

**COLONIAL BEHAVIORAL HEALTH**

**Williamsburg, Virginia**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2024**

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## **COLONIAL BEHAVIORAL HEALTH**

### **BOARD OF DIRECTORS**

**At June 30, 2024**

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Sheri Newcomb, Chairman

Ryan Ashe, Vice-Chairman

John Collins, Treasurer

Hazel Braxton, Vice-Chairman

Wendy Evans

Denise Kirschbaum

Kristen Nelson

Dawn Ide

Erin Otis

Al Brassel

John Shaner

Roy C. Witham

Reynaldo Carpio

Donyale Wells

Steven Miller

### **PRINCIPAL MANAGEMENT TEAM**

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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

Patty Hartigan

Director of Crisis and Access Services

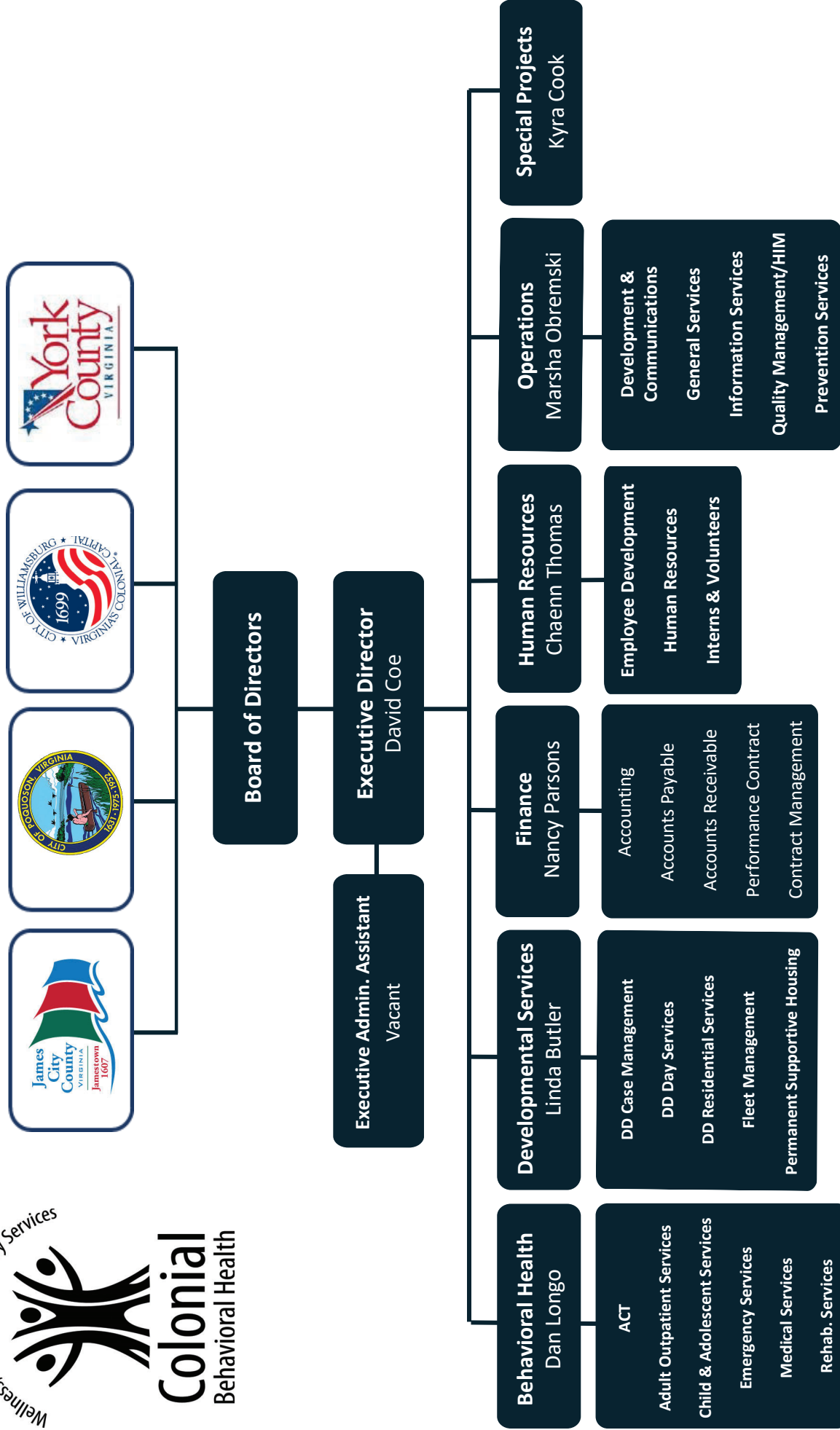
Kyra Cook

Director of Special Projects

Chaenn Thomas

Director of Human Resources

# Organizational Chart





# ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

## Independent Auditors' Report

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**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, 2024, 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, 2024, 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.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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 26, 2024, 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 26, 2024

## COLONIAL BEHAVIORAL HEALTH

### Management's Discussion and Analysis Year Ended June 30, 2024

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

#### **FISCAL YEAR 2024 HIGHLIGHTS**

- In FY24 Crisis Services significantly expanded at CBH. In December Governor Youngkin announced CBH would be one of eight CSBs to receive funding to develop a Crisis Receiving Center program. In addition, during FY24 CBH began planning and recruiting staff to offer mobile crisis services. These changes prompted an addition to the Leadership team of a Crisis & Access Director.
- CBH continued to experience significant staffing shortages during this year especially within the licensed and licensed eligible professional areas.
- The group home closed during the prior fiscal year was sold at full asking price with proceeds being designated for development of a future day services building.

#### **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 2024 and 2023 is presented below:

<b>Condensed Combined Statement of Net Position</b>		
	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current assets	\$ 12,841,994	\$ 8,118,329
Other assets	1,371,736	2,889,406
Capital assets (net of accumulated depreciation)	<u>4,537,239</u>	<u>5,060,649</u>
Total assets	<u>\$ 18,750,969</u>	<u>\$ 16,068,384</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 1,438,236</u>	<u>\$ 849,609</u>
<b>Liabilities</b>		
Current liabilities	\$ 6,240,384	\$ 3,127,134
Long-term liabilities	<u>3,014,963</u>	<u>3,186,580</u>
Total liabilities	<u>\$ 9,255,347</u>	<u>\$ 6,313,714</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 2,494,356</u>	<u>\$ 3,810,965</u>
<b>Net Position</b>	<u><u>\$ 8,439,502</u></u>	<u><u>\$ 6,793,314</u></u>

CBH continues to present a strong balance sheet, with a Current Ratio of 2.06:1. The increase in current assets of \$4,723,665, along with the increase in current liabilities of \$3,113,250 led to the current ratio decrease from the FY 2023 Current Ratio of 2.60:1.

