending (a)	<u>\$ 34,672,481</u>	<u>\$ 33,401,623</u>	<u>\$ 31,082,662</u>	<u>\$ 29,545,642</u>
Plan fiduciary net position				
Contributions - employer	\$ 359,887	\$ 367,795	\$ 364,637	\$ 360,680
Contributions - employee	430,849	431,633	438,664	448,323
Net investment income	(32,904)	8,382,979	584,419	1,935,048
Benefit payments, including refunds of employee contributions	(1,537,486)	(1,572,683)	(1,191,259)	(1,058,775)
Administrative expense	(23,937)	(21,074)	(19,804)	(18,921)
Other	882	787	(694)	(1,221)
Net change in plan fiduciary net position	\$ (802,709)	\$ 7,589,437	\$ 175,963	\$ 1,665,134
Plan fiduciary net position - beginning	38,358,058	30,768,621	30,592,658	28,927,524
Plan fiduciary net position - ending (b)	<u>\$ 37,555,349</u>	<u>\$ 38,358,058</u>	<u>\$ 30,768,621</u>	<u>\$ 30,592,658</u>
CBH's net pension liability (asset) - ending (a) - (b)	<u>\$ (2,882,868)</u>	<u>\$ (4,956,435)</u>	<u>\$ 314,041</u>	<u>\$ (1,047,016)</u>
Plan fiduciary net position as a percentage of the total pension liability	108.31%	114.84%	98.99%	103.54%
Covered payroll	\$ 9,411,429	\$ 9,265,599	\$ 9,361,000	\$ 8,994,220
CBH's net pension liability (asset) as a percentage of covered payroll	-30.63%	-53.49%	3.35%	-11.64%

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, 2022

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 881,695	\$ 854,699	\$ 795,788	\$ 768,126	\$ 800,602
Interest	1,759,464	1,688,257	1,617,582	1,516,141	1,416,803
Changes in assumptions	-	(164,526)	-	-	-
Differences between expected and actual experience	(167,205)	(389,490)	(491,830)	(3,556)	-
Benefit payments, including refunds of employee contributions	(1,014,939)	(928,466)	(895,303)	(767,826)	(828,733)
Net change in total pension liability	\$ 1,459,015	\$ 1,060,474	\$ 1,026,237	\$ 1,512,885	\$ 1,388,672
Total pension liability - beginning	25,642,671	24,582,197	23,555,960	22,043,075	20,654,403
Total pension liability - ending (a)	\$ 27,101,686	\$ 25,642,671	\$ 24,582,197	\$ 23,555,960	\$ 22,043,075
Plan fiduciary net position					
Contributions - employer	\$ 444,990	\$ 436,666	\$ 606,799	\$ 560,643	\$ 651,201
Contributions - employee	443,165	421,943	398,577	355,647	363,855
Net investment income	2,002,020	2,959,960	424,830	1,040,717	3,068,218
Benefit payments, including refunds of employee contributions	(1,014,939)	(928,466)	(895,303)	(767,826)	(828,733)
Administrative expense	(17,075)	(16,815)	(14,527)	(13,907)	(16,235)
Other	(1,795)	(2,646)	(177)	(221)	161
Net change in plan fiduciary net position	\$ 1,856,366	\$ 2,870,642	\$ 520,199	\$ 1,175,053	\$ 3,238,467
Plan fiduciary net position - beginning	27,071,158	24,200,516	23,680,317	22,505,264	19,266,797
Plan fiduciary net position - ending (b)	\$ 28,927,524	\$ 27,071,158	\$ 24,200,516	\$ 23,680,317	\$ 22,505,264
CBH's net pension liability (asset) - ending (a) - (b)	\$ (1,825,838)	\$ (1,428,487)	\$ 381,681	\$ (124,357)	\$ (462,189)
Plan fiduciary net position as a percentage of the total pension liability	106.74%	105.57%	98.45%	100.53%	102.10%
Covered payroll	\$ 9,067,190	\$ 8,817,048	\$ 7,940,954	\$ 7,219,337	\$ 7,020,849
CBH's net pension liability (asset) as a percentage of covered payroll	-20.14%	-16.20%	4.81%	-1.72%	-6.58%

