# MIDDLE PENINSULA – NORTHERN NECK

# COMMUNITY SERVICES BOARD

# FINANCIAL REPORT

# YEAR ENDED JUNE 30, 2023

## Table of Contents

## MIDDLE PENINSULA - NORTHERN NECK COMMUNITY SERVICES BOARD

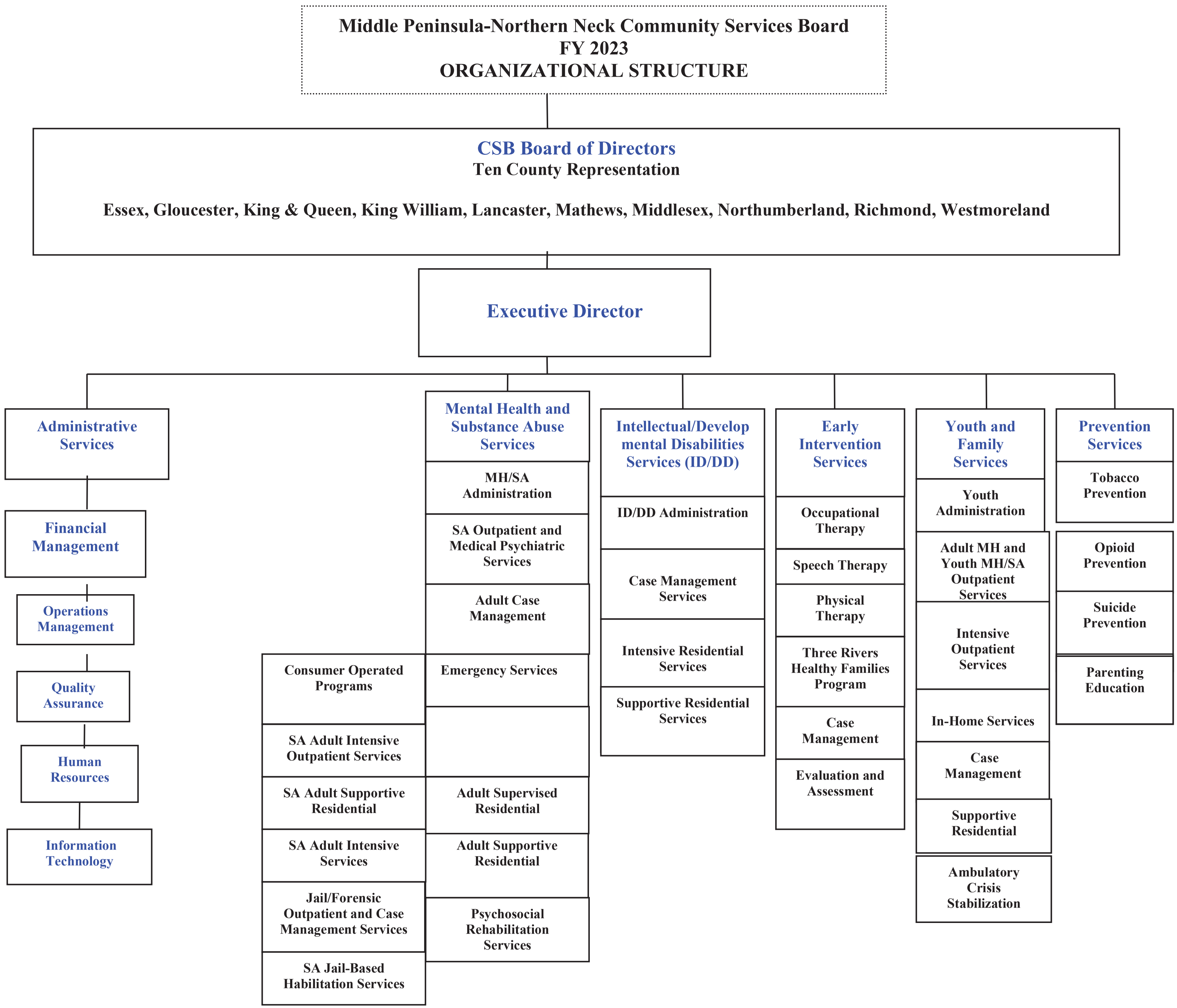
### BOARD OF DIRECTORS
### At June 30, 2023

Kathryn Knoeller, Chair

| | | |
|---|---|---|
| H. Pratt Haynie, Jr. | Antenette Stokes | Edith Turner |
| Dr. Darryl Pirok | F. Jay Mitchell | Rosalyn Trent |
| | J. David Parr | Tiffany Webb |

### PRINCIPAL MANAGEMENT TEAM

| | |
|---|---|
| Linda Hodges | Executive Director |
| Kenneth Hickman | Director of Finance |
| Alicia Clegg | Director of Intellectual/Developmental Disabilities |
| Emily Eanes | Director of Youth and Family Services |
| Carolyn Gibson | Director of Human Resources |
| Liz Lyon | Director of Early Intervention |
| Cheryl Matteo-Kerney | Director of Prevention Services |
| Erich Campbell | Director of Information Technology |
| Larry Kight | Director of Operations |
| Joanne Brown | Director of Clinical Services |
| Amanda Campagnola | Director of Community Based Services |


Middle Peninsula-Northern Neck Community Services Board
FY 2023
ORGANIZATIONAL STRUCTURE
CSB Board of Directors
Ten County Representation
Essex, Gloucester, King & Queen, King William, Lancaster, Mathews, Middlesex, Northumberland, Richmond, Westmoreland
Executive Director
Administrative Services
Financial Management
Operations Management
Quality Assurance
Human Resources
Information Technology
Mental Health and Substance Abuse Services
MH/SA Administration
SA Outpatient and Medical Psychiatric Services
Adult Case Management
Emergency Services
Adult Supervised Residential
Adult Supportive Residential
Psychosocial Rehabilitation Services
Consumer Operated Programs
SA Adult Intensive Outpatient Services
SA Adult Supportive Residential
SA Adult Intensive Services
Jail/Forensic Outpatient and Case Management Services
SA Jail-Based Habilitation Services
Intellectual/Developmental Disabilities Services (ID/DD)
ID/DD Administration
Case Management Services
Intensive Residential Services
Supportive Residential Services
Early Intervention Services
Occupational Therapy
Speech Therapy
Physical Therapy
Three Rivers Healthy Families Program
Case Management
Evaluation and Assessment
Youth and Family Services
Youth Administration
Adult MH and Youth MH/SA Outpatient Services
Intensive Outpatient Services
In-Home Services
Case Management
Supportive Residential
Ambulatory Crisis Stabilization
Prevention Services
Tobacco Prevention
Opioid Prevention
Suicide Prevention
Parenting Education

## Independent Auditors' Report

**To the Board of Directors**
**Middle Peninsula-Northern Neck Community Services Board**
**Saluda, Virginia**

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Middle Peninsula-Northern Neck Community Services Board as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Middle Peninsula-Northern Neck 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 and the aggregate remaining fund information of Middle Peninsula-Northern Neck Community Services Board, as of June 30, 2023, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck Community Services Board's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Supplementary Information*

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2023, on our consideration of Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck Community Services Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 24, 2023

The following Management's Discussion and Analysis of the Middle Peninsula - Northern Neck Community Services Board's (MPNNCSB) activities and financial performance provides an introduction and overview to the financial statements for fiscal year ended June 30, 2023. The financial statements not only represent the operations of the Board but are blended with Properties, Inc. and three HUD projects, Kilmarnock New Horizons, Lively Turning Point and Woodland Pointe. Properties, Inc. is a property holding organization for the Board. The HUD projects were organized to own and operate facilities for individuals with disabilities. All three of these components are not-for-profit organizations exempt under Section 501(c)(3) of the Internal Revenue Code.

## HIGHLIGHTS ON FISCAL YEAR 2023

MPNNCSB's focus in FY 2023 included:

1. The State reinstated funding for the Crisis Intervention Team program, (CIT) in the amount of $285,170. This program involves Law Enforcement and covers the areas of both transfer of custody for individuals in a crisis situation as well as providing training on the approach to an individual in such a situation.

2. The Rural Infant Support Program recognized $142,139 in Federal Part C funding during FY23.

3. MPNNCSB continued as fiscal agent for Region 5 with $125,000 for the Mental Health First Aid and Regional Suicide Prevention Workgroup Support.

4. Federal dollars were awarded in the following areas to expand psychiatric services for Substance Use Disorder clients to include Medication Assistance Treatment, purchase medication, assistance with barriers to care such as transportation and receive other clinical supports: $139,677 for treatment expansion and $169,850 for recovery expansion.

5. Federal pass-through funding of $305,149 was received during FY23 supporting case management, care coordination and psych rehab services.

6. For expansion of Medication Assisted Treatment (MAT) and Opioid Use Disorder (OUD), MPNNCSB was funded $130,000 by the Department of Behavioral Health and Disability Services (DBHDS).

7. Prevention Services received a $103,880 State Opioid Response (VA SOR) award.

8. The USDA funded $24,229 in groceries for the Psychosocial Rehabilitative program, Charterhouse.

9. MPNN continued in the Anthem Behavioral Health Home program and in the Anthem Quality Incentive Program. MPNNCSB is a gold card member.

10. A continuation of the Healthy Families Grant through the Department of Social Services continued at $149,734 for FY 23.

11. The ACT program continued with another $750,000 in state funds for the year.

12. MPNNCSB recognized $122,846 in revenue during FY23 for partially funding a Nurse Practitioner position for services that were provided to RCORP, a Regional Opioid Response Program that is Grant funded through the Bay Rivers Telehealth Alliance.