**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 2024 and 2023 is presented below:

<b>Condensed Combined Statement of Revenues, Expenses and Changes in Net Position</b>		
	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 6,009,756	\$ 5,330,727
Operating expenses	<u>19,978,219</u>	<u>17,198,807</u>
Operating income (loss)	\$ (13,968,463)	\$ (11,868,080)
Net nonoperating income	<u>15,614,651</u>	<u>14,179,078</u>
Change in net position	<u><u>\$ 1,646,188</u></u>	<u><u>\$ 2,310,998</u></u>

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

Operating revenues increased by \$679,029 or 12.74% from 2023 to 2024, and operating expenses increased by \$2,779,412 or 16.16%. Nonoperating income increased by 10.12%. The resulting Change in Net Position was \$1,646,188.

**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 2024 and 2023 is presented below:

<b>Condensed Combined Statement of Cash Flows</b>		
	<b>2024</b>	<b>2023</b>
Cash flows from operating activities	\$ (10,743,017)	\$ (12,764,285)
Cash flows from noncapital financing activities	15,320,358	14,070,929
Cash flows from capital and related financing activities	(124,414)	(636,388)
Cash flows from investing activities	194,934	132,780
Net cash increase (decrease)	\$ <u>4,647,861</u>	\$ <u>803,036</u>

CBH's Combined Statement of Cash Flows increased by \$4,647,861 in 2024. 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 \$4,537,239. Over 90% of this value (\$4,106,246) 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 2023 amounts represent depreciation expense of \$404,840.

There was no new long-term debt issued during FY2024. Long-term balances decreased by \$199,000 for the year ended June 30, 2024. For more information see note 9 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, 2024  
(With Comparative Totals for 2023)**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 11,985,234	\$ 7,337,373
Accounts receivable, less allowance for uncollectibles	853,327	769,756
Prepaid items	3,433	11,200
Total current assets	\$ 12,841,994	\$ 8,118,329
<b>Capital Assets:</b>		
Property and equipment, less accumulated depreciation	\$ 4,537,239	\$ 5,060,649
<b>Other Assets:</b>		
Net OPEB asset	\$ -	\$ 6,538
Net pension asset	1,371,736	2,882,868
Total other assets	\$ 1,371,736	\$ 2,889,406
Total assets	\$ 18,750,969	\$ 16,068,384
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related items	\$ 1,106,842	\$ 499,800
OPEB related items	331,394	349,809
Total deferred outflows of resources	\$ 1,438,236	\$ 849,609
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 786,640	\$ 695,428
Compensated absences, current portion	507,654	563,120
Subscription liability, current portion	73,709	143,344
Revenue bond, current portion	205,000	199,000
Unearned revenue	4,667,381	1,526,242
Total current liabilities	\$ 6,240,384	\$ 3,127,134
<b>Long-Term Liabilities:</b>		
Compensated absences, less current portion	\$ 801,512	\$ 703,858
Subscription liability, less current portion	-	73,708
Net OPEB liabilities	1,556,451	1,547,014
Revenue bond, less current portion	657,000	862,000
Total long-term liabilities	\$ 3,014,963	\$ 3,186,580
Total liabilities	\$ 9,255,347	\$ 6,313,714
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related items	\$ 641,132	\$ 1,296,687
OPEB related items	1,853,224	2,514,278
Total deferred inflows of resources	\$ 2,494,356	\$ 3,810,965
<b>NET POSITION</b>		
Net investment in capital assets	\$ 3,601,530	\$ 3,782,597
Restricted for net OPEB asset	-	6,538
Restricted for net pension asset	1,371,736	2,882,868
Unrestricted (deficit)	3,466,236	121,311
Total net position	\$ 8,439,502	\$ 6,793,314

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, 2024**  
**(With Comparative Totals for 2023)**

	<b>2024</b>	<b>2023</b>
<b>Operating revenues:</b>		
Net patient service revenue	\$ 6,009,756	\$ 5,330,727
<b>Operating expenses:</b>		
Salaries and benefits	\$ 14,694,386	\$ 12,932,063
Staff development	141,526	131,707
Facility	835,924	696,293
Supplies	1,215,686	689,308
Travel	109,986	38,838
Contractual and consulting	2,366,656	2,172,328
Depreciation	404,840	461,016
Other	209,215	77,254
Total operating expenses	\$ 19,978,219	\$ 17,198,807
<b>Operating income (loss)</b>	\$ (13,968,463)	\$ (11,868,080)
<b>Nonoperating revenues (expenses):</b>		
Appropriations:		
Commonwealth of Virginia	\$ 9,798,119	\$ 8,194,105
Federal government	1,139,926	1,232,746
Local governments	3,793,000	3,527,000
Other	589,313	1,140,813
Gain on sale of assets	136,785	-
Interest income	194,934	132,780
Interest expense	(37,426)	(48,366)
Total nonoperating revenue (expenses)	\$ 15,614,651	\$ 14,179,078
<b>Change in net position</b>	\$ 1,646,188	\$ 2,310,998
<b>Net position, beginning of year</b>	6,793,314	4,482,316
<b>Net position, end of year</b>	\$ 8,439,502	\$ 6,793,314

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

**COLONIAL BEHAVIORAL HEALTH**

**Statement of Cash Flows**  
**Year Ended June 30, 2024**  
**(With Comparative Totals for 2023)**

	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 9,067,324	\$ 5,687,138
Payments to suppliers	(4,780,014)	(4,400,205)
Payments to and for employees	(15,030,327)	(14,051,218)
Net cash flows provided by (used for) operating activities	\$ (10,743,017)	\$ (12,764,285)
<b>Cash flows from noncapital financing activities:</b>		
Government grants	\$ 14,731,045	\$ 12,953,851
Other	589,313	1,117,078
Net cash flows provided by (used for) noncapital financing activities	\$ 15,320,358	\$ 14,070,929
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	\$ (194,645)	\$ (201,163)
Proceeds from sale of assets	450,000	-
Interest payments on loans	(37,426)	(48,366)
Principal payments on loans	(199,000)	(193,000)
Principal payments on subscription liabilities	(143,343)	(131,893)
Payments on lease liability	-	(61,966)
Net cash flows provided by (used for) capital and related financing activities	\$ (124,414)	\$ (636,388)
<b>Cash flows from investing activities:</b>		
Interest income	\$ 194,934	\$ 132,780
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 4,647,861</b>	<b>\$ 803,036</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>7,337,373</b>	<b>6,534,337</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 11,985,234</b>	<b>\$ 7,337,373</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (13,968,463)	\$ (11,868,080)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	404,840	461,016
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	(83,571)	(35,404)
Prepaid items	7,767	14,174
Net OPEB asset	6,538	(6,538)
Net pension asset	1,511,132	2,073,567
Deferred outflows of resources	(588,627)	353,669
Accounts payable and accrued expenses	91,212	(585,082)
Compensated absences	42,188	19,795
Net OPEB liabilities	9,437	109,996
Unearned revenue	3,141,139	368,246
Deferred inflows of resources	(1,316,609)	(3,669,644)
Cash flows provided by (used for) operating activities	\$ (10,743,017)	\$ (12,764,285)