COLONIAL BEHAVIORAL HEALTH

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

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 361,770	\$ 361,770	\$ -	\$ 9,639,203	3.75%
2022	371,770	371,770	-	9,411,429	3.95%
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%

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

COLONIAL BEHAVIORAL HEALTH

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

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 62,330	\$ 56,288	\$ 55,826	\$ 168,915	\$ 340,978	\$ 336,342
Interest	85,338	80,267	108,898	86,837	208,045	193,055
Economic/demographic gains or losses	-	-	(514,744)	-	-	-
Changes in assumptions	19,241	-	(32,677)	(877,625)	(3,207,073)	(351,886)
Effect of economic/demographic gains or losses	193,879	-	-	-	(257,056)	-
Benefit payments	(81,000)	(48,664)	(67,514)	(74,397)	(55,050)	(75,007)
Net change in total OPEB liability	\$ 279,788	\$ 87,891	\$ (450,211)	\$ (696,270)	\$ (2,970,156)	\$ 102,504
Total OPEB liability - beginning	1,290,431	1,202,540	1,652,751	2,349,021	5,319,177	5,216,673
Total OPEB liability - ending	\$ 1,570,219	\$ 1,290,431	\$ 1,202,540	\$ 1,652,751	\$ 2,349,021	\$ 5,319,177
Plan fiduciary net position						
Contributions - employer	\$ 181,000	\$ 248,664	\$ 167,514	\$ 174,397	\$ -	\$ -
Net investment income	31,904	(32,514)	52,104	(3,345)	-	-
Administrative expenses	(942)	(835)	(675)	(155)	-	-
Benefit payments	(81,000)	(48,664)	(67,514)	(74,397)	-	-
Net change in plan fiduciary net position	\$ 130,962	\$ 166,651	\$ 151,429	\$ 96,500	\$ -	\$ -
Plan fiduciary net position - beginning	414,580	247,929	96,500	-	-	-
Plan fiduciary net position - ending (b)	\$ 545,542	\$ 414,580	\$ 247,929	\$ 96,500	\$ -	\$ -
CBH's net OPEB liability (asset) - ending (a) - (b)	\$ 1,024,677	\$ 875,851	\$ 954,611	\$ 1,556,251	\$ 2,349,021	\$ 5,319,177
Plan fiduciary net position as a percentage of the total OPEB liability	34.74%	32.13%	20.62%	5.84%	0.00%	0.00%
Covered payroll	\$ 8,585,830	\$ 7,839,613	\$ 7,839,613	\$ 9,163,945	\$ 9,163,945	\$ 8,080,700
CBH's net OPEB liability as a percentage of covered payroll	11.93%	11.17%	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, 2023

Date	Actuarially Determined Contribution (ADC) (1)	Contributions in Relation to ADC (2)	Contribution Deficiency (Excess) (3)	Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 124,179	\$ 181,000	\$ (56,821)	\$ 8,585,830	2.11%
2022	120,561	248,664	(128,103)	7,839,613	3.17%
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, 2023

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Annual money-weighted rate of return, net of investment expense	-6.11%	30.14%	-9.35%	7.63%

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, 2023

Valuation Date: 7/1/2022

Actuarially determined contribution rates are calculated as of July 1, 2022, prior to the fiscal year in which they are reported, and have been projected to June 30, 2023 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, 28 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, 2022