13. Fees were $12,079,031 in FY 23 compared to $12,849,828 in FY 22. This was a 5.9% decrease from prior year primarily from Medicaid. Fees accounted for 46.5% of total revenue.

**HIGHLIGHTS ON FISCAL YEAR 2023: (continued)**

14. Operating expenses increased by $727,995 or 3.4% from the prior year, primarily in labor costs and professional fees.

15. Revenues from the Commonwealth of Virginia increased $733,740 or 10.6%; Overall Federal funds decreased $1,130,989 or 36.7%, primarily due to one-time funding sources received in FY22 and a change in the funding structure for receiving Federal funds during FY23. Local funds decreased $142,772 or 14.3% primarily due to a reduction in counseling services provided in local jails, and a large direct program donation received in FY22.

**SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION**

The change in net position as of June 30, 2023 was $1,778,350 as compared to $3,598,680 in 2022.

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Operating revenues | $ | 11,756,380 | $ | 12,829,512 |
| Operating expenses | | 20,436,365 | | 19,710,447 |
| Operating income (loss) | $ | (8,679,985) | $ | (6,880,935) |
| Net nonoperating income | | 10,458,335 | | 10,479,615 |
| Change in net position | $ | 1,778,350 | $ | 3,598,680 |

**FINANCIAL POSITION SUMMARY**

Net position may serve over time as a useful indicator of MPNNCSB's financial position. MPNNCSB's financial position is measured in terms of resources (assets and deferred outflows of resources) owned and obligations (liabilities and deferred inflows of resources) owed as of June 30, 2023. 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. MPNNCSB's net position was $16M.

A condensed summary of the CSB's Statements of Net Position at June 30, 2023 and 2022 is shown below:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | $ | 11,064,438 | $ | 9,882,174 |
| Restricted current assets | | 134,511 | | 131,875 |
| Capital assets (net of depreciation) | | 6,145,310 | | 6,391,626 |
| Other assets | | 9,139,828 | | 10,973,889 |
| Total assets | $ | 26,484,087 | $ | 27,379,564 |
| Deferred outflows of resources | $ | 302,952 | $ | 891,698 |
| Liabilities | | | | |
| Current liabilities | $ | 4,217,845 | $ | 3,568,049 |
| Current liabilities payable from restricted current assets | | 25,172 | | 34,896 |
| Long-term liabilities | | 4,039,232 | | 4,012,341 |
| Total liabilities | $ | 8,282,249 | $ | 7,615,286 |
| Deferred inflows of resources | $ | 2,482,107 | $ | 6,411,643 |
| Net position | $ | 16,022,683 | $ | 14,244,333 |

## CASH FLOWS

The flow of cash resources into and out of MPNNCSB during the fiscal year is reflected on the Statement of Cash Flows. This statement also reflects net increases or decreases in cash and cash equivalents for the year and the ending cash and cash equivalents as of June 30, 2023 and 2022.

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities | $ (9,020,929) | $ (6,511,142) |
| Cash flows from noncapital financing activities | 10,527,982 | 10,303,416 |
| Cash flows from capital and related financing activities | (220,485) | 26,647 |
| Cash flows from investing activities | 17,761 | 14,747 |
| Net increase (decrease) in cash and cash equivalents | $ 1,304,329 | $ 3,833,668 |

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 assets and liabilities. (Please see the full Statement of Cash Flows for a full listing of these transactions).

Cash Flows from Noncapital and Related Financing Activities consists of income received primarily as government grants.

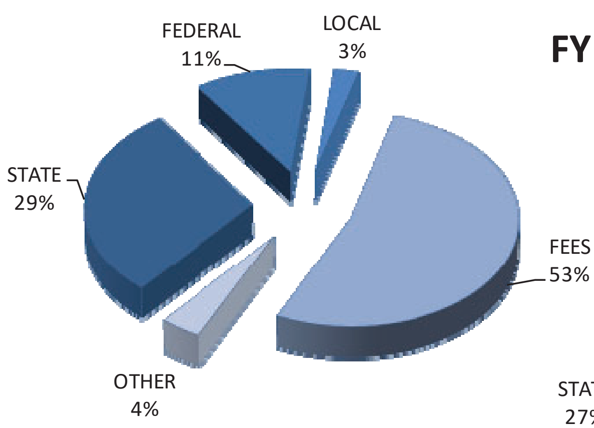
Cash Flows from Capital and Related Financing Activities represents income from acquisition of fixed assets, interest payment on long term debt, principal payments on mortgages and loans payable.

The increase in cash of $1.3M is due mainly to the increase of federal revenues.

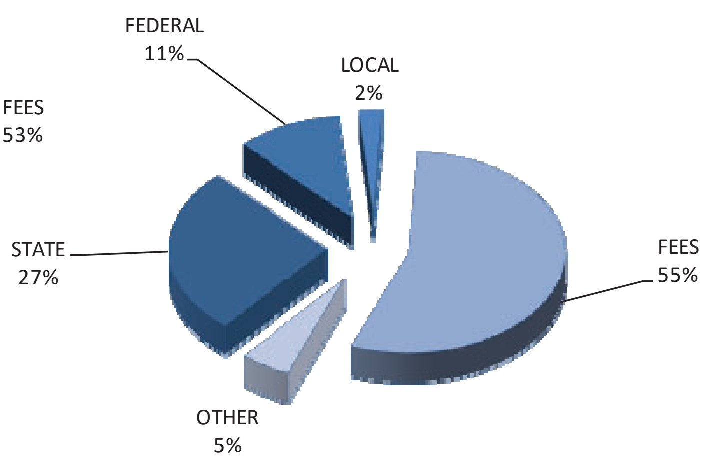
## REVENUES

The following charts show the major sources and the percentages of operating revenues for the years ended June 30, 2023 and 2022:

### FY 2023 REVENUES BY SOURCE




### FY 2022 REVENUES BY SOURCE



## REVENUES (continued)

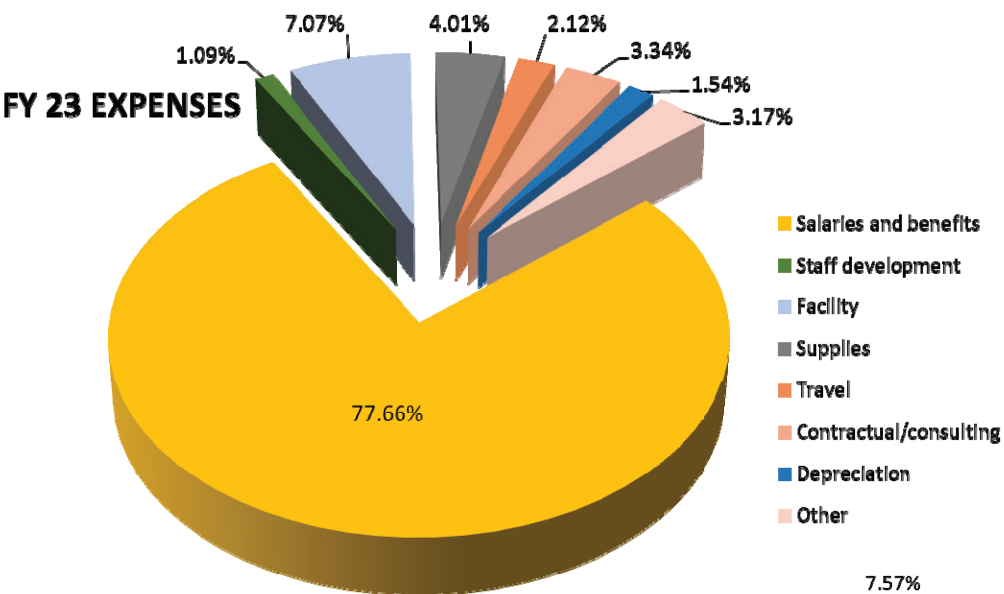
A summary of revenues for the years ended June 30, 2023 and 2022 and the amount and percentage change of 2023 in relation to 2022 are as follows:

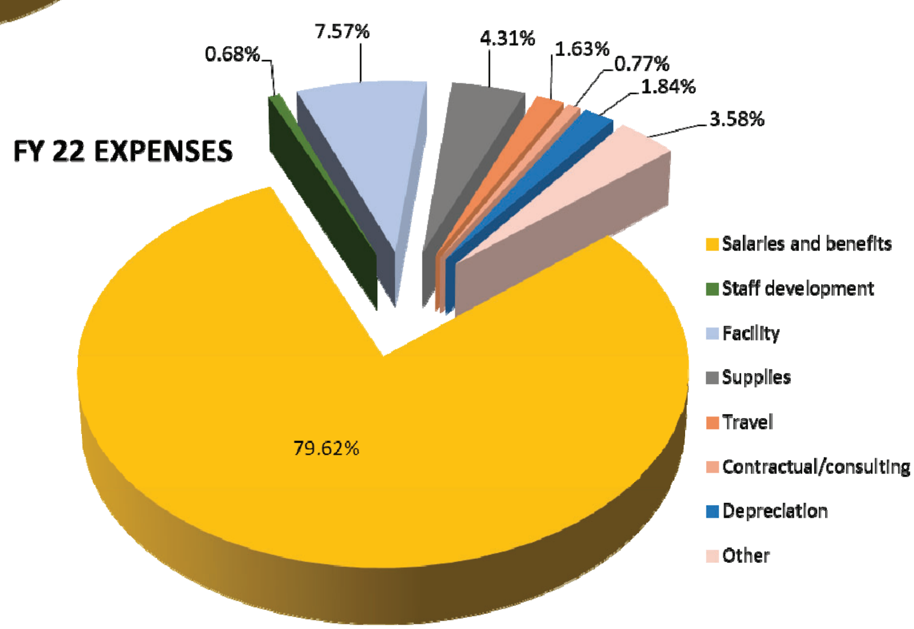
**Major Revenue Category Comparison Fiscal Years 2023 and 2022**

| Revenue | 2023 | Percent of Total | 2022 | Percent of Total | Increase (Decrease) from 2022 | Percent Increase (Decrease) from 2022 |
|---|---|---|---|---|---|---|
| State | $ 6,512,328 | 29.23% | $ 6,243,536 | 26.72% | $ 268,792 | 4.31% |
| Federal | 2,555,745 | 11.48% | 2,517,002 | 10.77% | 38,743 | 1.54% |
| Local | 551,950 | 2.48% | 541,095 | 2.32% | 10,855 | 2.01% |
| Fees | 11,756,380 | 52.79% | 12,829,512 | 54.90% | (1,073,132) | -8.36% |
| Other | 894,873 | 4.02% | 1,236,710 | 5.29% | (341,837) | -27.64% |
| Total | $ 22,271,276 | 100.00% | $ 23,367,855 | 100.00% | $ (1,096,579) | -28.15% |

## EXPENSES

The following charts show the expense categories and percentage of operating expenses for the years ended June 30, 2023 and 2022.



## EXPENSES (continued)

A summary of operating expenses for the years ended June 30, 2023 and 2022 and the amount and percentage change in 2023 in relation to 2022 are as follows:

**Major Operating Expense Category Comparison Fiscal Years 2023 and 2022**

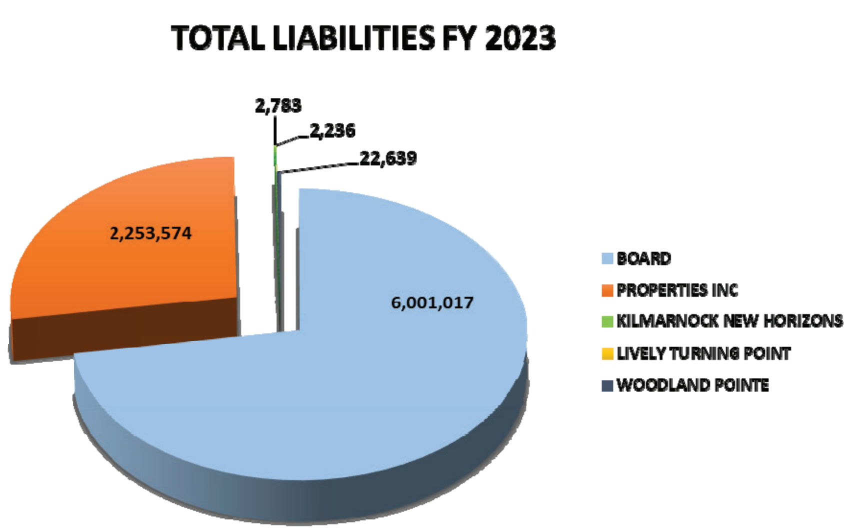
| Operating Expenses | Expenses 2023 | Percent of Total | 2022 | Percent of Total | Increase (Decrease) from 2022 | Percent Increase (Decrease) from 2022 |
|---|---|---|---|---|---|---|
| Salaries and benefits | $ 15,870,588 | 77.66% | $ 15,694,099 | 79.62% | $ 176,489 | 1.12% |
| Staff development | 222,973 | 1.09% | 133,715 | 0.68% | 89,258 | 66.75% |
| Facility | 1,443,977 | 7.07% | 1,492,156 | 7.57% | (48,179) | -3.23% |
| Supplies | 819,386 | 4.01% | 850,087 | 4.31% | (30,701) | -3.61% |
| Travel | 434,018 | 2.12% | 321,564 | 1.63% | 112,454 | 34.97% |
| Contractual/Consulting | 682,833 | 3.34% | 150,950 | 0.77% | 531,883 | 352.36% |
| Depreciation | 313,826 | 1.54% | 361,946 | 1.84% | (48,120) | -13.29% |
| Other | 648,764 | 3.17% | 705,930 | 3.58% | (57,166) | -8.10% |
| Total | $ 20,436,365 | 100.00% | $ 19,710,447 | 100.00% | $ 725,918 | 3.68% |

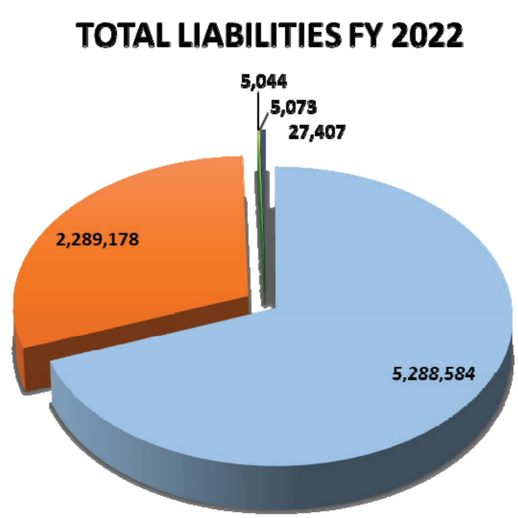
### Debt Administration:

The component units of the organization contribute in varying degrees to the current and long-term debt. For MPNNCSB, current and total liabilities increased by 8.76% for FY 2023. Total liabilities for Properties Inc. decreased from the payment of debt. Lively Turning Point, Kilmarnock New Horizons and Woodland Pointe incurred slight increases and decreases in accrued expenses from the prior year.

**Debt Administration**

| | FY 2023 | Increase (Decrease) from 2022 | FY 2022 | Percent Increase (Decrease) from 2022 |
|---|---|---|---|---|
| Board | $ 6,001,017 | $ 712,433 | $ 5,288,584 | 13.47% |
| Properties Inc. | 2,253,574 | (35,604) | 2,289,178 | -1.56% |
| Kilmarnock New Horizons | 2,783 | (2,261) | 5,044 | -44.83% |
| Lively Turning Point | 2,236 | (2,837) | 5,073 | -55.92% |
| Woodland Pointe | 22,639 | (4,768) | 27,407 | -17.40% |
| Total | $ 8,282,249 | $ 666,963 | $ 7,615,286 | 8.76% |



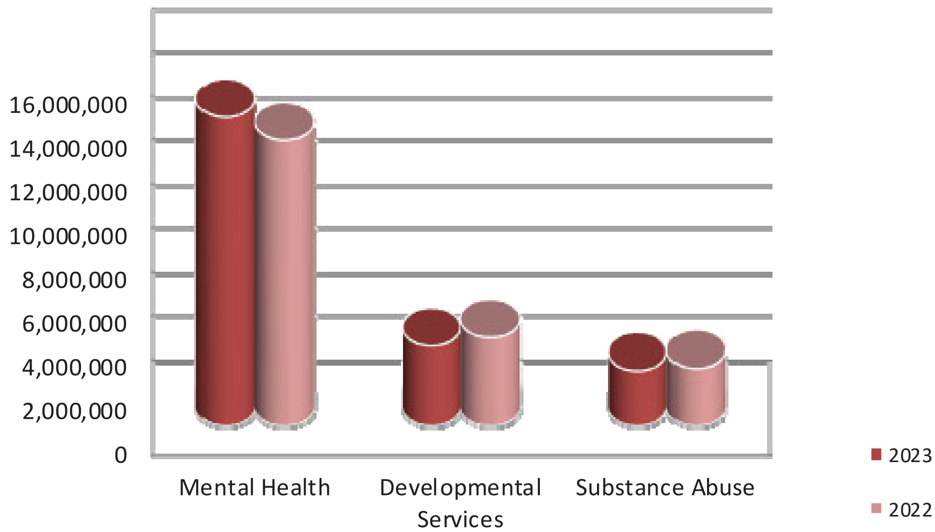
**EXPENSES (continued)**

Summary of Revenue and Expenses by Disability (as reported on the Year End Financial Report to the Department of Behavioral Health and Developmental Services):

