NORTHWESTERN COMMUNITY SERVICES BOARD

FRONT ROYAL, VIRGINIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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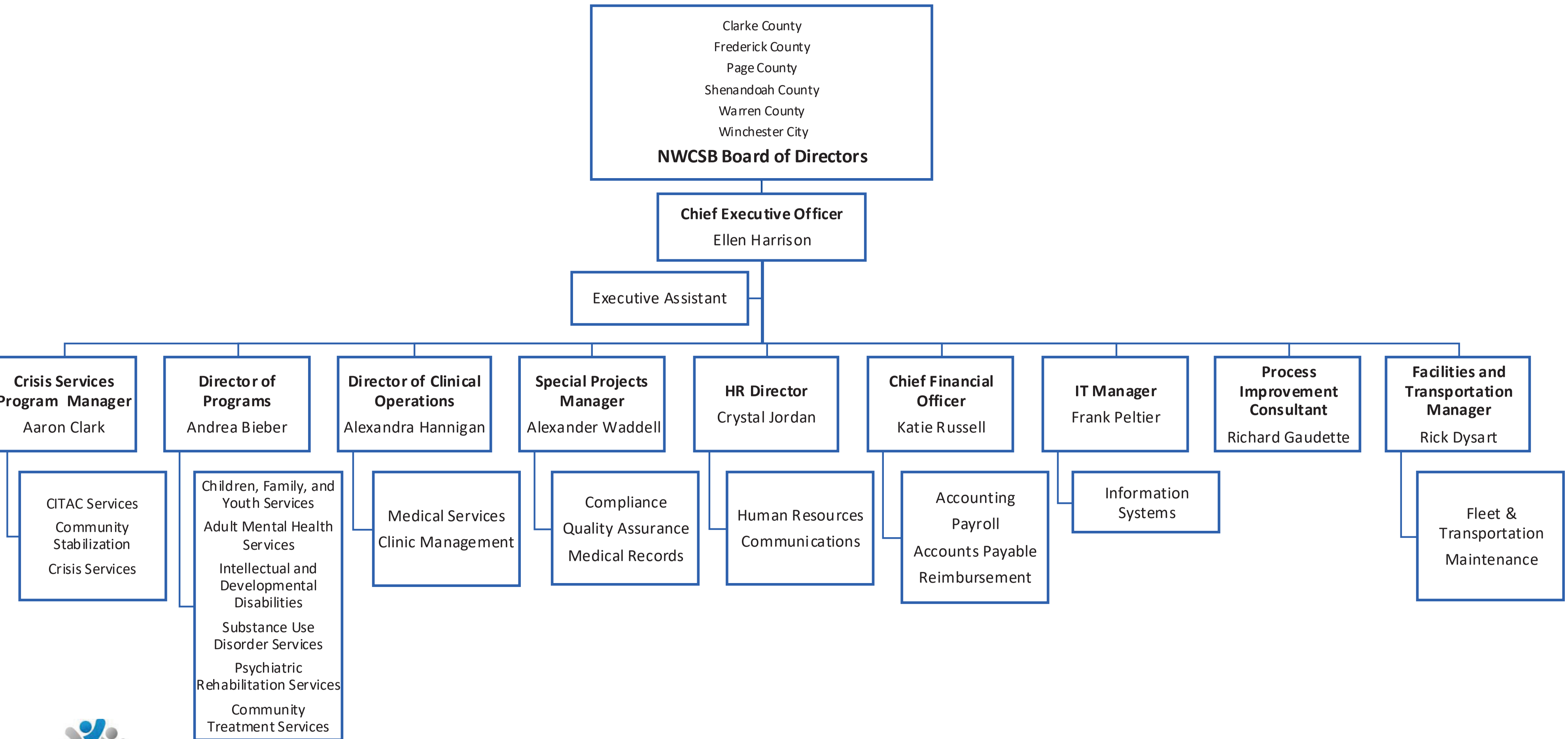
NORTHWESTERN COMMUNITY SERVICES BOARD



Executive Organizational Chart

12/11/2024

Independent Auditors' Report

To the Board of Directors
Northwestern Community Services Board
Front Royal, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Northwestern Community Services Board as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Northwestern Community Services Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Northwestern Community Services Board, as of June 30, 2024, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Northwestern Community Services Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Northwestern Community Services Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information 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 Northwestern Community Services Board's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 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 an opinion on the financial statements that collectively comprise Northwestern Community Services Board's basic financial statements. The accompanying 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*, is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is 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 29, 2024, on our consideration of Northwestern Community Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwestern Community Services Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern Community Services Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 29, 2024

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

The following Management's Discussion and Analysis (MD&A) of Northwestern Community Services Board's (NWCSB) financial performance provides the reader with an overview to the financial statements of the NWCSB for the fiscal year ended June 30, 2024.

Northwestern Community Services Board presents three basic financial statements for the purpose of analyzing the financial position of the NWCSB as of June 30, 2024. These are: (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Net Position; and (3) Statement of Cash Flows.

NWCSB's financial position is measured in terms of resources (assets) owned and obligations (liabilities) owed as of June 30, 2024. This information is reflected on the Statement of Net Position. The excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources is the net position.

Information reflecting the results of operations during the fiscal year 2024 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement reflects total revenue and total expenses for the fiscal year ended June 30, 2024 and excess or deficiency of revenue over expenses for the year.

The flow of cash resources into and out of NWCSB during the fiscal year is reflected on the Statement of Cash Flows. This statement also reflects the net increase or decrease in cash and cash equivalents for the year and the ending cash and cash equivalents as of June 30, 2024.

Financial Position: A summary of NWCSB's Statement of Net Position for fiscal years 2024 and 2023 is presented below.

Summary Statement of Net Position

	2024	2023
Current assets	$ 9,936,034	$ 8,031,819
Restricted assets	196,958	753,660
Other assets	2,743,248	1,649,841
Capital assets	5,457,198	5,625,630
Total assets	$ 18,333,438	$ 16,060,950
Deferred outflows of resources	$ 749,493	$ 892,130
Current liabilities	$ 1,393,836	$ 1,272,040
Long-term liabilities	4,707,567	5,024,160
Total liabilities	$ 6,101,403	$ 6,296,200
Deferred inflows of resources	$ 1,514,962	$ 1,355,233
Net position:		
Net investment in capital assets	$ 1,602,723	$ 1,638,232
Restricted	2,940,206	2,403,501
Unrestricted	6,923,637	5,259,914
Total net position	$ 11,466,566	$ 9,301,647

The financial position of Northwestern Community Services Board is strong with net position of $11,466,566 as of June 30, 2024.