	2022	2021	2020	2019	2018	2017
Total HIC OPEB Liability						
Service cost	\$ 7,822	\$ 7,832	\$ 8,268	\$ 7,566	\$ 8,915	\$ 7,174
Interest	20,102	21,223	18,568	18,518	17,928	17,672
Differences between expected and actual experience	(5,760)	(37,538)	30,009	(5,444)	(1,901)	-
Changes in assumptions	(41,885)	2,770	-	6,493	-	(8,182)
Benefit payments	(19,979)	(17,450)	(17,587)	(15,594)	(17,419)	(8,606)
Net change in total HIC OPEB liability	\$ (39,700)	\$ (23,163)	\$ 39,258	\$ 11,539	\$ 7,523	\$ 8,058
Total HIC OPEB Liability - beginning	299,977	323,140	283,882	272,343	264,820	256,762
Total HIC OPEB Liability - ending (a)	\$ 260,277	\$ 299,977	\$ 323,140	\$ 283,882	\$ 272,343	\$ 264,820
Plan fiduciary net position						
Contributions - employer	\$ 16,000	\$ 15,752	\$ 14,976	\$ 14,391	\$ 15,414	\$ 14,989
Net investment income	432	54,778	4,167	12,651	13,247	19,056
Benefit payments	(19,979)	(17,450)	(17,587)	(15,594)	(17,419)	(8,606)
Administrative expense	(460)	(648)	(399)	(278)	(311)	(317)
Other	8,672	-	(2)	(15)	(1,343)	1,343
Net change in plan fiduciary net position	\$ 4,665	\$ 52,432	\$ 1,155	\$ 11,155	\$ 9,588	\$ 26,465
Plan fiduciary net position - beginning	262,150	209,718	208,563	197,408	187,820	161,355
Plan fiduciary net position - ending (b)	\$ 266,815	\$ 262,150	\$ 209,718	\$ 208,563	\$ 197,408	\$ 187,820
CBH's net HIC OPEB liability (asset) - ending (a) - (b)	\$ (6,538)	\$ 37,827	\$ 113,422	\$ 75,319	\$ 74,935	\$ 77,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	102.51%	87.39%	64.90%	73.47%	72.49%	70.92%
Covered payroll	\$ 9,411,429	\$ 9,265,599	\$ 9,361,000	\$ 8,994,220	\$ 9,067,190	\$ 8,817,048
CBH's net HIC OPEB liability (asset) as a percentage of covered payroll	-0.07%	0.41%	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, 2023

Date	Contributions in Relation to				Contributions	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	as a % of Covered Payroll	
	(1)	(2)	(3)	(4)	(5)	
2023	\$ 11,567	\$ 11,567	\$ -	\$ 9,639,203	0.12%	
2022	15,999	15,999	-	9,411,429	0.17%	
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, 2023

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

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, 2022

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
2022	0.04340%	\$ 522,337	\$ 9,435,566	5.54%	67.21%
2021	0.04490%	523,340	9,280,690	5.64%	67.45%
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, 2023

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 52,213	\$ 52,213	\$ -	\$ 9,669,119	0.54%
2022	50,952	50,952	-	9,435,566	0.54%
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, 2023