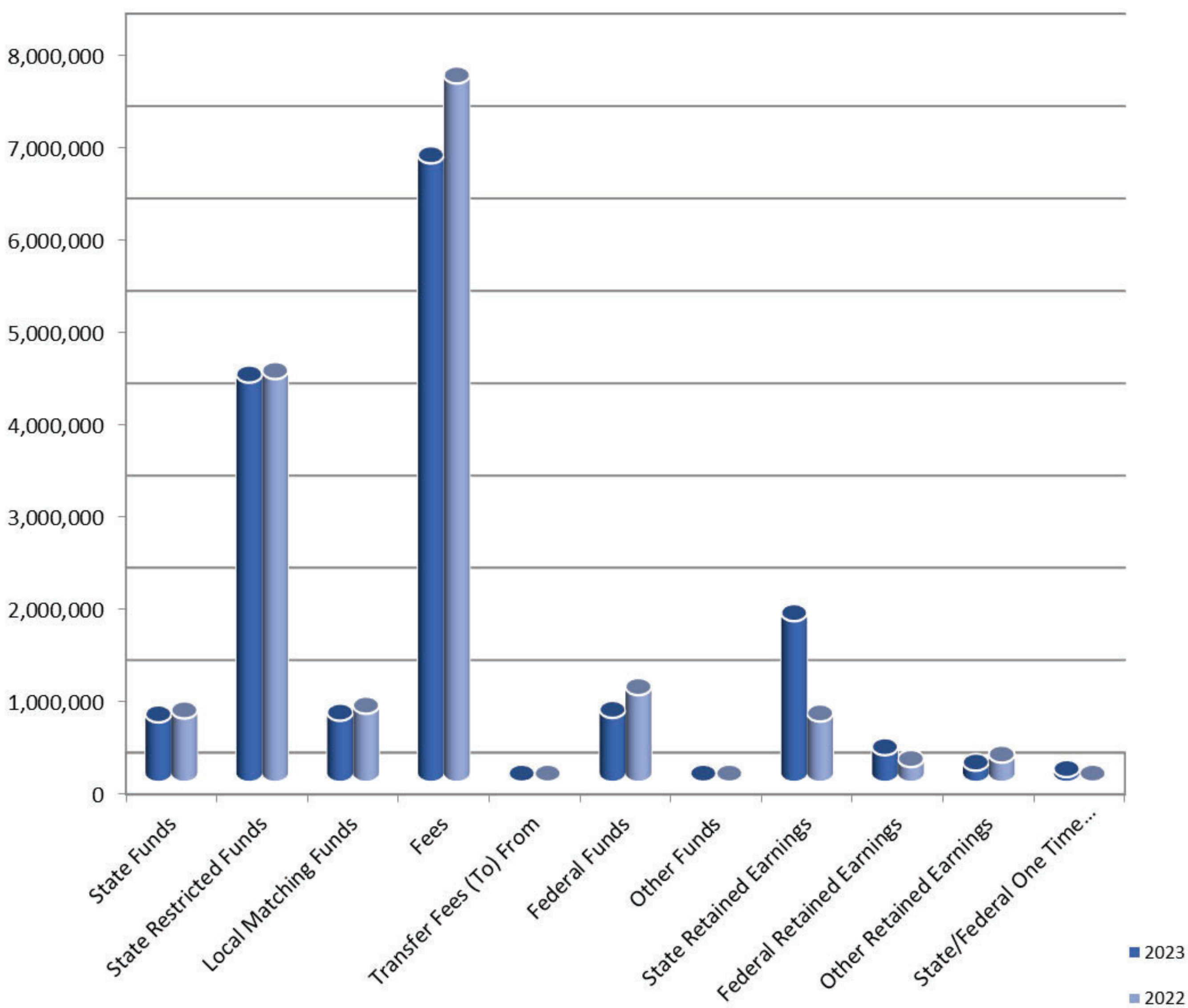
**Summary of Revenue and Expenses by Disability**

| | 2023 | 2022 | Percent Increase/ (Decrease) |
|---|---|---|---|
| **Mental Health Services** | | | |
| **Revenue** | | | |
| State Funds | $ 641,756 | $ 684,268 | -6.21% |
| State Restricted Funds | 4,322,638 | 4,361,348 | -0.89% |
| Local Matching Funds | 659,860 | 735,754 | -10.32% |
| Total Fees | 6,695,703 | 7,559,558 | -11.43% |
| Federal Funds | 689,999 | 936,598 | -26.33% |
| State Retained Earnings | 1,736,656 | 651,418 | 166.60% |
| Federal Retained Earnings | 287,014 | 158,272 | 100.00% |
| Other Retained Earnings | 119,839 | 206,134 | -41.86% |
| State One Time Funds | 29,223 | - | -100.00% |
| Federal One Time Funds | 21,000 | - | -100.00% |
| **Total Revenues** | $ 15,203,688 | $ 15,293,350 | -0.59% |
| **Expenses** | 14,052,842 | 12,978,513 | 8.28% |
| **Balances** | $ 1,150,846 | $ 2,314,837 | -50.28% |
| **Developmental Services** | | | |
| **Revenue** | | | |
| State Funds | $ 9,811 | $ 4,209 | 133.10% |
| Federal Funds | - | 70,247 | 100.00% |
| Local Matching Funds | 51,883 | 50,863 | 2.01% |
| Total Fees | 4,406,686 | 4,516,226 | -2.43% |
| **Total Revenues** | $ 4,468,380 | $ 4,641,545 | -3.73% |
| **Expenses** | 3,614,760 | 3,995,418 | -9.53% |
| **Balances** | $ 853,620 | $ 646,127 | 100.00% |
| **Substance Abuse Services** | | | |
| **Revenue** | | | |
| State Funds | $ 1,166,511 | $ 1,154,841 | 1.01% |
| Local Matching Funds | 9,000 | 9,000 | 0.00% |
| Total Fees | 564,875 | 816,396 | -30.81% |
| Federal Funds | 1,063,830 | 1,419,770 | -25.07% |
| Other Funds | 54,684 | 49,166 | 11.22% |
| State Retained Earnings | 589,235 | 249,753 | 135.93% |
| Federal Retained Earnings | 270,433 | 162,433 | 66.49% |
| Federal One Time Funds | 31,250 | 404,028 | 100.00% |
| **Total Revenues** | $ 3,749,818 | $ 4,265,387 | -12.09% |
| **Expenses** | 2,508,758 | 2,621,378 | -4.30% |
| **Balances** | $ 1,241,060 | $ 1,644,009 | -24.51% |