Financial Position: (continued)

A summary of NWCSB's Statement of Revenues, Expenses and Changes in Net Position for fiscal years 2024 and 2023 is presented below.

Summary Statement of Revenues, Expenses and Changes in Net Position

	2024	2023
Operating revenues:		
Net patient service revenue	$ 8,688,237	$ 8,720,806
Operating expenses	22,233,708	21,591,883
Operating income (loss)	$ (13,545,471)	$ (12,871,077)
Total nonoperating revenues (expenses)	15,710,390	13,806,358
Change in net position	$ 2,164,919	$ 935,281

Operating income is generated from providing patient services with the majority of this income generated from Medicaid. Medicaid income represented approximately 90% of our operating income for 2024 and 90% for 2023. Non-operating income showed a slight increase due to an increase of $1,761,160 in state revenues from the prior year. The slight increase in operating expenses is due to various factors including an increase in salaries and benefits. The actuarial valuation resulted in a $1,085,301 increase in the net pension asset.

Cash Flow: A summary of NWCSB's Statement of Cash Flows for fiscal years 2024 and 2023 is presented below.

Condensed Statement of Cash Flows

	2024	2023
Cash flows provided (used) by operating activities	$ (14,321,460)	$ (12,317,290)
Cash flows provided (used) by noncapital and related financing activities	14,473,346	13,765,700
Cash flows provided (used) by capital and related financing activities	(535,432)	(821,061)
Cash flows provided (used) by investing activities	162,847	86,034
Net increase (decrease) in cash and cash equivalents	$ (220,699)	$ 713,383
Cash and cash equivalents, beginning of year	7,404,219	6,690,836
Cash and cash equivalents, end of year	$ 7,183,520	$ 7,404,219

Cash flows from operating activities reconcile the operating loss recorded on the Statement of Revenues, Expenses and Changes in Net Position to cash provided by operating activities. In this process, the operating loss is decreased by the amount of any non-cash transaction (depreciation) and adjusted for changes in operating assets, liabilities, and pension and OPEB related deferred outflows and inflows of resources.

Cash flows from non-capital and related financing activities consist of income received primarily as government grants.

Cash flows from capital and related financing activities represent the acquisition of capital assets. Also reflected are principal and interest payments on mortgages and loans payable, which were used for capital asset acquisitions.

Cash flows from investing activities are comprised of interest income.

Financial Position: (continued)

During 2024, there was a decrease of $220,699 in cash and cash equivalents compared to an increase of $713,383 in 2023. Part of this decrease was related to the purchases of capital assets and acquisition of lease assets. An increase in staff positions that bill Medicaid has resulted in higher Medicaid billings. As in years past, NWCSB will continue to address issues that arise in order to ensure timely payments are received.

Capital Assets and Debt Administration

Capital Assets:

On June 30, 2024, NWCSB had $5,457,198 in net capital assets. These were comprised primarily of land, buildings and improvements, equipment and vehicles, subscription assets, and lease assets. This is a net decrease of $168,432 from 2023, which resulted in the addition of assets of $275,007 and current year depreciation expense of $443,439.

For additional information, reference Note 5 Capital Assets in the notes to financial statements.

Long-term Debt:

Long-term debt as of June 30, 2024 is $3,674,067. This debt is for three facilities. The first is a facility in Front Royal, which is financed by one note with Rural Economic Development Administration (FmHA) with a total balance of $216,257, maturing in 2033. The second facility is the facility in Page County and is financed by a note with FmHA with a balance of $1,681,220. The third facility is located in Winchester, financed by a FmHA note with a balance of $1,776,590.

For additional information, reference Note 7 Long-term Obligations in notes to financial statements.

Requests for Information:

This financial report is designed to provide a general overview of Northwestern Community Services Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 209 W. Criser Rd. Suite 300, Front Royal, Virginia 22630.

- Basic Financial Statements -

NORTHWESTERN COMMUNITY SERVICES BOARD

Statement of Net Position
As of June 30, 2024
(With Comparative Totals for 2023)

		2024		2023
Assets				
Current Assets:				
Cash and cash equivalents	$	6,986,562	$	6,650,559
Accounts receivable, less allowance for uncollectibles		1,610,240		1,307,284
Due from other governments		1,193,028		-
Prepaid items		146,204		73,976
Total current assets	$	9,936,034	$	8,031,819
Restricted Assets:				
Cash and cash equivalents - debt reserve accounts	$	196,958	$	578,600
Cash and cash equivalents - unspent grant funds		-		175,060
Total restricted assets	$	196,958	$	753,660
Other Assets:				
Net pension asset	$	2,727,806	$	1,642,505
Net OPEB asset		15,442		7,336
Total other assets	$	2,743,248	$	1,649,841
Capital Assets:				
Property and equipment, less accumulated depreciation	$	5,457,198	$	5,625,630
Total assets	$	18,333,438	$	16,060,950
Deferred Outflows of Resources				
Pension related items	$	406,118	$	486,502
OPEB related items		343,375		405,628
Total deferred outflows of resources	$	749,493	$	892,130
Liabilities				
Current Liabilities:				
Accounts payable and accrued expenses	$	501,852	$	388,464
Accrued interest		1,687		10,358
Compensated absences		680,259		665,595
Loans payable, current portion		70,170		144,384
Subscription liability, current portion		52,967		51,928
Lease liability, current portion		86,901		11,311
Total current liabilities	$	1,393,836	$	1,272,040
Long-term Liabilities:				
Loans payable, less current portion	$	3,603,897	$	3,726,808
Subscription liability, less current portion		-		52,967
Lease liability, less current portion		40,540		-
Net OPEB liabilities		1,063,130		1,244,385
Total long-term liabilities	$	4,707,567	$	5,024,160
Total liabilities	$	6,101,403	$	6,296,200
Deferred Inflows of Resources				
Pension related items	$	1,121,776	$	1,109,757
OPEB related items		393,186		245,476
Total deferred inflows of resources	$	1,514,962	$	1,355,233
Net Position				
Net investment in capital assets	$	1,602,723	$	1,638,232
Restricted for debt service		196,958		578,600
Restricted for pension and OPEB benefits		2,743,248		1,649,841
Restricted for unexpended grant funds		-		175,060
Unrestricted		6,923,637		5,259,914
Total net position	$	11,466,566	$	9,301,647

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

NORTHWESTERN COMMUNITY SERVICES BOARD

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024
(With Comparative Totals for 2023)