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

- Other Supplementary Information -
Combining Financial Statements

COLONIAL BEHAVIORAL HEALTH

Combining Statement of Net Position
At June 30, 2023

	Colonial Behavioral Health	Colonial Community Services Inc.	Inter- Company Eliminations	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 7,231,376	\$ 105,997	\$ -	\$ 7,337,373
Accounts receivable, less allowance for uncollectibles	746,021	23,735	-	769,756
Prepaid items	9,383	1,817	-	11,200
Total current assets	\$ 7,986,780	\$ 131,549	\$ -	\$ 8,118,329
Capital Assets:				
Property and equipment, less accumulated depreciation	\$ 489,902	\$ 4,570,747	\$ -	\$ 5,060,649
Other Assets:				
Net OPEB asset	\$ 6,538	\$ -	\$ -	\$ 6,538
Net pension asset	2,882,868	-	-	2,882,868
Total other assets	\$ 2,889,406	\$ -	\$ -	\$ 2,889,406
Total assets	\$ 11,366,088	\$ 4,702,296	\$ -	\$ 16,068,384
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 499,800	\$ -	\$ -	\$ 499,800
OPEB related items	349,809	-	-	349,809
Total deferred outflows of resources	\$ 849,609	\$ -	\$ -	\$ 849,609
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 695,428	\$ -	\$ -	\$ 695,428
Compensated absences, current portion	563,120	-	-	563,120
Subscription liability, current portion	143,344	-	-	143,344
Revenue bond, current portion	-	199,000	-	199,000
Unearned revenue	1,526,242	-	-	1,526,242
Total current liabilities	\$ 2,928,134	\$ 199,000	\$ -	\$ 3,127,134
Long-Term Liabilities:				
Compensated absences, less current portion	\$ 703,858	\$ -	\$ -	\$ 703,858
Subscription liability, less current portion	73,708	-	-	73,708
Net OPEB liabilities	1,547,014	-	-	1,547,014
Revenue bond, less current portion	-	862,000	-	862,000
Total long-term liabilities	\$ 2,324,580	\$ 862,000	\$ -	\$ 3,186,580
Total liabilities	\$ 5,252,714	\$ 1,061,000	\$ -	\$ 6,313,714
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 1,296,687	\$ -	\$ -	\$ 1,296,687
OPEB related items	2,514,278	-	-	2,514,278
Total deferred inflows of resources	\$ 3,810,965	\$ -	\$ -	\$ 3,810,965
NET POSITION				
Net investment in capital assets	\$ 272,850	\$ 3,509,747	\$ -	\$ 3,782,597
Restricted for net OPEB asset	6,538	-	-	6,538
Restricted for net pension asset	2,882,868	-	-	2,882,868
Unrestricted (deficit)	(10,238)	131,549	-	121,311
Total net position	\$ 3,152,018	\$ 3,641,296	\$ -	\$ 6,793,314

COLONIAL BEHAVIORAL HEALTH

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

	Colonial Behavioral Health	Colonial Community Services Inc.	Inter- Company Eliminations	Total
Operating revenues:				
Net patient service revenue	\$ 5,330,727	\$ -	\$ -	\$ 5,330,727
Operating expenses:				
Salaries and benefits	\$ 12,932,063	\$ -	\$ -	\$ 12,932,063
Staff development	131,707	-	-	131,707
Facility	936,566	44,551	(284,824)	696,293
Supplies	689,308	-	-	689,308
Travel	38,838	-	-	38,838
Contractual and consulting	2,172,328	-	-	2,172,328
Depreciation	289,657	171,359	-	461,016
Other	75,086	2,168	-	77,254
Total operating expenses	\$ 17,265,553	\$ 218,078	\$ (284,824)	\$ 17,198,807
Operating income (loss)	\$ (11,934,826)	\$ (218,078)	\$ 284,824	\$ (11,868,080)
Nonoperating income (expenses):				
Appropriations:				
Commonwealth of Virginia	\$ 8,194,105	\$ -	\$ -	\$ 8,194,105
Federal government	1,232,746	-	-	1,232,746
Local governments	3,527,000	-	-	3,527,000
Other	1,140,813	284,824	(284,824)	1,140,813
Interest income	132,780	-	-	132,780
Interest expense	(11,072)	(37,294)	-	(48,366)
Net nonoperating income (expenses)	\$ 14,216,372	\$ 247,530	\$ (284,824)	\$ 14,179,078
Change in net position	\$ 2,281,546	\$ 29,452	\$ -	\$ 2,310,998
Net position, beginning of year	870,472	3,611,844	-	4,482,316
Net position, end of year	\$ 3,152,018	\$ 3,641,296	\$ -	\$ 6,793,314