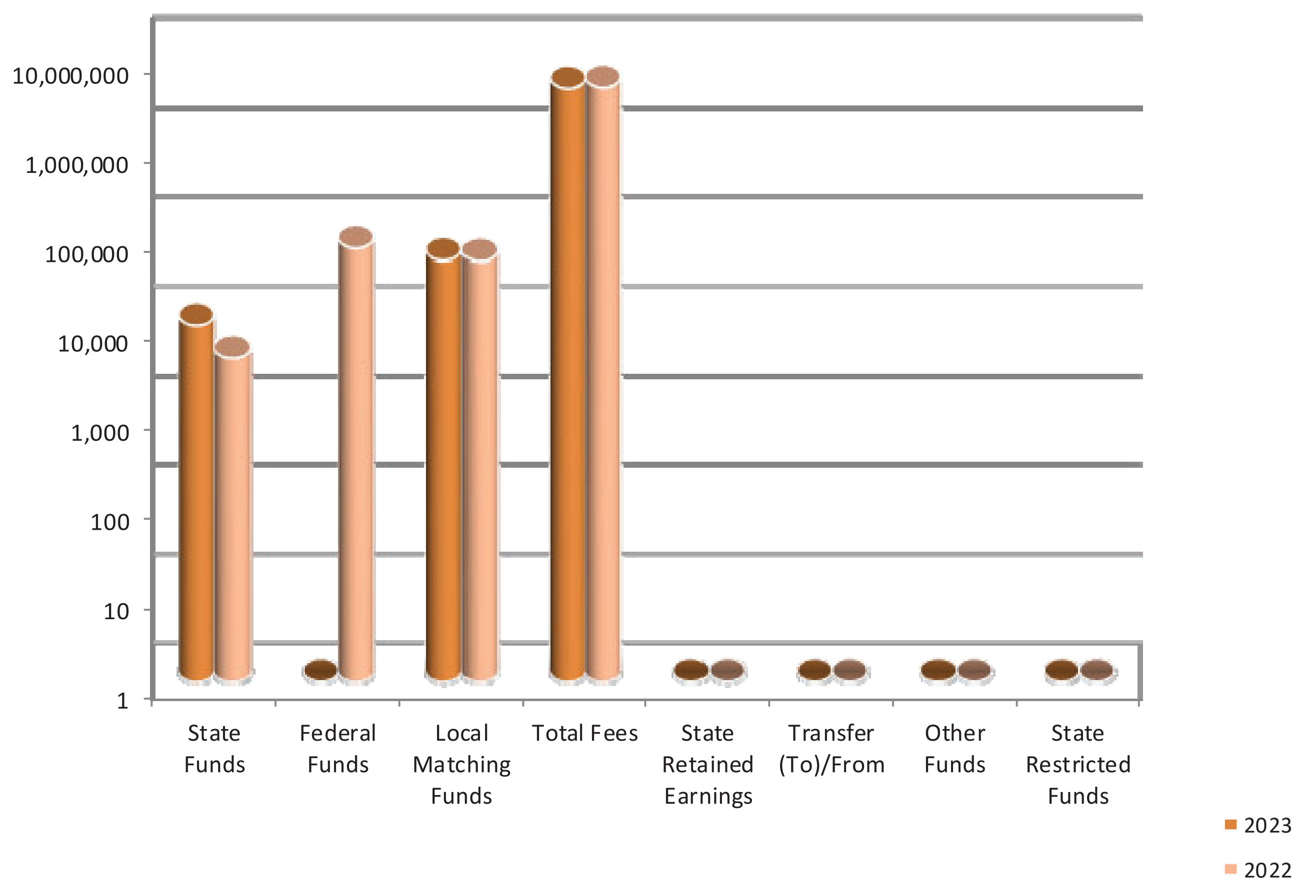
# Expenses by Disability 2023 vs. 2022



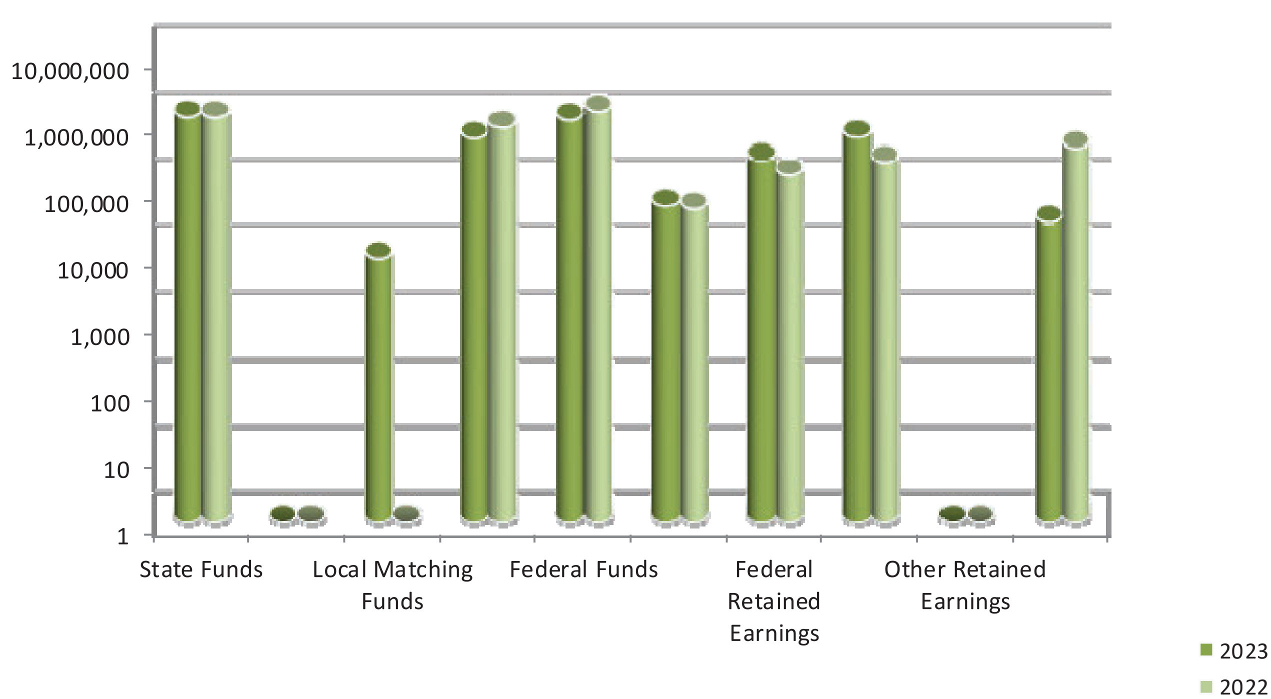

## Mental Health Services Revenue FY 2023 vs. FY 2022



## Developmental Services Revenue 2023 vs. 2022




## Substance Abuse Services Revenue 2023 vs. 2022



## - Basic Financial Statements -

## MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 9,549,256 | $ 8,247,562 |
| Accounts receivable, less allowance for uncollectibles | 1,016,211 | 1,338,863 |
| Due from other governments | 227,760 | 123,189 |
| Prepaid items | 271,211 | 172,560 |
| Total current assets | $ 11,064,438 | $ 9,882,174 |
| **Restricted Current Assets:** | | |
| Cash and cash equivalents | $ 134,511 | $ 131,875 |
| Total restricted current assets | $ 134,511 | $ 131,875 |
| **Other Assets:** | | |
| Net pension asset | $ 9,139,828 | $ 10,973,889 |
| **Capital Assets:** | | |
| Property and equipment, less accumulated depreciation | $ 6,145,310 | $ 6,391,626 |
| Total assets | $ 26,484,087 | $ 27,379,564 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension related items | $ 159,966 | $ 702,870 |
| OPEB related items | 142,986 | 188,828 |
| Total deferred outflows of resources | $ 302,952 | $ 891,698 |
| **LIABILITIES** | | |
| **Current Liabilities:** | | |
| Accounts payable and accrued expenses | $ 363,406 | $ 430,568 |
| Deposits and other | 50,700 | 44,888 |
| Compensated absences, current portion | 131,801 | 120,846 |
| Unearned revenue | 3,635,518 | 2,906,393 |
| Long-term debt, current portion | 36,420 | 65,354 |
| Total current liabilities | $ 4,217,845 | $ 3,568,049 |
| **Current Liabilities Payable from Restricted Current Assets:** | | |
| Accounts payable and accrued expenses | $ 16,671 | $ 27,150 |
| Security deposits | 8,501 | 7,746 |
| Total current liabilities payable from restricted current assets | $ 25,172 | $ 34,896 |
| **Long-Term Liabilities:** | | |
| Net OPEB liability | $ 640,338 | $ 675,626 |
| Compensated absences, less current portion | 1,186,211 | 1,087,613 |
| Long-term debt, less current portion | 2,212,683 | 2,249,102 |
| Total long-term liabilities | $ 4,039,232 | $ 4,012,341 |
| Total liabilities | $ 8,282,249 | $ 7,615,286 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension related items | $ 2,180,338 | $ 6,000,349 |
| OPEB related items | 301,769 | 411,294 |
| Total deferred inflows of resources | $ 2,482,107 | $ 6,411,643 |
| **NET POSITION** | | |
| Net investment in capital assets | $ 3,896,207 | $ 4,077,170 |
| Restricted | 9,246,681 | 11,068,240 |
| Unrestricted (deficit) | 2,879,795 | (901,077) |
| Total net position | $ 16,022,683 | $ 14,244,333 |

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

## MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

| | 2023 | 2022 |
|---|---|---|
| **Operating revenues:** | | |
| Net patient service revenue | $ 11,756,380 | $ 12,829,512 |
| **Operating expenses:** | | |
| Salaries and benefits | $ 15,870,588 | $ 15,694,099 |
| Staff development | 222,973 | 133,715 |
| Facility | 1,443,977 | 1,492,156 |
| Supplies | 819,386 | 850,087 |
| Travel | 434,018 | 321,564 |
| Contractual and consulting | 682,833 | 150,950 |
| Depreciation | 313,826 | 361,946 |
| Other | 648,764 | 705,930 |
| Total operating expenses | $ 20,436,365 | $ 19,710,447 |
| **Operating income (loss)** | $ (8,679,985) | $ (6,880,935) |
| **Nonoperating income (expense):** | | |
| Appropriations: | | |
| Commonwealth of Virginia | $ 6,512,328 | $ 6,243,536 |
| Federal government | 2,555,745 | 2,517,002 |
| Local governments | 551,950 | 541,095 |
| Contributions | 31,285 | 77,510 |
| Other | 876,815 | 924,811 |
| Gain on sale of assets | (30,988) | 219,642 |
| Interest income | 17,761 | 14,747 |
| Interest expense | (56,561) | (58,728) |
| Net nonoperating income (expense) | $ 10,458,335 | $ 10,479,615 |
| **Change in net position** | $ 1,778,350 | $ 3,598,680 |
| **Net position, beginning of year** | 14,244,333 | 10,645,653 |
| **Net position, end of year** | $ 16,022,683 | $ 14,244,333 |

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

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Receipts from customers | $ 12,703,728 | $ 14,439,495 |
| Payments to suppliers | (4,421,605) | (3,646,924) |
| Payments to and for employees | (17,303,052) | (17,303,713) |
| Net cash flows provided by (used for) operating activities | $ (9,020,929) | $ (6,511,142) |
| **Cash flows from noncapital financing activities:** | | |
| Government appropriations | $ 9,620,023 | $ 9,301,633 |
| Other | 907,959 | 1,001,783 |
| Net cash flows provided by (used for) noncapital financing activities | $ 10,527,982 | $ 10,303,416 |
| **Cash flows from capital and related financing activities:** | | |
| Purchase of capital assets | $ (98,500) | $ (92,006) |
| Proceeds from disposal of capital assets | - | 269,278 |
| Interest payment on long-term debt | (56,632) | (58,798) |
| Principal payments on long-term debt | (65,353) | (91,827) |
| Net cash flows provided by (used for) capital and related financing activities | $ (220,485) | $ 26,647 |
| **Cash flows from investing activities:** | | |
| Interest income | $ 17,761 | $ 14,747 |
| **Net increase (decrease) in cash and cash equivalents** | $ 1,304,329 | $ 3,833,668 |
| **Cash and cash equivalents, beginning of year** | 8,379,437 | 4,545,769 |
| **Cash and cash equivalents, end of year** | $ 9,683,766 | $ 8,379,437 |
| Summary of Cash and Cash Equivalents | | |
| Cash and cash equivalents | $ 9,549,256 | $ 8,247,562 |
| Cash and cash equivalents - restricted | 134,511 | 131,875 |
| Total | $ 9,683,767 | $ 8,379,437 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | | |
| Operating income (loss) | $ (8,679,985) | $ (6,880,935) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation | 313,826 | 361,946 |
| Changes in assets, liabilities and deferred inflows/outflows of resources: | | |
| (Increase) decrease in: | | |
| Accounts receivable and due from other governments, net | 218,081 | 130,996 |
| Prepaid items | (98,651) | 9,063 |
| Net pension asset | 1,834,061 | (7,981,665) |
| Deferred outflows of resources | 588,746 | 1,089,676 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (77,570) | 335 |
| Deposits and other | 6,567 | (1,920) |
| Compensated absences | 109,553 | (28,819) |
| Unearned revenue | 729,267 | 1,478,987 |
| Net OPEB liability | (35,288) | (396,100) |
| Deferred inflows of resources | (3,929,536) | 5,707,294 |
| Net cash flows provided by (used for) operating activities | $ (9,020,929) | $ (6,511,142) |