	2024	2023
Operating revenues:		
Net client service revenue	$ 8,688,237	$ 8,720,806
Operating expenses:		
Salaries and benefits	$ 16,314,442	$ 15,056,003
Staff development	127,981	93,384
Facility	2,308,072	1,762,345
Supplies	389,472	1,245,668
Travel	259,221	224,437
Contractual and consulting	1,935,184	2,296,301
Depreciation	443,439	377,533
Other	455,897	536,212
Total operating expenses	$ 22,233,708	$ 21,591,883
Operating income (loss)	$ (13,545,471)	$ (12,871,077)
Nonoperating revenues (expenses):		
Grants:		
Commonwealth of Virginia	$ 11,504,557	$ 9,743,397
Federal government	2,014,019	1,694,280
Local governments	1,550,881	1,505,159
Interest income	162,847	86,034
Other	596,910	822,864
Interest expense	(118,824)	(45,376)
Total nonoperating revenues (expenses)	$ 15,710,390	$ 13,806,358
Change in net position	$ 2,164,919	$ 935,281
Net position, beginning of year	9,301,647	8,366,366
Net position, end of year	$ 11,466,566	$ 9,301,647

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

NORTHWESTERN COMMUNITY SERVICES BOARD

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

	2024	2023
Cash flows from operating activities:		
Receipts from customers	$ 8,385,281	$ 9,236,600
Payments to suppliers	(5,278,940)	(6,043,802)
Payments to and for employees	(17,427,801)	(15,510,088)
Total cash flows provided by (used for) operating activities	$ (14,321,460)	$ (12,317,290)
Cash flows from noncapital and related financing activities:		
Government grants	$ 13,876,429	$ 12,942,836
Other	596,917	822,864
Total cash flows provided by (used for) noncapital and related financing activities	$ 14,473,346	$ 13,765,700
Cash flows from capital and related financing activities:		
Purchase of capital assets	$ (97,773)	$ (2,106,010)
Disposal of capital assets	-	672,212
Interest payments on long-term debt	(127,502)	(39,451)
Proceeds of long-term debt	225,000	1,700,000
Payments on subscription liabilities	(51,928)	(54,026)
Payments on lease liabilities	(61,104)	-
Principal payments on mortgages and loans payable	(422,125)	(993,786)
Total cash flows provided by (used for) capital and related financing activities	$ (535,432)	$ (821,061)
Cash flows from investing activities:		
Interest income	$ 162,847	$ 86,034
Net increase (decrease) in cash and cash equivalents	$ (220,699)	$ 713,383
Cash and cash equivalents, beginning of year	7,404,219	6,690,836
Cash and cash equivalents, end of year	$ 7,183,520	$ 7,404,219
Summary of cash and cash equivalents:		
Unrestricted	$ 6,986,562	$ 6,650,559
Restricted	196,958	753,660
Total cash and cash equivalents	$ 7,183,520	$ 7,404,219
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (13,545,471)	$ (12,871,077)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:		
Depreciation	443,439	377,533
Changes in assets, liabilities, and deferred inflows/outflows of resources:		
(Increase)/Decrease in:		
Accounts receivable	(302,956)	515,794
Prepaid items	(72,228)	173,928
Net pension asset	(1,085,301)	1,496,967
Net OPEB asset	(8,106)	6,913
Deferred outflows - pension related	80,384	370,736
Deferred outflows - OPEB related	62,253	103,801
Increase/(Decrease) in:		
Accounts payable and accrued expenses	113,388	(136,383)
Compensated absences	14,664	(7,445)
Net pension liability	-	-
Net OPEB liabilities	(181,255)	76,768
Deferred inflows - pension related	12,019	(2,299,791)
Deferred inflows - OPEB related	147,710	(125,034)
Net cash provided by (used for) operating activities	$ (14,321,460)	$ (12,317,290)
Noncash capital activities:		
New lease and subscription assets	$ (177,234)	$ (158,921)

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

Note 1 – Summary of Significant Accounting Policies:

A. Description and Purpose of Agency:

The Board operates as an agent for the Counties of Clarke, Frederick, Page, Shenandoah and Warren and the City of Winchester in the establishment and operation of community mental health, intellectual disability and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950), relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Board provides a system of community mental health and intellectual disability and substance abuse services which relate to and are integrated with existing and planned programs.

B. Financial Reporting Entity:

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

Based on the above criteria, no other organizations or entities have been included as part of the reporting entity.

The Board is reported as a jointly governed entity by the participant localities in their financial reports.

C. Financial Statement Presentation:

Northwestern Community Services Board is a governmental health care entity required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. The accompanying financial statements are prepared in accordance with pronouncements issued by the GASB. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

D. Basis of Accounting:

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

E. 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.

F. Cash and Cash Equivalents:

The Board maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the Code of Virginia. The Act requires financial institutions to meet specific collateralization requirements. Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Board.

Note 1 - Summary of Significant Accounting Policies: (continued)

F. Cash and Cash Equivalents: (continued)

For purposes of the statement of cash flows, the Board considers their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

G. Restricted Assets:

The Board segregates funds reserved for debt service as required by loan agreements with Rural Development. The restricted debt service accounts were $196,958 and $578,600 for 2024 and 2023, respectively.

H. 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.

I. Prepaids:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of prepaid items are recorded as expenses when consumed rather than when purchased.

J. Client Fees and Allowance for Uncollectible Accounts:

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

Net client service revenue is reported at the estimated net realizable amounts from clients, 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.

A significant majority of fees billed and collected result from Medicaid billings. Account balances in arrears for greater than 150 days are deemed uncollectible. An allowance for doubtful client accounts has been estimated by management to approximate $1,696,348 at June 30, 2024 and $1,596,678 at June 30, 2023.

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

K. Capital Assets:

Capital assets acquired are recorded at cost, except for intangible right to use lease 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 are amortized using the straight line method over the estimated useful lives. All capital asset purchases of $5,000 or more are capitalized.

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

Buildings	20 to 40 years
Improvements to buildings	10 to 20 years
Leasehold improvements	20 years
Furniture, fixtures, equipment and vehicles	5 to 10 years
Subscription Asset	3 years
Lease Equipment	3 to 5 years

L. Deferred Outflows/Inflows of Resources:

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

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

M. Pensions:

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Board’s Retirement Plan and the additions to/deductions from the Board’s Retirement Plan’s 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.

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

N. Other Postemployment Benefits (OPEB):

For purposes of measuring the net VRS related OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and VLDP 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.

O. Compensated Absences:

The Board's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service.