COLONIAL BEHAVIORAL HEALTH

Combining Statement of Cash Flows
Year Ended June 30, 2023

	Colonial Behavioral Health	Colonial Community Services Inc.	Inter- Company Eliminations	Total
Cash flows from operating activities:				
Receipts from customers	\$ 5,687,138	\$ -	\$ -	\$ 5,687,138
Payments to suppliers	(4,603,980)	(81,049)	284,824	(4,400,205)
Payments to and for employees	(14,051,218)	-	-	(14,051,218)
Net cash flows provided by (used for) operating activities	\$ (12,968,060)	\$ (81,049)	\$ 284,824	\$ (12,764,285)
Cash flows from noncapital financing activities:				
Government grants	\$ 12,953,851	\$ -	\$ -	\$ 12,953,851
Other	1,140,813	261,089	(284,824)	1,117,078
Net cash flows provided by (used for) noncapital financial activities	\$ 14,094,664	\$ 261,089	\$ (284,824)	\$ 14,070,929
Cash flows from capital and related financing activities:				
Acquisition of capital assets	\$ (201,163)	\$ -	\$ -	\$ (201,163)
Interest payments on loans	(11,072)	(37,294)	-	(48,366)
Principal payments on loans	-	(193,000)	-	(193,000)
Principal payments on subscription liabilities	(131,893)	-	-	(131,893)
Payments on lease liability	(61,966)	-	-	(61,966)
Net cash flows provided by (used for) capital and related financing activities	\$ (406,094)	\$ (230,294)	\$ -	\$ (636,388)
Cash flows from investing activities:				
Interest income	\$ 132,780	\$ -	\$ -	\$ 132,780
Net increase (decrease) in cash and cash equivalents	\$ 853,290	\$ (50,254)	\$ -	\$ 803,036
Cash and cash equivalents, beginning of year	<u>6,378,086</u>	<u>156,251</u>	<u>-</u>	<u>6,534,337</u>
Cash and cash equivalents, end of year	<u>\$ 7,231,376</u>	<u>\$ 105,997</u>	<u>\$ -</u>	<u>\$ 7,337,373</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (11,934,826)	\$ (218,078)	\$ 284,824	\$ (11,868,080)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	289,657	171,359	-	461,016
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable	(35,404)	-	-	(35,404)
Prepaid items	15,991	(1,817)	-	14,174
Net OPEB asset	(6,538)	-	-	(6,538)
Net pension asset	2,073,567	-	-	2,073,567
Deferred outflows of resources	353,669	-	-	353,669
Accounts payable and accrued expenses	(576,138)	(8,944)	-	(585,082)
Compensated absences	19,795	-	-	19,795
Net OPEB liabilities	109,996	-	-	109,996
Unearned revenue	391,815	(23,569)	-	368,246
Deferred inflows of resources	(3,669,644)	-	-	(3,669,644)
Cash flows provided by (used for) operating activities	\$ (12,968,060)	\$ (81,049)	\$ 284,824	\$ (12,764,285)

- Compliance -



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of Colonial Behavioral Health, as of and for the year ended June 30, 2023, 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 23, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia

November 23, 2023



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

To the Board of Directors
Colonial Behavioral Health
Williamsburg, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Colonial Behavioral Health's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Colonial Behavioral Health's major federal programs for the year ended June 30, 2023. 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.

In our opinion, Colonial Behavioral Health complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Colonial Behavioral Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Colonial Behavioral Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Colonial Behavioral Health's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

Report on Internal Control over Compliance (Continued)

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

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

Robinson, Farmer, Cox, Associates
Charlottesville, Virginia
November 23, 2023

COLONIAL BEHAVIORAL HEALTH

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Department of Treasury:			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
COVID-19 - Coronavirus Relief Fund	21.027	Not available	\$ 353,273
Department of Health and Human Services:			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Opioid STR	93.788	5H79TI080220	236,987
Block Grants for Community Mental Health Services	93.958	2B09SM010053	91,902
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053	269,299
Total Department of Health and Human Services			\$ 598,188
Department of Education:			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Special Education - Grants for Infants and Families	84.181	Not available	\$ 281,285
Total Department of Education			\$ 281,285
Total Expenditures of Federal Awards			\$ 1,232,746

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, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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.

COLONIAL BEHAVIORAL HEALTH

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Identification of major programs:	
Assistance	
<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, 2023**

There were no prior year findings.