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, 2024

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	<u>Trust Funds</u>
<b>ASSETS</b>	
Investments designated for postemployment benefits other than pensions:	
VACO/VML Pooled OPEB Trust Portfolio I	\$ <u>596,571</u>
<b>NET POSITION</b>	
Net position restricted for postemployment benefits other than pensions	\$ <u>596,571</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 Year Ended June 30, 2024

	<u>Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 102,370
Total contributions	\$ <u>102,370</u>
Investment Earnings:	
Net increase (decrease) in fair value of investments	\$ 52,022
Total investment earnings	\$ <u>52,022</u>
Total additions	\$ <u>154,392</u>
<b>DEDUCTIONS</b>	
Retirement and disability benefits	\$ 102,370
Administrative expenses	993
Total deductions	\$ <u>103,363</u>
Change in fiduciary net position	\$ 51,029
Net position, beginning of the year	545,542
Net position, ending of the year	\$ <u><u>596,571</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, 2024

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements  
At June 30, 2024 (Continued)

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

**F. Use of Estimates:**

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

**G. Cash and Cash Equivalents:**

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

**H. Investments:**

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & 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 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).

**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 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 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.

Notes to Financial Statements  
At June 30, 2024 (Continued)

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**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. Land is not depreciated.

**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.

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

**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.

Notes to Financial Statements  
At June 30, 2024 (Continued)

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

**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.

**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.

Notes to Financial Statements  
At June 30, 2024 (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, 2024 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	\$ 3,659,428
Total	\$ 3,659,428

Concentration of Credit Risk:

At June 30, 2024 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, 2024 (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, 2024.

<u>Investment Type</u>	<u>Value</u>	<u>Less Than One Year</u>
Virginia Local Government Investment Pool	\$ <u>3,659,428</u>	\$ <u>3,659,428</u>

##### 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>2024</u>	<u>2023</u>
Cash:		
Petty cash	\$ 370	\$ 370
Checking	<u>8,325,436</u>	<u>3,872,211</u>
Total cash	\$ 8,325,806	\$ 3,872,581
Investments	<u>3,659,428</u>	<u>3,464,792</u>
Total cash and cash equivalents	\$ <u>11,985,234</u>	\$ <u>7,337,373</u>

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

##### Client Accounts Receivable:

At June 30, 2024 and 2023 CBH had client accounts receivable due, net of estimated uncollectibles of \$694,465 (2024) and \$608,032 (2023) from the following primary sources:

	<u>2024</u>	<u>2023</u>
Virginia Department of Medical Assistance Services (Medicaid)	\$ 557,403	\$ 508,223
Direct client and third party	250,405	195,807
Other	<u>45,519</u>	<u>65,726</u>
Total	\$ <u>853,327</u>	\$ <u>769,756</u>

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

#### **NOTE 4 - CAPITAL ASSETS:**



## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2024 (Continued)

Capital assets consist of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 959,412	\$ -	\$ 82,000	\$ 877,412
Total capital assets not being depreciated	\$ 959,412	\$ -	\$ 82,000	\$ 877,412
Capital assets being depreciated:				
Building and improvements	\$ 6,841,965	\$ 20,583	\$ 291,468	\$ 6,571,080
Lease equipment	151,504	-	151,504	-
Subscription assets	488,142	-	-	488,142
Furniture, fixtures and equipment	274,004	-	18,375	255,629
Vehicles	1,167,364	174,062	44,632	1,296,794
Total capital assets being depreciated	\$ 8,922,979	\$ 194,645	\$ 505,979	\$ 8,611,645
Accumulated depreciation:				
Building and improvements	\$ 3,240,244	\$ 169,428	\$ 72,044	\$ 3,337,628
Lease equipment	151,504	-	151,504	-
Subscription assets	278,393	139,579	-	417,972
Furniture, fixtures and equipment	186,945	8,782	6,584	189,143
Vehicles	964,656	87,051	44,632	1,007,075
Total accumulated depreciation	\$ 4,821,742	\$ 404,840	\$ 274,764	\$ 4,951,818
Net capital assets being depreciated	\$ 4,101,237	\$ (210,195)	\$ 231,215	\$ 3,659,827
Net capital assets	\$ 5,060,649	\$ (210,195)	\$ 313,215	\$ 4,537,239

Total depreciation expense was \$404,840 for 2024 and \$461,016 for 2023.

#### **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 \$1,309,166 at June 30, 2024 and \$1,266,978 at June 30, 2023. Upon termination of employment employees are paid their accumulated annual leave up to certain limits.

Notes to Financial Statements  
At June 30, 2024 (Continued)

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**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.

**Notes to Financial Statements**  
**At June 30, 2024 (Continued)**

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**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, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	118
Inactive members:	
Vested inactive members	59
Non-vested inactive members	142
Inactive members active elsewhere in VRS	<u>58</u>
Total inactive members	259
Active members	<u>152</u>
Total covered employees	<u><u>529</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, 2024 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 \$369,181 and \$361,770 for the years ended June 30, 2024 and June 30, 2023, 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, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

***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, 2022, 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, 2023.