Employees terminating their employment are paid by the Board their accumulated annual leave up to the maximum limit. Unused sick leave is not paid at the date of separation.

P. Net Position:

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation 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.

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

Q. Operating and Nonoperating Revenues and Expenses:

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

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

R. Budgetary Accounting:

The Board follows these procedures in establishing its budgets:

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

2. The Board's Performance reports are filed with the Department during the fiscal year, 45 working days after the end of the second quarter. The final quarterly report is generally 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, the Board submits Performance Contract revisions which reflect these changes in time to be received by the Department by required deadlines.

S. Comparative Amounts:

Comparative amounts for the prior year are presented for informational purposes only.

Note 2 – Fiscal Agent:

The County of Frederick, Virginia acts as fiscal agent for the Board pursuant to the requirements of Section 37.1-195 of the Code of Virginia (1950), as amended.

Note 3 - Deposits and Investments:

Cash and Cash Equivalents: The Board considers all highly liquid cash investments and certificates of deposit, regardless of maturity, to be cash and cash equivalents. A summary of cash and cash equivalents is as follows:

	2024	2023
Cash in bank - operating	$ 1,894,056	$ 4,398,272
Cash in bank - restricted - debt reserves	196,958	578,600
Cash in bank - restricted - unspent grant proceeds	-	175,060
Cash on hand and petty cash accounts	1,445	1,445
Investments	5,091,061	2,250,842
Total	$ 7,183,520	$ 7,404,219

Note 3 - Deposits and Investments: (continued)

Deposits:

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

Investments:

Statutes authorize the Board 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). The Board’s investment policies are the same as the state statutes.

Custodial Credit Risk (Investments):

To protect the Board against potential fraud, the Board requires the investment assets of the Board to be secured through third-party custody and safekeeping procedures. Collateralized securities, such as repurchase agreements, shall be purchased using the delivery versus payment procedure.

Credit Risk of Debt Securities:

The Board's rated debt investments as of June 30, 2024 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Rated Debt Investments Value

Rated Debt Investments	Fair Quality Ratings
	AAAm
Virginia Local Government Investment Pool	$ 5,091,061

Concentration of Credit Risk:

The Board does not have an investment policy regarding the concentration of credit risk.

Note 3 - Deposits and Investments: (continued)

Interest Rate Risk:

The Board's investment policy prohibits investing in instruments with a maturity date of greater than one year from the date of purchase.

Investment Type	Value	Investment Maturity Less Than One Year
Virginia Local Government Investment Pool	$ 5,091,061	$ 5,091,061

External Investment Pool:

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

Note 4 – Due from Other Governments and Client Fee Revenues and Receivables:

Due from other governments were from the following sources:

	2024	2023
Federal grants	$ 1,193,028	$ -
Total	$ 1,193,028	$ -

Client fee revenues were from the following sources:

	2024	2023
Medicaid	$ 7,801,591	$ 7,847,708
Direct client	62,480	-
Third-party and other	824,166	873,098
Total	$ 8,688,237	$ 8,720,806

Note 4 - Due from Other Governments and Client Fee Revenues and Receivables: (continued)

Net client fee and other receivables at June 30, 2024 and 2023 were due from the following sources:

	2024	2023
Direct and other client	$ 1,007,884	$ 955,804
Medicaid	1,768,041	1,340,499
Third party and other	530,663	607,659
Total	$ 3,306,588	$ 2,903,962
Allowance for uncollectibles	(1,696,348)	(1,596,678)
Net fees receivable	$ 1,610,240	$ 1,307,284

Other than Medicaid fees receivable, there are no individually significant receivables.

Note 5 - Capital Assets:

Capital assets consist of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 118,681	$ -	$ -	$ 118,681
Capital assets being depreciated:				
Building and improvements	$ 8,525,217	$ 81,077	$ -	$ 8,606,294
Lease buildings and improvements	43,923	177,234	-	221,157
Subscription asset	158,921	-	-	158,921
Equipment and vehicles	2,233,961	16,696	234,308	2,016,349
Total capital assets being depreciated	$ 10,962,022	$ 275,007	$ 234,308	$ 11,002,721
Accumulated depreciation				
Building and improvements	$ 3,218,964	$ 281,889	$ -	$ 3,500,853
Lease buildings and improvements	32,837	65,186	-	98,023
Subscription asset	52,829	53,118	-	105,947
Equipment and vehicles	2,150,443	43,246	234,308	1,959,381
Total accumulated depreciation	$ 5,455,073	$ 443,439	$ 234,308	$ 5,664,204
Net capital assets being depreciated	$ 5,506,949	$ (168,432)	$ -	$ 5,338,517
Net capital assets	$ 5,625,630	$ (168,432)	$ -	$ 5,457,198

Total depreciation expense was $443,439 for 2024 and $377,533 for 2023.

Note 6 – Leases and Subscription-Based IT Arrangements:

The Board leases various buildings 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.

Lessee

The Board 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. 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

The Board 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.

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

- The lease and subscription terms includes 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 liability (lessee) or subscription liablity.

The Board monitors changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The Board will remeasure 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.

Note 7 - Long-term Obligations:

Compensated Absences:

The Board has accrued the liability arising from outstanding claims and judgments and compensated absences.

Board employees earn leave based on length of service. No benefits or pay is received for unused sick leave upon termination by general government employees. The Board has outstanding accrued leave pay totaling $680,259 at June 30, 2024 and $665,595 at June 30, 2023, an increase of $14,664. All of the leave liability is reported as current because any amounts deemed to be long-term cannot be estimated.

Long-term Obligations:

The following is a summary of long-term obligation transactions for the Board for the year ended June 30, 2024.