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

## MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

| | | Private-Purpose Trust Funds |
|---|---|---|
| **ASSETS:** | | |
| Cash and cash equivalents | $ | 35,820 |
| Total assets | $ | 35,820 |
| **NET POSITION:** | | |
| Restricted for: | | |
| Client funds | $ | 35,820 |
| Total net position | $ | 35,820 |

## MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

### Statement of Changes in Fiduciary Net Position
### Year Ended June 30, 2023

| | | Private-Purpose Trust Funds |
|---|---|---|
| **ADDITIONS:** | | |
| Social security income | $ | 173,934 |
| Other income | | 2,662 |
| Total additions | $ | 176,596 |
| **DEDUCTIONS:** | | |
| Food and housing | $ | 128,997 |
| Client's personal use of funds | | 63,708 |
| Total deductions | $ | 192,705 |
| Net increase (decrease) in fiduciary net position | $ | (16,109) |
| Net position, beginning | | 51,929 |
| Net position, ending | $ | 35,820 |

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### A. Description and Purpose of Organization:

The Board operates as an agent for the Counties of Essex, Gloucester, King and Queen, King William, Lancaster, Mathews, Middlesex, Northumberland, Richmond, and Westmoreland in the establishment and operation of community mental health, developmental disabilities and substance abuse programs as provided for in Title 37.2 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 developmental disabilities 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. The component units included in these financial statements have a year end of June 30.

Blended Component Units:

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

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

Kilmarnock New Horizons, Lively Turning Point and Woodland Pointe have been included as part of the reporting entity. These entities are not-for-profit organizations exempt under Section 501(c)(3) of the Internal Revenue Code and were organized to own and operate facilities for persons with disabilities.

### C. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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 this item, 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, represents 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 this item, reference the related notes.

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

### D. Basis of Accounting:

The Board is funded by federal, state, local funds, and fees. 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 are recorded when due.

### E. Financial Statement Presentation:

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

All significant intercompany transactions and accounts have been eliminated for the combining statements.

### F. Enterprise Fund Accounting:

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

Client funds are held in escrow for various participants in Board programs. This fund consists of client bank accounts. This fund are reported as private-purpose trust funds on the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

### G. Use of Estimates:

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

### H. Cash and Cash Equivalents:

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

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

### I. Investments:

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

### J. Net Patient Service Revenue:

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

### K. Financial Assistance:

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

The vast majority of fees collected result from Medicaid billings.

### L. Rental Income:

Rental income is recognized on a monthly basis pursuant to lease agreements, which generally have terms of three to five years. Rental revenue is reported in other nonoperating income.

### M. Capital Assets:

Capital assets acquired are recorded at cost. All capital asset purchases of $5,000 or more and with an estimated useful life of at least one year are capitalized. Donated capital assets are recorded at acquisition value at the time of the gift. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 30 years and is computed using the straight-line method.

### N. Restricted Assets:

The Board segregates monies held on behalf of third parties and other organizations. These restricted assets consist of monies held in the blended component units.

### O. Compensated Absences:

Employees are entitled to certain compensated absences based upon length of employment. Paid time off, which includes vacation and certain other compensated absences, vest with the employee. A provision for the estimated liability for these compensated absences has been recorded in the financial statements.

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

### P. Budgetary Accounting:

The Board follows these procedures in establishing its budgets:

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

2. The Board's Performance reports are filed with the Department during the fiscal year, 45 working days after the end of the second and fourth quarters. The final quarterly report is due by August 31 following the end of the fiscal year, unless extended.

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

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

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

### R. Comparative Totals:

The basic financial statements include certain prior-year comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

### S. 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.

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

### T. Net Position Flow Assumption:

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

### U. 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.

### V. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS GLI OPEB liability, 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 OPEB Plan 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.

## NOTE 2 - DEPOSITS AND INVESTMENTS:

### Deposits:

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

### Investments:

State 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).

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

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, 2023 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

**Rated Debt Investments' Values**

| Rated Debt Investments | Fair Quality Ratings | |
|---|---|---|
| | AAAm | Unrated |
| Virginia Local Government Investment Pool | $ 47,033 | $ - |
| U.S. Savings Bonds | - | 62,208 |
| Total | $ 47,033 | $ 62,208 |

Concentration of Credit Risk:

At June 30, 2023 the Board's investment policy regarding the concentration of credit risk requires the minimization of investment risk through the monitoring of credit worthiness of banks and investment pools.

Interest Rate Risk:

The following details the Board's interest rate risk at June 30, 2023.

| Investment Type | Value | Less Than One Year |
|---|---|---|
| Virginia Local Government Investment Pool | $ 47,033 | $ - |
| U.S. Savings Bonds | 62,208 | - |
| Total | $ 109,241 | $ - |

External Investment Pool:

The value of the positions in the external investment pools (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 amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

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

Summary of Cash and Cash Equivalents:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Cash: | | | | |
| Petty cash | $ | 3,220 | $ | 3,220 |
| Checking | | 9,571,306 | | 8,274,641 |
| Total cash | $ | 9,574,526 | $ | 8,277,861 |
| Investments | | 109,241 | | 101,576 |
| Total cash and cash equivalents | $ | 9,683,767 | $ | 8,379,437 |
| Allocation: | | | | |
| Unrestricted | $ | 9,549,256 | $ | 8,247,562 |
| Restricted | | 134,511 | | 131,875 |
| Total allocation | $ | 9,683,767 | $ | 8,379,437 |

## NOTE 3 - ACCOUNTS RECEIVABLE AND ACCRUED REVENUE:

Client Accounts Receivable:

At June 30, 2023 and 2022 the Board had client accounts receivable due, net of estimated uncollectibles of $682,305 and $1,275,278, respectively, from the following primary sources:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Virginia Department of Medical Assistance Services (Medicaid) | $ | 849,046 | $ | 1,056,239 |
| Direct client and third party | | 81,438 | | 199,895 |
| Other | | 85,727 | | 82,729 |
| Total | $ | 1,016,211 | $ | 1,338,863 |

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

Due from Other Governments:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Commonwealth of Virginia - grants | $ | 14,853 | $ | 15,151 |
| Federal | | 209,407 | | 72,305 |
| Others | | 3,500 | | 35,733 |
| Total | $ | 227,760 | $ | 123,189 |

## NOTE 4 - CAPITAL ASSETS:

Capital assets consist of the following:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 1,243,878 | $ - | $ - | $ 1,243,878 |
| Total capital assets not being depreciated | $ 1,243,878 | $ - | $ - | $ 1,243,878 |
| Capital assets being depreciated: | | | | |
| Buildings | $ 8,057,409 | $ - | $ - | $ 8,057,409 |
| Vehicles | 1,357,154 | 98,500 | 38,737 | 1,416,917 |
| Furniture, equipment and software | 856,831 | - | - | 856,831 |
| Total capital assets being depreciated | $ 10,271,394 | $ 98,500 | $ 38,737 | $ 10,331,157 |
| Accumulated depreciation: | | | | |
| Buildings | $ 3,151,379 | $ 262,522 | $ - | $ 3,413,901 |
| Vehicles | 1,255,864 | 38,783 | 7,747 | 1,286,900 |
| Furniture, equipment and software | 716,403 | 12,521 | - | 728,924 |
| Total accumulated depreciation | $ 5,123,646 | $ 313,826 | $ 7,747 | $ 5,429,725 |
| Net capital assets being depreciated | $ 5,147,748 | $ (215,326) | $ 30,990 | $ 4,901,432 |
| Net capital assets | $ 6,391,626 | $ (215,326) | $ 30,990 | $ 6,145,310 |

Total depreciation expense was $313,826 for 2023 and $361,946 for 2022.

## NOTE 5 - LEASE COMMITMENTS:

The Board leases office space and other facilities from various lessors. The lease terms range from monthly to one year. All leases are subject to availability of funds and are cancelable within 60 days.

Total rent expense for the year ended June 30, 2023, exclusive of intercompany payments of $449,040, totaled $466,833. Rent expense (net) for 2022 totaled $466,833.

## NOTE 6 - COMPENSATED ABSENCES:

The Board has accrued the liability arising from compensated absences.

Board employees earn leave based on length of service. The Board has outstanding accrued leave pay totaling $1,318,012 at June 30, 2023 and $1,208,459 at June 30, 2022. Employees are paid their accumulated annual leave up to certain limits. Accrued leave has been reported as a long-term liability, net of the portion reported as a current liability.

## NOTE 7 - PENSION PLAN:

### *Plan Description*

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

### *Benefit Structures*

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

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

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

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

## NOTE 7 - PENSION PLAN: (continued)

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

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

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

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

### *Employees Covered by Benefit Terms*

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Number |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 165 |
| Inactive members: | |
| Vested inactive members | 93 |
| Non-vested inactive members | 203 |
| Inactive members active elsewhere in VRS | 131 |
| Total inactive members | 427 |
| Active members | 280 |
| Total covered employees | 872 |

## NOTE 7 - PENSION PLAN: (continued)

### *Contributions*

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

The Board's contractually required employer contribution rate for the year ended June 30, 2023 was 0.00% 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 $0 and $164,915 for the years ended June 30, 2023 and June 30, 2022, respectively.