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, 2024 (Continued)

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#### **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, 2022 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, 2021. 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, 2024 (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:

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return*</b>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

\* The above allocation provides a one-year expected return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

\*\* On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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

# COLONIAL BEHAVIORAL HEALTH

## Notes to Financial Statements At June 30, 2024 (Continued)

### NOTE 6 - PENSION PLAN: (CONTINUED)

#### Discount Rate: (Continued)

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, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 34,672,481	\$ 37,555,349	\$ (2,882,868)
Changes for the year:			
Service cost	\$ 859,970	\$ -	\$ 859,970
Interest	2,335,788	-	2,335,788
Differences between expected and actual experience	1,475,323	-	1,475,323
Contributions - employer	-	342,033	(342,033)
Contributions - employee	-	441,238	(441,238)
Net investment income	-	2,400,005	(2,400,005)
Benefit payments, including refunds of employee contributions	(1,856,356)	(1,856,356)	-
Administrative expenses	-	(24,289)	24,289
Other changes	-	962	(962)
Net changes	\$ 2,814,725	\$ 1,303,593	\$ 1,511,132
Balances at June 30, 2023	\$ 37,487,206	\$ 38,858,942	\$ (1,371,736)

Notes to Financial Statements  
At June 30, 2024 (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:

	<b>Rate</b>	
	<b>1% Decrease (5.75%)</b>	<b>Current Discount (6.75%)</b>
Board's Net Pension Liability (Asset)	\$ 3,193,022	\$ (1,371,736)

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

For the year ended June 30, 2024, the Board recognized pension expense of \$597,979. At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 737,661	\$ 37,379
Net difference between projected and actual earnings on pension plan investments	-	603,753
Employer contributions subsequent to the measurement date	369,181	-
Total	\$ 1,106,842	\$ 641,132



## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2024 (Continued)

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#### **NOTE 6 - PENSION PLAN: (CONTINUED)**

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

\$369,181 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, 2025. 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:

<b><u>Year ended June 30</u></b>		
2025	\$	265,879
2026		(727,762)
2027		538,815
2028		19,597
2029		-
Thereafter		-

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

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2023-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:

<b><u>Unearned Revenue</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Unexpended state and local grant funds	\$ 4,431,772	\$ 1,308,208
Unexpended federal grant funds	<u>235,609</u>	<u>218,034</u>
Total	<u>\$ 4,667,381</u>	<u>\$ 1,526,242</u>

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2024 (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 July 1, 2023</u>	<u>Additions/ Issuances</u>	<u>Deletions/ Retirements</u>	<u>Balance June 30, 2024</u>	<u>Amount Due In One Year</u>
<b>General obligation bonds:</b>					
Direct Borrowings and Direct Placements:					
Revenue bond	\$ 1,061,000	\$ -	\$ 199,000	\$ 862,000	\$ 205,000
Compensated absences	1,266,978	97,654	55,466	1,309,166	507,654
Subscription liabilities	217,052	-	143,343	73,709	73,709
Net OPEB liability - group life insurance	522,337	213,572	243,591	492,318	-
Net OPEB liability - health insurance credit	-	61,781	34,111	27,670	-
Net OPEB liability - health insurance	<u>1,024,677</u>	<u>166,178</u>	<u>154,392</u>	<u>1,036,463</u>	<u>-</u>
Total	<u>\$ 4,092,044</u>	<u>\$ 539,185</u>	<u>\$ 829,903</u>	<u>\$ 3,801,326</u>	<u>\$ 786,363</u>

#### **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 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>\$ 862,000</u>	<u>\$ 205,000</u>

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2024 (Continued)

#### NOTE 9 - LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term debt existing at June 30, 2024 at current interest rates are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements		Subscription Liabilities	
	Revenue Bond			
	Principal	Interest	Principal	Interest
2025	\$ 205,000	\$ 25,774	\$ 73,709	\$ 599
2026	213,000	19,644	-	-
2027	218,000	13,276	-	-
2028	226,000	6,757	-	-
Total	<u>\$ 862,000</u>	<u>\$ 65,451</u>	<u>\$ 73,709</u>	<u>\$ 599</u>

CBH has no federal arbitrage liability.

#### NOTE 10 - PARTICIPANT LOCALITY CONTRIBUTIONS:

The participating localities appropriated the following amounts to CBH:

	2024	2023
County of York	\$ 1,095,000	\$ 998,000
County of James City	2,237,000	2,080,000
City of Williamsburg	271,000	259,000
City of Poquoson	190,000	190,000
Total	<u>\$ 3,793,000</u>	<u>\$ 3,527,000</u>

#### NOTE 11 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenues were from the following sources:

	2024	2023
Medicaid	\$ 5,165,359	\$ 4,576,325
Direct client and third party	648,106	611,984
Other	196,291	142,418
Total	<u>\$ 6,009,756</u>	<u>\$ 5,330,727</u>

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2024 (Continued)

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#### **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, 2024 (Continued)

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

##### ***Plan Membership***

At June 30, 2024 (measurement date), the following employees were covered by the benefit terms:

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

##### ***Contributions***

The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2024, the Board's average contribution rate was 1.19% percent of covered payroll. For the year ended June 30, 2024, the Board contributed \$102,370 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, 2024:

<b>Asset Class</b>	<b>Target Percentage</b>
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	6.00%
Total	<u>100.00%</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.

Notes to Financial Statements  
At June 30, 2024 (Continued)

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

**Rate of Return**

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 9.54 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Schedule of Investment Returns**

<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>	
6/30/2024	9.54%
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, 2024. 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, 2024 valuation were based on the results of an actuarial experience study at June 30, 2020.

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2024 (Continued)

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#### **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, 2024 (see the discussion of The Plan's investment policy) are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>
US Core Fixed Income	2.21%
US Large Cap US Equities	5.38%
US Small Cap US Equities	6.94%
Foreign Developed Equities	6.92%
Emerging Market Equities	9.59%
Private Real Estate Property	5.14%
Private Equities	10.46%
Commodities	0.00%
Hedge FOF Strategic	2.69%
Assumed Inflation	2.31%
Portfolio Real Mean Return	5.62%
Portfolio Nominal Mean Return	7.93%
Portfolio Standard Deviation	13.16%
<b>Long-Term Expected Rate of Return</b>	<b>6.50%</b>

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

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

COLONIAL BEHAVIORAL HEALTH

Notes to Financial Statements  
At June 30, 2024 (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, 2023	\$ 1,570,219	\$ 545,542	\$ 1,024,677
Changes for the year:			
Service cost	\$ 62,343	\$ -	\$ 62,343
Interest on total OPEB liability	102,842	-	102,842
Contributions - employer	-	102,370	(102,370)
Net investment income	-	52,022	(52,022)
Administrative expenses	-	(993)	993
Benefit payments	(102,370)	(102,370)	-
Net changes	\$ 62,815	\$ 51,029	\$ 11,786
Balances at June 30, 2024	\$ 1,633,034	\$ 596,571	\$ 1,036,463

***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%)
\$ 1,243,979	\$ 1,036,463	\$ 863,925

***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		
Healthcare Cost		
1% Decrease (4.40%)	Trend (5.40%)	1% Increase (6.40%)
\$ 795,237	\$ 1,036,463	\$ 1,335,836



## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2024 (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, 2024, the Board recognized OPEB expense in the amount of (\$464,904). At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 2,215
Change in assumptions	14,659	1,320,692
Differences between expected and actual experience	147,717	357,854
Total	<b><u>\$ 162,376</u></b>	<b><u>\$ 1,680,761</u></b>

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

<b><u>Year Ended June 30</u></b>	
2025	\$ (551,064)
2026	(542,970)
2027	(400,326)
2028	(40,868)
2029	(18,673)
Thereafter	35,516

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.