	Borrowings and Placements Loans Payable	Lease Liability	Subsciption Liability	Net OPEB Liabilities	Total
Balance, July 1, 2023	$ 3,871,192	$ 11,311	$ 104,895	$ 1,244,385	$ 5,231,783
Issuances/additions	225,000	177,234	-	438,011	840,245
Retirement/decreases	(422,125)	(61,104)	(51,928)	(634,708)	(1,169,865)
Balance, June 30, 2024	$ 3,674,067	$ 127,441	$ 52,967	$ 1,047,688	$ 4,902,163

Annual requirements to amortize long-term obligations are as follows:

Fiscal Year	Direct Borrowings and Placements Loans Payable Principal	Direct Borrowings and Placements Loans Payable Interest	Lease Liability Principal	Lease Liability Interest	Subscription Liability Principal	Subscription Liability Interest
2025	$ 70,170	$ 107,010	$ 86,901	$ 3,964	$ 52,967	$ 1,059
2026	72,066	105,114	40,540	764	-	-
2027	74,016	103,164	-	-	-	-
2028	76,023	101,157	-	-	-	-
2029	78,088	99,092	-	-	-	-
2030-2034	410,736	462,395	-	-	-	-
2035-2039	350,416	409,664	-	-	-	-
2040-2044	405,401	354,681	-	-	-	-
2045-2049	469,663	290,418	-	-	-	-
2050-2054	544,872	215,211	-	-	-	-
2055-2059	633,009	127,072	-	-	-	-
2060-2063	489,607	29,021	-	-	-	-
Total	$ 3,674,067	$ 2,403,999	$ 127,441	$ 4,728	$ 52,967	$ 1,059

Note 7 - Long-term Obligations: (continued)

Details of Long-term Obligations:

Loans payable:

	Balance Due	Current Portion
Direct borrowings and placements:		
Rural Economic Development Administration (FmHA):		
Secured by real estate located in Front Royal, Virginia: Original amount of $225,000, payments of $2,097 per month, including principal and interest, interest at 2.25%, matures in 2033	216,257	20,540
Secured by real estate located in Winchester, Virginia: Original amount of $1,840,000, payments of $5,817 per month, including principal and interest, interest at 2.25%, matures in 2062	1,776,590	30,131
Secured by real estate located in Page County, Virginia: Original amount of $1,700,000, payments of $6,851 per month, including principal and interest, interest at 3.75%, matures in 2063	1,681,220	19,499
Total loans payable (direct borrowings and placements)	$ 3,674,067	$ 70,170
Lease liability:		
Long-term lease for real estate, in terms for one year, paid in monthly installments.	$ 127,441	$ 86,901
Subscription liability:		
Long-term subscription for accounting software, terms for two years paid in annual installments.	$ 52,967	$ 52,967

Default Provisions:

Upon default, the Bank may declare the outstanding balance(s) of the Note(s) to be immediately due and payable, both as to principal and interest, late fees, and all other amounts/expenditures without further notice. And such balance(s) shall accrue interest at the Default Rate until paid in full. Furthermore, the Bank may require any Borrower or any Guarantor to pledge additional collateral to the Bank from such Borrower's or Guarantor's assets and properties to secure the Loan(s). The Bank may take immediate possession of and/or foreclose upon any or all Collateral which may be granted to Bank as security for the indebtedness and obligations of any Borrower or any Guarantor under the Loan Documents.

The Board is in compliance with federal arbitrage regulations.

Note 8 – Unsecured Line of Credit:

The Board has an available unsecured line of credit with Truist Bank of Winchester in the amount of $500,000. There is no outstanding balance at June 30, 2024 and there was no activity on the line of credit during the year.

Note 9 - Funding from Participant Localities:

The Board received appropriations from the participant localities as follows:

	2024	2023
County of Clarke	$ 111,284	$ 105,985
County of Frederick	459,198	437,332
County of Page	107,430	102,314
County of Shenandoah	253,000	253,000
County of Warren	343,000	342,748
City of Winchester	276,969	263,780
Total	$ 1,550,881	$ 1,505,159

Note 10 - Risk Management:

The Board has contracted with insurance carriers for property damage and liability, workers compensation, directors and officer liability and professional liability coverage. Coverage is $7,200,000 for directors and officers and professional liability policies. Workers' compensation coverage is for statutory amounts. There is no surety bond coverage required or purchased for members of the Board of Directors. The Board also has crime coverage packages totaling $2,027,000. There have been no settlements which exceeded insurance coverage in the past three years. The Board retains the risk of deductibles on each policy plus any settlements over insurance coverage limits.

Note 11 - Commitments and Contingencies:

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

Note 12 - Deferred Compensation Plan:

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is administered by a third-party administrator through an accounting firm.

Note 13 – Pension Plan:

Plan Description

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

Benefit Structures

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

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

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

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

Note 13 – Pension Plan: (continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	113
Inactive members:	
Vested inactive members	83
Non-vested inactive members	142
Inactive members active elsewhere in VRS	80
Total inactive members	305
Active members	172
Total covered employees	590

Note 13 – 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 4.62% 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 $420,374 and $336,662 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net Pension Liability (Asset)

The net pension liability (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 liability (asset) was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability (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 expenses, including inflation

Note 13 – 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

Note 13 – Pension Plan: (continued)

Long-term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	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 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 45th 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%.

Note 13 – Pension Plan: (continued)

Discount Rate:

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	$ 28,828,372	$ 30,470,877	$ (1,642,505)
Changes for the year:			
Service cost	$ 756,584	$ -	$ 756,584
Interest	1,946,657	-	1,946,657
Differences between expected and actual experience	(1,093,378)	-	(1,093,378)
Contributions - employer	-	332,777	(332,777)
Contributions - employee	-	430,244	(430,244)
Net investment income	-	1,951,018	(1,951,018)
Benefit payments, including refunds of employee contributions	(1,491,195)	(1,491,195)	-
Administrative expenses	-	(19,660)	19,660
Other changes	-	785	(785)
Net changes	$ 118,668	$ 1,203,969	$ (1,085,301)
Balances at June 30, 2023	$ 28,947,040	$ 31,674,846	$ (2,727,806)

Note 13 – 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 liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's Net Pension Liability (Asset)	$ 1,156,023	$ (2,727,806)	$ (5,898,866)

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 ($590,665). At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 648,485
Net difference between projected and actual earnings on pension plan investments	-	473,291
Employer contributions subsequent to the measurement date	420,374	-
Total	$ 420,374	$ 1,121,776

$420,374 is 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 to 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:

Year ended June 30	
2025	$ (931,506)
2026	(644,113)
2027	437,734
2028	16,109

Note 13 - Pension Plan: (continued)

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 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans:

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

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Group Life Insurance (GLI) Plan (OPEB Plan) (continued)

Benefit Amounts (continued)

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 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 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 $65,593 and $52,791 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 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 $497,595 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 .04149% as compared to .04670% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of $40,443. 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.

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Group Life Insurance (GLI) Plan (OPEB Plan) (continued)

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

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 49,698	$ 15,105
Net difference between projected and actual earnings on GLI OPEB plan investments	-	19,996
Change of assumptions	10,636	34,475
Changes in proportionate share	51,535	71,514
Employer contributions subsequent to the measurement date	65,593	-
Total	$ 177,462	$ 141,090

$65,593 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:

Year Ended June 30	
2025	$ 7,421
2026	(20,049)
2027	3,436
2028	(14,007)
2029	(6,022)
Thereafter	-

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Group Life Insurance (GLI) Plan (OPEB Plan) (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 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

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

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

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Group Life Insurance (GLI) Plan (OPEB Plan) (continued)

Actuarial Assumptions (continued)

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%

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

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Group Life Insurance (GLI) Plan (OPEB Plan) (continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	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 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 45th 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%.