### *Net Pension Asset*

The net pension asset 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 Middle Peninsula – Northern Neck Community Services Board, the net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

### *Actuarial Assumptions – General Employees*

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

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

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

## NOTE 7 - PENSION PLAN: (continued)

*Actuarial Assumptions – General Employees (Continued)*

Mortality rates: (Continued)

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

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

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

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

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

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

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

**NOTE 7 - PENSION PLAN: (continued)**

***Long-Term Expected Rate of Return***

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

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

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

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

***Discount Rate***

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

## NOTE 7 - PENSION PLAN: (continued)

### *Discount Rate: (Continued)*

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

### *Changes in Net Pension Asset*

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2021 | $ 38,722,248 | $ 49,696,137 | $ (10,973,889) |
| Changes for the year: | | | |
| Service cost | $ 910,918 | $ - | $ 910,918 |
| Interest | 2,614,618 | - | 2,614,618 |
| Changes in assumptions | - | - | - |
| Differences between expected and actual experience | (1,064,171) | - | (1,064,171) |
| Contributions - employer | - | 168,430 | (168,430) |
| Contributions - employee | - | 530,938 | (530,938) |
| Net investment income | - | (42,065) | 42,065 |
| Benefit payments, including refunds of employee contributions | (1,796,161) | (1,796,161) | - |
| Administrative expenses | - | (31,139) | 31,139 |
| Other changes | - | 1,140 | (1,140) |
| Net changes | $ 665,204 | $ (1,168,857) | $ 1,834,061 |
| Balances at June 30, 2022 | $ 39,387,452 | $ 48,527,280 | $ (9,139,828) |

### *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%) |
| Net Pension Liability (Asset) | $ (3,543,910) | $ (9,139,828) | $ (13,650,013) |

**NOTE 7 - PENSION PLAN: (continued)**

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

For the year ended June 30, 2023, the Board recognized pension expense of ($1,439,531). At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 732,022 |
| Change in assumptions | 159,966 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,448,316 |
| Total | $ 159,966 | $ 2,180,338 |

$0 was reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | |
|---|---|
| 2024 | $ (1,015,867) |
| 2025 | (708,492) |
| 2026 | (967,718) |
| 2027 | 671,705 |
| 2028 | - |
| Thereafter | - |

***Pension Plan Data***

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

## NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

### *Plan Description*

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

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

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

### *Eligible Employees*

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

### *Benefit Amounts*

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

### *Contributions*

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

## NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)

***Contributions: (Continued)***

ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were $64,655 and $62,468 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB***

At June 30, 2023, the entity reported a liability of $640,338 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .05320% as compared to .05800% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of ($18,130). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 50,707 | $ 25,689 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 40,012 |
| Change in assumptions | 23,884 | 62,372 |
| Changes in proportionate share | 3,740 | 173,696 |
| Employer contributions subsequent to the measurement date | 64,655 | - |
| Total | $ 142,986 | $ 301,769 |

**NOTE 8 - 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 Group Life Insurance Plan OPEB (Continued)***

$64,655 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | | |
|---|---|---|
| 2024 | $ | (54,378) |
| 2025 | | (54,357) |
| 2026 | | (73,483) |
| 2027 | | (25,204) |
| 2028 | | (16,016) |
| Thereafter | | - |

*Actuarial Assumptions*

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

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

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

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

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

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

**NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)**

*Actuarial Assumptions: (Continued)*

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

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

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

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

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

***NET GLI OPEB Liability***

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

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

## NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)

### *NET GLI OPEB Liability: (Continued)*

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

### *Long-Term Expected Rate of Return*

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

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

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

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

## NOTE 8 - 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, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

### *Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate*

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Board's proportionate share of the Group Life Insurance Program Net OPEB Liability | $ 931,767 | $ 640,338 | $ 404,824 |

### *GLI Plan Fiduciary Net Position*

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

## NOTE 9 - UNEARNED REVENUE:

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

| Unearned Revenue | 2023 | 2022 |
|---|---|---|
| Unexpended state grant funds | $ 3,193,218 | $ 1,729,805 |
| Unexpended federal grant funds | 52,308 | 1,097,468 |
| Other | 389,992 | 79,120 |
| Total | $ 3,635,518 | $ 2,906,393 |

## NOTE 10 - RISK MANAGEMENT:

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

## NOTE 11 - LONG-TERM OBLIGATIONS:

Summary of Changes in Long-Term Obligations:

| | Direct Borrowings and Direct Placements Mortgages Payable | Loan Payable | Compensated Absences | Net OPEB Liability | Total |
|---|---|---|---|---|---|
| Balance at July 1, 2022 | $ 2,284,636 | $ 29,820 | $ 1,208,459 | $ 675,626 | $ 4,198,541 |
| Add: Issuances/additions | - | - | 109,553 | 471,495 | 581,048 |
| Deduct: Retirements | (35,533) | (29,820) | - | (506,783) | (572,136) |
| Balance at June 30, 2023 | $ 2,249,103 | $ - | $ 1,318,012 | $ 640,338 | $ 4,207,453 |

Long-term obligations consist of the following:

| | Balance | Current Portion |
|---|---|---|
| Direct Borrowings and Direct Placements: | | |
| Mortgages Payable: | | |
| USDA loan payable, payable in monthly installments, plus interest at rate of 2.375%, interest only payments are due though April 1, 2021 with monthly payments of principal and interest payable through May 1, 2061, secured by a Deed of Trust on property, matures May 2061. | $ 2,249,103 | $ 36,420 |
| Total mortgages payable | $ 2,249,103 | $ 36,420 |
| Compensated absences | $ 1,318,012 | $ 131,801 |
| Net OPEB liability | $ 640,338 | $ - |
| Total long-term obligations | $ 4,207,453 | $ 168,221 |

**NOTE 11 - LONG-TERM OBLIGATIONS: (continued)**

Annual requirements to amortize long-term debt at current interest rates are as follows:

| Year Ending June 30, | Direct Borrowings and Direct Placements | |
|---|---|---|
| | Principal | Interest |
| 2024 | $ 36,420 | $ 55,092 |
| 2025 | 37,329 | 54,183 |
| 2026 | 38,261 | 53,251 |
| 2027 | 39,216 | 52,296 |
| 2028 | 40,195 | 51,317 |
| 2029-2033 | 216,532 | 241,028 |
| 2034-2038 | 244,936 | 212,624 |
| 2039-2043 | 277,067 | 180,493 |
| 2044-2048 | 313,412 | 144,149 |
| 2049-2053 | 354,524 | 103,036 |
| 2054-2058 | 401,030 | 56,530 |
| 2059-2061 | 250,181 | 9,105 |
| Total | $ 2,249,103 | $ 1,213,104 |

The Board has no federal arbitrage liability.

**NOTE 12 - PARTICIPANT LOCALITY CONTRIBUTIONS:**

The participating localities (counties) appropriated the following amounts to the Board:

| | 2023 | 2022 |
|---|---|---|
| Essex | $ 31,085 | $ 41,357 |
| Gloucester | 151,360 | 138,849 |
| King and Queen | 25,158 | 32,000 |
| King William | 60,624 | 60,624 |
| Lancaster | 42,693 | 42,224 |
| Mathews | 40,053 | 33,130 |
| Middlesex | 31,157 | 41,257 |
| Northumberland | 53,225 | 50,690 |
| Richmond | 35,965 | 34,253 |
| Westmoreland | 80,630 | 66,711 |
| Total | $ 551,950 | $ 541,095 |

## NOTE 13 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenues were from the following sources:

| | 2023 | 2022 |
|---|---|---|
| Medicaid | $ 10,596,284 | $ 11,576,219 |
| Direct client and third party | 689,144 | 764,155 |
| Other | 470,952 | 489,138 |
| Total | $ 11,756,380 | $ 12,829,512 |

## NOTE 14 - 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 grantor agencies would not be material.

## NOTE 15 - LINE OF CREDIT:

The Board has a line of credit with Chesapeake Bank in the amount of $3,000,000. There were no draws made from the line of credit during fiscal year 2023. The outstanding balance at June 30, 2023 was $0.

## NOTE 16 - RESTRICTED NET POSITION:

Restricted net position consists of cash balances less liabilities payable from such funds for component unit organizations. These funds are restricted for the operation and maintenance of the properties, and these funds cannot be accessed by the Board without approval from the U. S. Department of Housing and Urban Development. Net position is also restricted for the net pension asset.