**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, 2022 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	58
Vested inactive members	4
Active members	<u>210</u>
Total covered employees	<u><u>272</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, 2024 was .012% 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 \$12,388 and \$11,567 for the years ended June 30, 2024 and June 30, 2023, respectively.

***Net HIC OPEB Liability***

The Board’s net HIC OPEB liability was measured as of June 30, 2023. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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, 2024 (Continued)

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#### **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, 2022 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, 2021. 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, 2024 (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:

<b>Asset Class (Strategy)</b>	<b>Long-term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

\*The above allocation provides a one-year expected return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

\*\*On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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, 2023, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2023 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, 2024 (Continued)

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

***Changes in Net HIC OPEB Liability (Asset)***

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 260,277	\$ 266,815	\$ (6,538)
Changes for the year:			
Service cost	\$ 4,923	\$ -	\$ 4,923
Interest	17,244	-	17,244
Differences between expected and actual experience	39,250	-	39,250
Contributions - employer	-	11,568	(11,568)
Net investment income	-	15,540	(15,540)
Benefit payments	(19,474)	(19,474)	-
Administrative expenses	-	(364)	364
Other changes	-	465	(465)
Net changes	\$ 41,943	\$ 7,735	\$ 34,208
Balances at June 30, 2023	\$ 302,220	\$ 274,550	\$ 27,670

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's Net HIC OPEB Liability	\$ 59,061	\$ 27,670	\$ 1,029

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2024 (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, 2024, the Board recognized HIC Plan OPEB expense of \$2,400. At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to the Board's HIC Plan from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 38,437	\$ 21,863
Net difference between projected and actual earnings on HIC OPEB plan investments	-	2,110
Change in assumptions	2,487	26,571
Employer contributions subsequent to the measurement date	<u>12,388</u>	<u>-</u>
Total	<u>\$ 53,312</u>	<u>\$ 50,544</u>

\$12,388 was reported as deferred outflows of resources related to the HIC OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

#### **Year Ended June 30**

2025	\$	(1,710)
2026		(4,537)
2027		279
2028		(3,652)
Thereafter		-

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

Information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**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 \$9,254 as of June 30, 2024.

***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



Notes to Financial Statements  
At June 30, 2024 (Continued)

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

***Contributions (Continued)***

the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which 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 \$56,011 and \$52,213 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The entity's proportionate share is reflected in the State revenues of the financial statements.

***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, 2024, the entity reported a liability of \$492,318 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 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, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was .04105% as compared to .0433% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$10,776. 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, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 49,171	\$ 14,944
Net difference between projected and actual earnings on GLI OPEB program investments	-	19,784
Change in assumptions	10,524	34,110
Changes in proportion	-	53,081
Employer contributions subsequent to the measurement date	56,011	-
Total	<u>\$ 115,706</u>	<u>\$ 121,919</u>

**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)***

\$56,011 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<b>Year Ended June 30</b>		
2025	\$	(19,328)
2026		(32,923)
2027		(2,272)
2028		(7,707)
2029		6
Thereafter		-

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023. 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, 2024 (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, 2022 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, 2021. 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, 2023, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,907,052
Plan Fiduciary Net Position		2,707,739
GLI Net OPEB Liability (Asset)	\$	1,199,313
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		69.30%

**Notes to Financial Statements**  
**At June 30, 2024 (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:

<b>Asset Class (Strategy)</b>	<b>Long-term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>8.25%</u>

\*The above allocation provides a one-year return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

\*\*On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which is roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

## COLONIAL BEHAVIORAL HEALTH

### Notes to Financial Statements At June 30, 2024 (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, 2023, 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 113% of the actuarially determined contribution rate. From July 1, 2023 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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Board's proportionate share of the GLI Plan Net OPEB Liability	\$ 729,769	\$ 492,318	\$ 300,337

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

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2023-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	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan (Note 15)	\$ 115,706	\$ 121,919	\$ 492,318	\$ 10,776
Health Insurance Credit Plan (Note 14)	53,312	50,544	27,670	2,400
Stand-Alone Plan (Note 13)	162,376	1,680,761	1,036,463	(464,904)
Totals	<u>\$ 331,394</u>	<u>\$ 1,853,224</u>	<u>\$ 1,556,451</u>	<u>\$ (451,728)</u>

Notes to Financial Statements  
At June 30, 2024 (Continued)

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**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. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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

**- Required Supplementary Information –**

## 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, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total pension liability</b>					
Service cost	\$ 859,970	\$ 835,784	\$ 872,473	\$ 883,371	\$ 874,993
Interest	2,335,788	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	1,475,323	(286,575)	(115,799)	(109,218)	(56,811)
Benefit payments, including refunds of employee contributions	(1,856,356)	(1,537,486)	(1,572,683)	(1,191,259)	(1,058,775)
<b>Net change in total pension liability</b>	\$ 2,814,725	\$ 1,270,858	\$ 2,318,961	\$ 1,537,020	\$ 2,443,956
<b>Total pension liability - beginning</b>	<u>34,672,481</u>	<u>33,401,623</u>	<u>31,082,662</u>	<u>29,545,642</u>	<u>27,101,686</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 37,487,206</u>	<u>\$ 34,672,481</u>	<u>\$ 33,401,623</u>	<u>\$ 31,082,662</u>	<u>\$ 29,545,642</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 342,033	\$ 359,887	\$ 367,795	\$ 364,637	\$ 360,680
Contributions - employee	441,238	430,849	431,633	438,664	448,323
Net investment income	2,400,005	(32,904)	8,382,979	584,419	1,935,048
Benefit payments, including refunds of employee contributions	(1,856,356)	(1,537,486)	(1,572,683)	(1,191,259)	(1,058,775)
Administrative expense	(24,289)	(23,937)	(21,074)	(19,804)	(18,921)
Other	962	882	787	(694)	(1,221)
<b>Net change in plan fiduciary net position</b>	\$ 1,303,593	\$ (802,709)	\$ 7,589,437	\$ 175,963	\$ 1,665,134
<b>Plan fiduciary net position - beginning</b>	<u>37,555,349</u>	<u>38,358,058</u>	<u>30,768,621</u>	<u>30,592,658</u>	<u>28,927,524</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 38,858,942</u>	<u>\$ 37,555,349</u>	<u>\$ 38,358,058</u>	<u>\$ 30,768,621</u>	<u>\$ 30,592,658</u>
<b>CBH's net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (1,371,736)</u>	<u>\$ (2,882,868)</u>	<u>\$ (4,956,435)</u>	<u>\$ 314,041</u>	<u>\$ (1,047,016)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	103.66%	108.31%	114.84%	98.99%	103.54%
<b>Covered payroll</b>	\$ 9,639,203	\$ 9,411,429	\$ 9,265,599	\$ 9,361,000	\$ 8,994,220
<b>CBH's net pension liability (asset) as a percentage of covered payroll</b>	-14.23%	-30.63%	-53.49%	3.35%	-11.64%