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Group Life Insurance (GLI) Plan (OPEB Plan) (continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 Net OPEB Liability	$ 737,591	$ 497,595	$ 303,557

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan'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.

Virginia Local Disability Program (VLDP)

Plan Description

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

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Virginia Local Disability Program (VLDP) (continued)

Plan Description: (continued)

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

Eligible Employees

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

Benefit Amounts

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

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

VLDP Notes

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

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2024 was 0.85% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Board to the VRS Political Subdivision VDLP were $72,051 and $49,905 for the years ended June 30, 2024 and June 30, 2023, respectively.

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Virginia Local Disability Program (VLDP) (continued)

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

At June 30, 2024, the Board reported an asset of ($15,442) for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2023 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The Board's proportion of the Net VLDP OPEB Liability was based on the Board's actuarially determined employer contributions to the VLDP OPEB 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 Board's proportion of the VLDP was .95970% as compared to 1.24770% at June 30, 2022.

For the year ended June 30, 2024, the Board recognized VLDP OPEB expense of $39,793. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,798	$ 9,620
Net difference between projected and actual earnings on VLDP OPEB program investments	38	-
Change of assumptions	102	1,414
Changes in proportionate share	1,329	844
Employer contributions subsequent to the measurement date	72,051	-
Total	$ 79,318	$ 11,878

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Virginia Local Disability Program (VLDP) (continued)

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

$72,051 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Year Ended June 30	
2025	$ 117
2026	(2,264)
2027	254
2028	(513)
2029	(1,009)
Thereafter	(1,196)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP 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:	
Political Subdivision Employees	3.50%-5.35%
Investment rate of return	6.75%, net of program investment expenses, including inflation

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

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

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

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

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Virginia Local Disability Program (VLDP) (continued)

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees: (continued)

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

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

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 VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

	Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$ 9,525
Plan Fiduciary Net Position	11,134
Political Subdivision VLDP Net OPEB Liability (Asset)	$ (1,609)
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	116.89%

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Virginia Local Disability Program (VLDP) (continued)

Net VLDP OPEB Liability (continued)

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
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 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 45th 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%.

Note 14 – VRS Cost-Sharing Other Postemployment Benefits (OPEB) Plans: (continued)

Virginia Local Disability Program (VLDP) (continued)

Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, the rate contributed by the Board for the VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2023 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VLDP OPEB liability.

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

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

		Rate	
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's proportionate share of the VLDP Net OPEB Liability (Asset)	$ (8,091)	$ (15,442)	$ (21,883)

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP'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 15 – Retiree Health Plan Other Postemployment Benefits (OPEB):

A. Plan Description:

In addition to the pension benefits described in Note 13 and the VRS OPEB benefits described in Note 14, the Board administers a single employer defined benefit healthcare plan, the Health Plan. The Board pays a portion of the cost of health-related insurance benefits to all employees who retire from the Board and have worked for the Board for at least 15 years and retire under the Virginia Retirement system. The benefits are comprised of health-related group insurance policies through which retirees and their spouses can obtain coverage. Once the retirees reach age 65 or are eligible for Medicare they are not entitled to these benefits. The plan does not issue a publicly available financial report.

B. Plan Membership:

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

Total active employees with coverage	185
Total	185

C. Funding Policy:

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The Board establishes the employer contribution rates and how the plan will be funded as part of the annual budget process. The plan specifies that the Board will make explicit contributions of 50% of the retiree-only premium for all eligible retirees. Various amounts are paid by the Board depending on the status of each plan participant. No benefits were paid by the Board for OPEB during the year ended June 30, 2024 as there were no retirees on the health plan.

D. Total OPEB Liability:

The Board’s total OPEB liability was measured as of June 30, 2024. The total OPEB liability was determined by an actuarial valuation performed as of July 1, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and projected forward to the measurement date of June 30, 2024.

E. Actuarial Assumptions:

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Salary Increases	5.35% for 1 year gradually declining to 3.50% for 20 or more years of service
Discount Rate	3.93% as of June 30, 2024

Note 15 – Retiree Health Plan Other Postemployment Benefits (OPEB): (continued)

E. Actuarial Assumptions: (continued)

Mortality rates:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

In setting the assumed rates of retirement, mortality, withdrawal, and disability, the most recent experience study performed for VRS was relied on. This study examined actual VRS experience over the four-year period ending June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees.

The rationale for relying on assumptions based on this experience study is that the volume of data included in the study makes the resulting rates more credible than a study based solely on this plan's population.

The assumption of the percentage of active employees who are married at retirement was made to be consistent with the VRS assumption.

Finally, the retiree and spousal election assumptions were based on actual election experience between July 1, 2012 and June 30, 2017. Both of these assumptions were changed for the July 1, 2023 valuation.

F. Discount Rate:

The discount rates are based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement dates.

Note 15 – Retiree Health Plan Other Postemployment Benefits (OPEB): (continued)

G. Changes in Total OPEB Liability:

		Total OPEB Liability
Balances at June 30, 2023	$	681,590
Changes for the year:		
Service cost	$	31,340
Interest		25,969
Difference between expected and actual experience		(209,172)
Changes of assumptions		7,828
Benefit payments		(2,904)
Net changes	$	(146,939)
Balances at June 30, 2024	$	534,651

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

The following amounts present the total 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 (2.93%) or one percentage point higher (4.93%) than the current discount rate:

Rate		
1% Decrease (2.93%)	Current Discount (3.93%)	1% Increase (4.93%)
$ 583,568	$ 534,651	$ 489,400

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the total OPEB liability of the Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.30% decreasing to an ultimate rate of 3.00%) or one percentage point higher (7.30% decreasing to an ultimate rate of 5.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease (5.60% decreasing to 3.40%)	Healthcare Cost Trend (6.60% decreasing to 4.40%)	1% Increase (7.60% decreasing to 5.40%)
$ 470,519	$ 534,651	$ 609,704

Note 15 – Retiree Health Plan Other Postemployment Benefits (OPEB): (continued)

J. 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 $54,250. At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 25,481	$ 170,393
Changes of assumptions	61,114	69,825
Total	$ 86,595	$ 240,218

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

Year Ended June 30	
2025	$ (7,676)
2026	(48,823)
2027	(47,736)
2028	(37,989)
2029	(11,399)
Thereafter	-

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

K. Aggregate Totals:

	DOR	Net OPEB Liabilities	Net OPEB Asset	DIR	OPEB Expense
GLI	$ 177,462	$ 497,595	$ -	$ 141,090	$ 40,443
VLDP	79,318	-	15,442	11,878	39,793
Retiree Health	86,595	534,651	-	240,218	54,250
Totals	$ 343,375	$ 1,032,246	$ 15,442	$ 393,186	$ 134,486

Note 16 – 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.