## 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, 2023**

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
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)
<b>Net change in total pension liability</b>	<b>\$ 1,459,015</b>	<b>\$ 1,060,474</b>	<b>\$ 1,026,237</b>	<b>\$ 1,512,885</b>	<b>\$ 1,388,672</b>
<b>Total pension liability - beginning</b>	<b>25,642,671</b>	<b>24,582,197</b>	<b>23,555,960</b>	<b>22,043,075</b>	<b>20,654,403</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 27,101,686</b>	<b>\$ 25,642,671</b>	<b>\$ 24,582,197</b>	<b>\$ 23,555,960</b>	<b>\$ 22,043,075</b>
<b>Plan fiduciary net position</b>					
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
<b>Net change in plan fiduciary net position</b>	<b>\$ 1,856,366</b>	<b>\$ 2,870,642</b>	<b>\$ 520,199</b>	<b>\$ 1,175,053</b>	<b>\$ 3,238,467</b>
<b>Plan fiduciary net position - beginning</b>	<b>27,071,158</b>	<b>24,200,516</b>	<b>23,680,317</b>	<b>22,505,264</b>	<b>19,266,797</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 28,927,524</b>	<b>\$ 27,071,158</b>	<b>\$ 24,200,516</b>	<b>\$ 23,680,317</b>	<b>\$ 22,505,264</b>
<b>CBH's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ (1,825,838)</b>	<b>\$ (1,428,487)</b>	<b>\$ 381,681</b>	<b>\$ (124,357)</b>	<b>\$ (462,189)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>106.74%</b>	<b>105.57%</b>	<b>98.45%</b>	<b>100.53%</b>	<b>102.10%</b>
<b>Covered payroll</b>	<b>\$ 9,067,190</b>	<b>\$ 8,817,048</b>	<b>\$ 7,940,954</b>	<b>\$ 7,219,337</b>	<b>\$ 7,020,849</b>
<b>CBH's net pension liability (asset) as a percentage of covered payroll</b>	<b>-20.14%</b>	<b>-16.20%</b>	<b>4.81%</b>	<b>-1.72%</b>	<b>-6.58%</b>

**COLONIAL BEHAVIORAL HEALTH**

**Schedule of Employer Contributions - Pension Plan  
For the Years Ended June 30, 2015 through June 30, 2024**

<b>Date</b>	<b>Contractually Required Contribution (1)*</b>	<b>Contributions in Relation to Contractually Required Contribution (2)*</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2024	\$ 369,181	\$ 369,181	\$ -	\$ 10,323,374	3.58%
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%

\* 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, 2024

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2022 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, 2021. 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, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>							
Service cost	\$ 62,343	\$ 62,330	\$ 56,288	\$ 55,826	\$ 168,915	\$ 340,978	\$ 336,342
Interest	102,842	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	(102,370)	(81,000)	(48,664)	(67,514)	(74,397)	(55,050)	(75,007)
<b>Net change in total OPEB liability</b>	<b>\$ 62,815</b>	<b>\$ 279,788</b>	<b>\$ 87,891</b>	<b>\$ (450,211)</b>	<b>\$ (696,270)</b>	<b>\$ (2,970,156)</b>	<b>\$ 102,504</b>
<b>Total OPEB liability - beginning</b>	<b>1,570,219</b>	<b>1,290,431</b>	<b>1,202,540</b>	<b>1,652,751</b>	<b>2,349,021</b>	<b>5,319,177</b>	<b>5,216,673</b>
<b>Total OPEB liability - ending</b>	<b>\$ 1,633,034</b>	<b>\$ 1,570,219</b>	<b>\$ 1,290,431</b>	<b>\$ 1,202,540</b>	<b>\$ 1,652,751</b>	<b>\$ 2,349,021</b>	<b>\$ 5,319,177</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 102,370	\$ 181,000	\$ 248,664	\$ 167,514	\$ 174,397	\$ -	\$ -
Net investment income	52,022	31,904	(32,514)	52,104	(3,345)	-	-
Administrative expenses	(993)	(942)	(835)	(675)	(155)	-	-
Benefit payments	(102,370)	(81,000)	(48,664)	(67,514)	(74,397)	-	-
<b>Net change in plan fiduciary net position</b>	<b>\$ 51,029</b>	<b>\$ 130,962</b>	<b>\$ 166,651</b>	<b>\$ 151,429</b>	<b>\$ 96,500</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position - beginning</b>	<b>545,542</b>	<b>414,580</b>	<b>247,929</b>	<b>96,500</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 596,571</b>	<b>\$ 545,542</b>	<b>\$ 414,580</b>	<b>\$ 247,929</b>	<b>\$ 96,500</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CBH's net OPEB liability (asset) - ending (a) - (b)</b>	<b>\$ 1,036,463</b>	<b>\$ 1,024,677</b>	<b>\$ 875,851</b>	<b>\$ 954,611</b>	<b>\$ 1,556,251</b>	<b>\$ 2,349,021</b>	<b>\$ 5,319,177</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>36.53%</b>	<b>34.74%</b>	<b>32.13%</b>	<b>20.62%</b>	<b>5.84%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered payroll</b>	<b>\$ 8,585,830</b>	<b>\$ 8,585,830</b>	<b>\$ 7,839,613</b>	<b>\$ 7,839,613</b>	<b>\$ 9,163,945</b>	<b>\$ 9,163,945</b>	<b>\$ 8,080,700</b>
<b>CBH's net OPEB liability as a percentage of covered payroll</b>	<b>12.07%</b>	<b>11.93%</b>	<b>11.17%</b>	<b>12.18%</b>	<b>16.98%</b>	<b>25.63%</b>	<b>65.83%</b>

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, 2024

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)
2024	\$ 131,768	\$ 102,370	\$ 29,398	\$ 8,585,830	1.19%
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, 2024**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Annual money-weighted rate of return, net of investment expense	-6.11%	30.14%	-9.35%	7.63%	9.54%

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, 2024

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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, 2024 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, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total HIC OPEB Liability</b>							
Service cost	\$ 4,923	\$ 7,822	\$ 7,832	\$ 8,268	\$ 7,566	\$ 8,915	\$ 7,174
Interest	17,244	20,102	21,223	18,568	18,518	17,928	17,672
Differences between expected and actual experience	39,250	(5,760)	(37,538)	30,009	(5,444)	(1,901)	-
Changes in assumptions	-	(41,885)	2,770	-	6,493	-	(8,182)
Benefit payments	(19,474)	(19,979)	(17,450)	(17,587)	(15,594)	(17,419)	(8,606)
<b>Net change in total HIC OPEB liability</b>	<b>\$ 41,943</b>	<b>\$ (39,700)</b>	<b>\$ (23,163)</b>	<b>\$ 39,258</b>	<b>\$ 11,539</b>	<b>\$ 7,523</b>	<b>\$ 8,058</b>
<b>Total HIC OPEB Liability - beginning</b>	<b>260,277</b>	<b>299,977</b>	<b>323,140</b>	<b>283,882</b>	<b>272,343</b>	<b>264,820</b>	<b>256,762</b>
<b>Total HIC OPEB Liability - ending (a)</b>	<b>\$ 302,220</b>	<b>\$ 260,277</b>	<b>\$ 299,977</b>	<b>\$ 323,140</b>	<b>\$ 283,882</b>	<b>\$ 272,343</b>	<b>\$ 264,820</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 11,568	\$ 16,000	\$ 15,752	\$ 14,976	\$ 14,391	\$ 15,414	\$ 14,989
Net investment income	15,540	432	54,778	4,167	12,651	13,247	19,056
Benefit payments	(19,474)	(19,979)	(17,450)	(17,587)	(15,594)	(17,419)	(8,606)
Administrative expense	(364)	(460)	(648)	(399)	(278)	(311)	(317)
Other	465	8,672	-	(2)	(15)	(1,343)	1,343
<b>Net change in plan fiduciary net position</b>	<b>\$ 7,735</b>	<b>\$ 4,665</b>	<b>\$ 52,432</b>	<b>\$ 1,155</b>	<b>\$ 11,155</b>	<b>\$ 9,588</b>	<b>\$ 26,465</b>
<b>Plan fiduciary net position - beginning</b>	<b>266,815</b>	<b>262,150</b>	<b>209,718</b>	<b>208,563</b>	<b>197,408</b>	<b>187,820</b>	<b>161,355</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 274,550</b>	<b>\$ 266,815</b>	<b>\$ 262,150</b>	<b>\$ 209,718</b>	<b>\$ 208,563</b>	<b>\$ 197,408</b>	<b>\$ 187,820</b>
<b>CBH's net HIC OPEB liability (asset) - ending (a) - (b)</b>	<b>\$ 27,670</b>	<b>\$ (6,538)</b>	<b>\$ 37,827</b>	<b>\$ 113,422</b>	<b>\$ 75,319</b>	<b>\$ 74,935</b>	<b>\$ 77,000</b>
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	<b>90.84%</b>	<b>102.51%</b>	<b>87.39%</b>	<b>64.90%</b>	<b>73.47%</b>	<b>72.49%</b>	<b>70.92%</b>
<b>Covered payroll</b>	<b>\$ 9,639,203</b>	<b>\$ 9,411,429</b>	<b>\$ 9,265,599</b>	<b>\$ 9,361,000</b>	<b>\$ 8,994,220</b>	<b>\$ 9,067,190</b>	<b>\$ 8,817,048</b>
<b>CBH's net HIC OPEB liability (asset) as a percentage of covered payroll</b>	<b>0.29%</b>	<b>-0.07%</b>	<b>0.41%</b>	<b>1.21%</b>	<b>0.84%</b>	<b>0.83%</b>	<b>0.87%</b>

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, 2024**

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2024	\$ 12,388	\$ 12,388	\$ -	\$ 10,323,374	0.12%
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, 2024

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2022, 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, 2021. 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, 2023**

<b>Date</b>	<b>Employer's Proportion of the Net GLI OPEB Liability</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4)</b>	<b>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</b>
2023	0.04105%	\$ 492,318	\$ 9,669,119	5.09%	69.30%
2022	0.04330%	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, 2024**

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
2024	\$ 56,011	\$ 56,011	\$ -	\$ 10,372,351	0.54%
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, 2024

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2022 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, 2021. 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, 2024

	Colonial Behavioral Health	Colonial Community Services Inc.	Inter- Company Eliminations	Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 11,489,414	\$ 495,820	\$ -	\$ 11,985,234
Accounts receivable, less allowance for uncollectibles	829,592	23,735	-	853,327
Prepaid items	-	3,433	-	3,433
Total current assets	\$ 12,319,006	\$ 522,988	\$ -	\$ 12,841,994
<b>Capital Assets:</b>				
Property and equipment, less accumulated depreciation	\$ 430,993	\$ 4,106,246	\$ -	\$ 4,537,239
<b>Other Assets:</b>				
Net pension asset	\$ 1,371,736	\$ -	\$ -	\$ 1,371,736
Total other assets	\$ 1,371,736	\$ -	\$ -	\$ 1,371,736
Total assets	\$ 14,121,735	\$ 4,629,234	\$ -	\$ 18,750,969
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 1,106,842	\$ -	\$ -	\$ 1,106,842
OPEB related items	331,394	-	-	331,394
Total deferred outflows of resources	\$ 1,438,236	\$ -	\$ -	\$ 1,438,236
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued expenses	\$ 786,640	\$ -	\$ -	\$ 786,640
Compensated absences, current portion	507,654	-	-	507,654
Subscription liability, current portion	73,709	-	-	73,709
Revenue bond, current portion	-	205,000	-	205,000
Unearned revenue	4,667,381	-	-	4,667,381
Total current liabilities	\$ 6,035,384	\$ 205,000	\$ -	\$ 6,240,384
<b>Long-Term Liabilities:</b>				
Compensated absences, less current portion	\$ 801,512	\$ -	\$ -	\$ 801,512
Net OPEB liabilities	1,556,451	-	-	1,556,451
Revenue bond, less current portion	-	657,000	-	657,000
Total long-term liabilities	\$ 2,357,963	\$ 657,000	\$ -	\$ 3,014,963
Total liabilities	\$ 8,393,347	\$ 862,000	\$ -	\$ 9,255,347
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	\$ 641,132	\$ -	\$ -	\$ 641,132
OPEB related items	1,853,224	-	-	1,853,224
Total deferred inflows of resources	\$ 2,494,356	\$ -	\$ -	\$ 2,494,356
<b>NET POSITION</b>				
Net investment in capital assets	\$ 357,284	\$ 3,244,246	\$ -	\$ 3,601,530
Restricted for net pension asset	1,371,736	-	-	1,371,736
Unrestricted (deficit)	2,943,248	522,988	-	3,466,236
Total net position	\$ 4,672,268	\$ 3,767,234	\$ -	\$ 8,439,502