Statement No. 102, *Certain Risk Disclosures,* provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements,* improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

- Required Supplementary Information -

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
VRS Pension Plan
Measurement Dates of June 30, 2014 through June 30, 2023

	2023	2022	2021	2020	2019
Total pension liability					
Service cost	$ 756,584	$ 751,806	$ 752,767	$ 671,018	$ 657,986
Interest	1,946,657	1,888,408	1,702,981	1,645,523	1,551,142
Differences between expected and actual experience	(1,093,378)	(378,897)	46,269	(224,892)	449,768
Changes of assumptions	-	-	784,665	-	732,594
Benefit payments	(1,491,195)	(1,315,120)	(1,267,700)	(1,213,150)	(1,131,946)
Net change in total pension liability	$ 118,668	$ 946,197	$ 2,018,982	$ 878,499	$ 2,259,544
Total pension liability - beginning	28,828,372	27,882,175	25,863,193	24,984,694	22,725,150
Total pension liability - ending (a)	$ 28,947,040	$ 28,828,372	$ 27,882,175	$ 25,863,193	$ 24,984,694
Plan fiduciary net position					
Contributions - employer	$ 332,777	$ 362,620	$ 357,505	$ 299,916	$ 295,471
Contributions - employee	430,244	452,037	446,299	422,401	444,990
Net investment income	1,951,018	(31,666)	6,754,033	469,373	1,570,023
Benefit payments	(1,491,195)	(1,315,120)	(1,267,700)	(1,213,150)	(1,131,946)
Administrator charges	(19,660)	(19,357)	(16,795)	(16,159)	(15,569)
Other	785	716	637	(558)	(989)
Net change in plan fiduciary net position	$ 1,203,969	$ (550,770)	$ 6,273,979	$ (38,177)	$ 1,161,980
Plan fiduciary net position - beginning	30,470,877	31,021,647	24,747,668	24,785,845	23,623,865
Plan fiduciary net position - ending (b)	$ 31,674,846	$ 30,470,877	$ 31,021,647	$ 24,747,668	$ 24,785,845
Board's net pension liability (asset) - ending (a) - (b)	$ (2,727,806)	$ (1,642,505)	$ (3,139,472)	$ 1,115,525	$ 198,849
Plan fiduciary net position as a percentage of the total pension liability	109.42%	105.70%	111.26%	95.69%	99.20%
Covered payroll	$ 9,758,865	$ 10,164,709	$ 9,960,812	$ 9,113,107	$ 8,497,714
Board's net pension liability (asset) as a percentage of covered payroll	-27.95%	-16.16%	-31.52%	12.24%	2.34%

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
VRS Pension Plan
Measurement Dates of June 30, 2014 through June 30, 2023

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 572,018	$ 608,297	$ 599,614	$ 657,547	$ 702,987
Interest	1,496,950	1,431,194	1,340,736	1,282,594	1,192,464
Differences between expected and actual experience	(235,553)	(6,295)	244,543	(358,226)	-
Changes of assumptions	-	(135,359)	-	-	-
Benefit payments	(986,527)	(930,409)	(854,871)	(647,749)	(568,024)
Net change in total pension liability	$ 846,888	$ 967,428	$ 1,330,022	$ 934,166	$ 1,327,427
Total pension liability - beginning	21,878,262	20,910,834	19,580,812	18,646,646	17,319,219
Total pension liability - ending (a)	$ 22,725,150	$ 21,878,262	$ 20,910,834	$ 19,580,812	$ 18,646,646
Plan fiduciary net position					
Contributions - employer	$ 312,266	$ 283,117	$ 385,244	$ 396,000	$ 464,928
Contributions - employee	357,424	314,162	301,469	321,755	373,185
Net investment income	1,644,449	2,453,436	349,931	880,885	2,593,479
Benefit payments	(986,527)	(930,409)	(854,871)	(647,749)	(568,024)
Administrator charges	(14,175)	(14,211)	(12,347)	(11,794)	(13,607)
Other	(1,466)	(2,180)	(148)	(187)	136
Net change in plan fiduciary net position	$ 1,311,971	$ 2,103,915	$ 169,278	$ 938,910	$ 2,850,097
Plan fiduciary net position - beginning	22,311,894	20,207,979	20,038,701	19,099,791	16,249,694
Plan fiduciary net position - ending (b)	$ 23,623,865	$ 22,311,894	$ 20,207,979	$ 20,038,701	$ 19,099,791
Board's net pension liability (asset) - ending (a) - (b)	$ (898,715)	$ (433,632)	$ 702,855	$ (457,889)	$ (453,145)
Plan fiduciary net position as a percentage of the total pension liability	103.95%	101.98%	96.64%	102.34%	102.43%
Covered payroll	$ 7,464,636	$ 6,556,103	$ 6,223,354	$ 6,133,171	$ 6,684,098
Board's net pension liability (asset) as a percentage of covered payroll	-12.04%	-6.61%	11.29%	-7.47%	-6.78%

NORTHWESTERN COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
VRS Pension Plan
Years Ended June 30, 2015 through June 30, 2024

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	$ 420,374	$ 420,374	$ -	$ 12,139,149	3.46%
2023	336,662	336,662	-	9,758,865	3.45%
2022	366,851	366,851	-	10,164,709	3.61%
2021	358,927	358,927	-	9,960,812	3.60%
2020	301,533	301,533	-	9,113,107	3.31%
2019	296,849	296,849	-	8,497,714	3.49%
2018	312,266	312,266	-	7,464,636	4.18%
2017	284,870	284,870	-	6,556,103	4.35%
2016	397,672	397,672	-	6,223,354	6.39%
2015	391,910	391,910	-	6,133,171	6.39%

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

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

NORTHWESTERN COMMUNITY SERVICES BOARD

Schedule of Board's Share of Net OPEB Liabilities
VRS Cost Sharing OPEB Plans
Measurement Dates of June 30, 2017 through June 30, 2023