**COLONIAL BEHAVIORAL HEALTH**

**Combining Statement of Revenues, Expenses and Changes in Net Position**

**Year Ended June 30, 2024**

	<b>Colonial Behavioral Health</b>	<b>Colonial Community Services Inc.</b>	<b>Inter- Company Eliminations</b>	<b>Total</b>
<b>Operating revenues:</b>				
Net patient service revenue	\$ 6,009,756	\$ -	\$ -	\$ 6,009,756
<b>Operating expenses:</b>				
Salaries and benefits	\$ 14,694,386	\$ -	\$ -	\$ 14,694,386
Staff development	141,526	-	-	141,526
Facility	1,059,694	61,054	(284,824)	835,924
Supplies	1,215,686	-	-	1,215,686
Travel	109,986	-	-	109,986
Contractual and consulting	2,366,656	-	-	2,366,656
Depreciation	232,971	171,869	-	404,840
Other	178,084	31,131	-	209,215
Total operating expenses	\$ 19,998,989	\$ 264,054	\$ (284,824)	\$ 19,978,219
<b>Operating income (loss)</b>	\$ (13,989,233)	\$ (264,054)	\$ 284,824	\$ (13,968,463)
<b>Nonoperating income (expenses):</b>				
Appropriations:				
Commonwealth of Virginia	\$ 9,798,119	\$ -	\$ -	\$ 9,798,119
Federal government	1,139,926	-	-	1,139,926
Local governments	3,793,000	-	-	3,793,000
Other	589,313	284,824	(284,824)	589,313
Gain on sale of assets	-	136,785	-	136,785
Interest income	194,934	-	-	194,934
Interest expense	(5,809)	(31,617)	-	(37,426)
Net nonoperating income (expenses)	\$ 15,509,483	\$ 389,992	\$ (284,824)	\$ 15,614,651
<b>Change in net position</b>	\$ 1,520,250	\$ 125,938	\$ -	\$ 1,646,188
<b>Net position, beginning of year</b>	3,152,018	3,641,296	-	6,793,314
<b>Net position, end of year</b>	\$ 4,672,268	\$ 3,767,234	\$ -	\$ 8,439,502



**COLONIAL BEHAVIORAL HEALTH**

**Combining Statement of Cash Flows  
Year Ended June 30, 2023**

	<b>Colonial Behavioral Health</b>	<b>Colonial Community Services Inc.</b>	<b>Inter- Company Eliminations</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 9,067,324	\$ -	\$ -	\$ 9,067,324
Payments to suppliers	(4,971,037)	(93,801)	284,824	(4,780,014)
Payments to and for employees	(15,030,327)	-	-	(15,030,327)
Net cash flows provided by (used for) operating activities	\$ (10,934,040)	\$ (93,801)	\$ 284,824	\$ (10,743,017)
<b>Cash flows from noncapital financing activities:</b>				
Government grants	\$ 14,731,045	\$ -	\$ -	\$ 14,731,045
Other	589,313	284,824	(284,824)	589,313
Net cash flows provided by (used for) noncapital financial activities	\$ 15,320,358	\$ 284,824	\$ (284,824)	\$ 15,320,358
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	\$ (174,062)	\$ (20,583)	\$ -	\$ (194,645)
Proceeds from sale of assets	-	450,000	-	450,000
Interest payments on loans	(5,809)	(31,617)	-	(37,426)
Principal payments on loans	-	(199,000)	-	(199,000)
Principal payments on subscription liabilities	(143,343)	-	-	(143,343)
Net cash flows provided by (used for) capital and related financing activities	\$ (323,214)	\$ 198,800	\$ -	\$ (124,414)
<b>Cash flows from investing activities:</b>				
Interest income	\$ 194,934	\$ -	\$ -	\$ 194,934
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 4,258,038	\$ 389,823	\$ -	\$ 4,647,861
<b>Cash and cash equivalents, beginning of year</b>	7,231,376	105,997	-	7,337,373
<b>Cash and cash equivalents, end of year</b>	\$ 11,489,414	\$ 495,820	\$ -	\$ 11,985,234
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (13,989,233)	\$ (264,054)	\$ 284,824	\$ (13,968,463)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	232,971	171,869	-	404,840
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable	(83,571)	-	-	(83,571)
Prepaid items	9,383	(1,616)	-	7,767
Net OPEB asset	6,538	-	-	6,538
Net pension asset	1,511,132	-	-	1,511,132
Deferred outflows of resources	(588,627)	-	-	(588,627)
Accounts payable and accrued expenses	91,212	-	-	91,212
Compensated absences	42,188	-	-	42,188
Net OPEB liabilities	9,437	-	-	9,437
Unearned revenue	3,141,139	-	-	3,141,139
Deferred inflows of resources	(1,316,609)	-	-	(1,316,609)
Cash flows provided by (used for) operating activities	\$ (10,934,040)	\$ (93,801)	\$ 284,824	\$ (10,743,017)

- Compliance -



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of Colonial Behavioral Health, as of and for the year ended June 30, 2024, 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 26, 2024.

**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 26, 2024



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

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

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

***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, 2024. 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, 2024.

***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 26, 2024

**COLONIAL BEHAVIORAL HEALTH**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Expenditures</b>
<b>Department of Treasury:</b>			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
COVID-19 - Coronavirus Relief Fund	21.027	Not available	\$ <u>213,342</u>
<b>Department of Health and Human Services:</b>			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Opioid STR	93.788	5H79TI080220	165,235
Block Grants for Community Mental Health Services	93.958	2B09SM010053	96,271
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053	<u>291,313</u>
<b>Department of Education:</b>			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Special Education - Grants for Infants and Families	84.181	Not available	\$ <u>373,765</u>
<b>Total Expenditures of Federal Awards</b>			\$ <u><u>1,139,926</u></u>

**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, 2024. 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, 2024

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**Section I - Summary of Auditors' Results**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Identification of major programs:	
Assistance	
<u>Listing</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

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

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

**COLONIAL BEHAVIORAL HEALTH**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2024**

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There were no prior year findings.