Group Life Insurance (GLI) Plan

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as Percentage of Total GLI OPEB Liability (6)
2023	0.04149%	$ 497,595	$ 9,773,060	5.09%	69.30%
2022	0.04670%	562,795	10,167,564	5.54%	67.21%
2021	0.04830%	561,994	9,964,797	5.64%	67.45%
2020	0.04434%	739,962	9,125,313	8.11%	52.64%
2019	0.04335%	705,420	8,497,714	8.30%	52.00%
2018	0.03928%	597,000	7,469,583	7.99%	51.22%
2017	0.03561%	536,000	6,556,103	8.18%	48.86%

Virginia Local Disability Program (VLDP)

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2023	0.95970%	$ (15,442)	$ 5,874,153	-0.26%	116.89%
2022	1.24770%	(7,336)	5,845,416	-0.13%	107.99%
2021	1.40758%	(14,249)	5,654,452	-0.25%	119.59%
2020	1.21198%	12,098	4,516,184	0.27%	76.84%
2019	1.20857%	24,484	3,734,704	0.66%	49.19%
2018	1.03522%	8,000	2,513,581	0.32%	51.39%
2017	0.93858%	6,000	1,723,500	0.35%	38.40%

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

NORTHWESTERN COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
VRS Cost Sharing OPEB Plans
Years Ended June 30, 2017 through June 30, 2024

Group Life Insurance (GLI) Plan

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	$ 65,593	$ 65,593	$ -	$ 12,146,820	0.54%
2023	52,791	52,791	-	9,773,060	0.54%
2022	54,905	54,905	-	10,167,564	0.54%
2021	53,412	53,412	-	9,964,797	0.54%
2020	47,816	47,816	-	9,125,313	0.52%
2019	44,527	44,527	-	8,497,714	0.52%
2018	38,842	38,842	-	7,469,583	0.52%
2017	34,154	34,154	-	6,556,103	0.52%

Virginia Local Disability Program (VLDP)

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	$ 72,051	$ 72,051	$ -	$ 8,476,544	0.85%
2023	49,905	49,905	-	5,874,153	0.85%
2022	48,516	48,516	-	5,845,416	0.83%
2021	46,931	46,931	-	5,654,452	0.83%
2020	32,516	32,516	-	4,516,184	0.72%
2019	26,890	26,890	-	3,734,704	0.72%
2018	15,082	15,082	-	2,513,581	0.60%
2017	10,341	10,341	-	1,723,500	0.60%

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

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

NORTHWESTERN COMMUNITY SERVICES BOARD

Schedule of Changes in Total OPEB Liability and Related Ratios
Retiree Health Plan
For the Years Ended June 30, 2018 through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	$ 31,340	$ 39,146	$ 53,601	$ 45,092	$ 21,509	$ 15,546	$ 16,033
Interest	25,969	22,690	14,740	13,776	11,092	11,034	9,754
Changes of assumptions	7,828	21,845	(142,059)	2,747	270,961	10,599	(10,212)
Differences between expected and actual experience	(209,172)	-	51,839	-	(4,507)	-	-
Benefit payments	(2,904)	(7,714)	(2,654)	(19,265)	(13,168)	(9,556)	(7,791)
Net change in total OPEB liability	$ (146,939)	$ 75,967	$ (24,533)	$ 42,350	$ 285,887	$ 27,623	$ 7,784
Total OPEB liability - beginning	681,590	605,623	630,156	587,806	301,919	274,296	266,512
Total OPEB liability - ending	$ 534,651	$ 681,590	$ 605,623	$ 630,156	$ 587,806	$ 301,919	$ 274,296
Covered-employee payroll	$ 10,918,341	$ 10,918,341	$ 10,918,341	$ 10,107,368	$ 9,804,455	$ 7,224,427	$ 7,224,427
Board's total OPEB liability as a percentage of covered-employee payroll	4.90%	6.24%	5.55%	6.23%	6.00%	4.18%	3.80%

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

NORTHWESTERN COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information
Retiree Health Plan
For the Year Ended June 30, 2024

Valuation Date: 7/1/2023
Measurement Date: 6/30/2024

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal, level % of pay
Discount Rate	3.93% as of June 30, 2024
Inflation	2.50% per year
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.60% in 2023 and gradually declines to 4.40% by the year 2073
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Disability Rates	25% of disability cases are assumed to be service related
Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Calculated using the RP-2014 projected to 2023

- Compliance -

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

To the Board of Directors
Northwestern Community Services Board
Front Royal, 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 of Northwestern Community Services Board, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Northwestern Community Services Board's basic financial statements and have issued our report thereon dated November 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwestern Community Services Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwestern Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwestern Community Services Board's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwestern Community Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 29, 2024

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

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

To the Board of Directors
Northwestern Community Services Board
Front Royal, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northwestern Community Services Board's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northwestern Community Services Board's major federal programs for the year ended June 30, 2024. Northwestern Community Services Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Northwestern Community Services Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 Northwestern Community Services Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northwestern Community Services Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

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

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

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

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 29, 2024

NORTHWESTERN COMMUNITY SERVICES BOARD

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

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Department of Housing and Urban Development			
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Shelter Plus Care	14.238	N/A	$ 421,963
Department of Treasury			
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	120646	$ 117,889
Department of Health and Human Services			
Pass-through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Opioid STR (VA Opioid Response Grant)	93.788	53003, 53022, 53023, 53032, 53033	685,106
Block Grants for Community Mental Health Services	93.958	52200	167,880
Block Grants for Prevention and Treatment of Substance Abuse	93.959	50250, 50270	621,181
Total Department of Health and Human Services			$ 1,474,167
Total expenditures of federal awards			$ 2,014,019

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Northwestern Community Services Board 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 Northwestern Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of Northwestern Community Services Board.

Notes to Schedule of Expenditures of Federal Awards (Continued)

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 to reimbursement.

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

Note C - Subrecipients
No awards were passed through to subrecipients.

Note D - Indirect Cost Recovery
The entity has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note E - Items Not Included in the Schedule

USDA Rural Development loan balances at June 30, 2024 for which only the payment of debt service is the primary compliance requirement.	$ 1,992,847

Note F - Reconciliation of the Schedule of Expenditures of Federal Awards to Federal Revenues Reported on the Statement of Revenues, Expenses and Changes in Net Position

Federal revenue reported	$ 2,014,019
Total expenditures of federal awards	$ 2,014,019

NORTHWESTERN COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance Listing #	Name of Federal Program or Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	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.

NORTHWESTERN COMMUNITY SERVICES BOARD

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

There were no items reported.