## NOTE 17 - UPCOMING PRONOUNCEMENTS:

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

## NOTE 17 - UPCOMING PRONOUNCEMENTS: (continued)

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

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

## - Required Supplementary Information -

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Total pension liability** | | | | | |
| Service cost | $ 910,918 | $ 1,009,440 | $ 1,106,088 | $ 1,137,594 | $ 1,152,508 |
| Interest | 2,614,618 | 2,435,334 | 2,343,742 | 2,256,688 | 2,125,324 |
| Changes in assumptions | - | 887,084 | - | 1,096,692 | - |
| Differences between expected and actual experience | (1,064,171) | (769,285) | (466,147) | (712,253) | (292,652) |
| Benefit payments, including refunds of employee contributions | (1,796,161) | (1,838,689) | (1,414,857) | (1,175,168) | (1,041,931) |
| **Net change in total pension liability** | $ 665,204 | $ 1,723,884 | $ 1,568,826 | $ 2,603,553 | $ 1,943,249 |
| **Total pension liability - beginning** | 38,722,248 | 36,998,364 | 35,429,538 | 32,825,985 | 30,882,736 |
| **Total pension liability - ending (a)** | $ 39,387,452 | $ 38,722,248 | $ 36,998,364 | $ 35,429,538 | $ 32,825,985 |
| | | | | | |
| **Plan fiduciary net position** | | | | | |
| Contributions - employer | $ 168,430 | $ 175,115 | $ 247,670 | $ 270,903 | $ 342,784 |
| Contributions - employee | 530,938 | 537,901 | 592,629 | 629,057 | 623,169 |
| Net investment income | (42,065) | 10,857,591 | 760,107 | 2,523,017 | 2,607,280 |
| Benefit payments, including refunds of employee contributions | (1,796,161) | (1,838,689) | (1,414,857) | (1,175,168) | (1,041,931) |
| Administrative expense | (31,139) | (27,389) | (25,919) | (24,564) | (22,149) |
| Other | 1,140 | 1,020 | (902) | (1,590) | (2,334) |
| **Net change in plan fiduciary net position** | $ (1,168,857) | $ 9,705,549 | $ 158,728 | $ 2,221,655 | $ 2,506,819 |
| **Plan fiduciary net position - beginning** | 49,696,137 | 39,990,588 | 39,831,860 | 37,610,205 | 35,103,386 |
| **Plan fiduciary net position - ending (b)** | $ 48,527,280 | $ 49,696,137 | $ 39,990,588 | $ 39,831,860 | $ 37,610,205 |
| | | | | | |
| **Board's net pension liability (asset)-ending (a)-(b)** | $ (9,139,828) | $ (10,973,889) | $ (2,992,224) | $ (4,402,322) | $ (4,784,220) |
| | | | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 123.20% | 128.34% | 108.09% | 112.43% | 114.57% |
| | | | | | |
| **Covered payroll** | $ 11,546,855 | $ 11,780,720 | $ 12,928,183 | $ 13,620,240 | $ 13,309,107 |
| | | | | | |
| **Board's net pension liability (asset) as a percentage of covered payroll** | -79.15% | -93.15% | -23.14% | -32.32% | -35.95% |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

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

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Total pension liability** | | | | |
| Service cost | $ 1,191,525 | $ 1,168,349 | $ 1,201,394 | $ 1,269,861 |
| Interest | 2,020,678 | 1,903,960 | 1,814,479 | 1,654,937 |
| Changes in assumptions | (533,730) | - | - | - |
| Differences between expected and actual experience | (189,851) | (482,108) | (944,974) | - |
| Benefit payments, including refunds of employee contributions | (945,432) | (900,166) | (685,020) | (606,247) |
| **Net change in total pension liability** | $ 1,543,190 | $ 1,690,035 | $ 1,385,879 | $ 2,318,551 |
| **Total pension liability - beginning** | 29,339,546 | 27,649,511 | 26,263,632 | 23,945,081 |
| **Total pension liability - ending (a)** | $ 30,882,736 | $ 29,339,546 | $ 27,649,511 | $ 26,263,632 |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ 366,037 | $ 677,438 | $ 666,450 | $ 924,133 |
| Contributions - employee | 637,509 | 610,175 | 636,928 | 606,235 |
| Net investment income | 3,835,526 | 547,979 | 1,328,073 | 3,822,539 |
| Benefit payments, including refunds of employee contributions | (945,432) | (900,166) | (685,020) | (606,247) |
| Administrative expense | (21,680) | (18,429) | (17,298) | (19,602) |
| Other | (3,431) | (229) | (283) | 201 |
| **Net change in plan fiduciary net position** | $ 3,868,529 | $ 916,768 | $ 1,928,850 | $ 4,727,259 |
| **Plan fiduciary net position - beginning** | 31,234,857 | 30,318,089 | 28,389,239 | 23,661,980 |
| **Plan fiduciary net position - ending (b)** | $ 35,103,386 | $ 31,234,857 | $ 30,318,089 | $ 28,389,239 |
| **Board's net pension liability (asset)-ending (a)-(b)** | $ (4,220,650) | $ (1,895,311) | $ (2,668,578) | $ (2,125,607) |
| **Plan fiduciary net position as a percentage of the total pension liability** | 113.67% | 106.46% | 109.65% | 108.09% |
| **Covered payroll** | $ 13,320,650 | $ 12,449,072 | $ 12,003,383 | $ 12,097,480 |
| **Board's net pension liability (asset) as a percentage of covered payroll** | -31.69% | -15.22% | -22.23% | -17.57% |

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

| Date | Contractually Required Contribution (1)* | Contributions in Relation to Contractually Required Contribution (2)* | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| 2023 | $ - | $ - | $ - | $ 11,968,775 | 0.00% |
| 2022 | 164,915 | 164,915 | - | 11,546,855 | 1.43% |
| 2021 | 171,516 | 171,516 | - | 11,780,720 | 1.46% |
| 2020 | 251,598 | 251,598 | - | 12,928,183 | 1.95% |
| 2019 | 271,446 | 271,446 | - | 13,620,240 | 1.99% |
| 2018 | 346,660 | 346,660 | - | 13,309,107 | 2.60% |
| 2017 | 414,272 | 414,272 | - | 13,320,650 | 3.11% |
| 2016 | 700,883 | 700,883 | - | 12,449,072 | 5.63% |
| 2015 | 675,790 | 675,790 | - | 12,003,383 | 5.63% |
| 2014 | 924,248 | 924,248 | - | 12,097,480 | 7.64% |

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

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

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

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

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

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

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

| Date | Employer's Proportion of the Net GLI OPEB Liability | Employer's Proportionate Share of the Net GLI OPEB Liability | Employer's Covered Payroll | Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability |
|---|---|---|---|---|---|
| 2022 | 0.05320% | $ 640,338 | $ 11,568,203 | 5.54% | 67.21% |
| 2021 | 0.05800% | 675,626 | 11,980,119 | 5.64% | 67.45% |
| 2020 | 0.06420% | 1,071,726 | 13,217,433 | 8.11% | 52.64% |
| 2019 | 0.07003% | 1,139,575 | 13,727,875 | 8.30% | 52.00% |
| 2018 | 0.07039% | 1,069,000 | 13,384,667 | 7.99% | 51.22% |
| 2017 | 0.07253% | 1,091,000 | 13,320,650 | 8.19% | 48.86% |

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

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2023 | $ 64,665 | $ 64,665 | $ - | $ 11,973,192 | 0.54% |
| 2022 | 62,468 | 62,468 | - | 11,568,203 | 0.54% |
| 2021 | 64,693 | 64,693 | - | 11,980,119 | 0.54% |
| 2020 | 68,731 | 68,731 | - | 13,217,433 | 0.52% |
| 2019 | 71,385 | 71,385 | - | 13,727,875 | 0.52% |
| 2018 | 69,600 | 69,600 | - | 13,384,667 | 0.52% |
| 2017 | 69,571 | 69,571 | - | 13,320,650 | 0.52% |

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

## Notes to Required Supplementary Information
## Group Life Insurance (GLI) Plan
## For the Year Ended June 30, 2023

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

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

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

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

## - Other Supplementary Information -

*Combining Financial Statements*

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

Combining Statement of Net Position
At June 30, 2023

| | Middle Peninsula Northern Neck Community Services Board | Properties Inc. | Kilmarnock New Horizons | Lively Turning Point | Woodland Pointe | Inter-Company and Other Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Current Assets:** | | | | | | | |
| Cash and cash equivalents | $ 8,534,854 | $ 1,014,402 | $ - | $ - | $ - | $ - | $ 9,549,256 |
| Accounts receivable, less allowance for uncollectibles | 1,016,211 | - | - | - | - | - | 1,016,211 |
| Due from other governments | 227,760 | - | - | - | - | - | 227,760 |
| Prepaid items | 271,211 | - | - | - | - | - | 271,211 |
| Total current assets | $ 10,050,036 | $ 1,014,402 | $ - | $ - | $ - | $ - | $ 11,064,438 |
| **Restricted Current Assets:** | | | | | | | |
| Cash and cash equivalents | $ - | $ - | $ 37,294 | $ 28,573 | $ 68,644 | $ - | $ 134,511 |
| **Other Assets:** | | | | | | | |
| Net pension asset | $ 9,139,828 | $ - | $ - | $ - | $ - | $ - | $ 9,139,828 |
| **Capital Assets:** | | | | | | | |
| Property and equipment, less accumulated depreciation | $ 1,041,011 | $ 3,262,412 | $ 177,985 | $ 95,473 | $ 1,568,429 | $ - | $ 6,145,310 |
| Total assets | $ 20,230,875 | $ 4,276,814 | $ 215,279 | $ 124,046 | $ 1,637,073 | $ - | $ 26,484,087 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | | |
| Pension related items | $ 159,966 | $ - | $ - | $ - | $ - | $ - | $ 159,966 |
| OPEB related items | 142,986 | - | - | - | - | - | 142,986 |
| Total deferred outflows of resources | $ 302,952 | $ - | $ - | $ - | $ - | $ - | $ 302,952 |
| **LIABILITIES** | | | | | | | |
| **Current Liabilities:** | | | | | | | |
| Accounts payable and accrued expenses | $ 358,935 | $ 4,471 | $ - | $ - | $ - | $ - | $ 363,406 |
| Deposits and other | 50,700 | - | - | - | - | - | 50,700 |
| Compensated absences, current portion | 131,801 | - | - | - | - | - | 131,801 |
| Unearned revenue | 3,633,032 | - | - | - | 2,486 | - | 3,635,518 |
| Long-term debt, current portion | - | 36,420 | - | - | - | - | 36,420 |
| Total current liabilities | $ 4,174,468 | $ 40,891 | $ - | $ - | $ 2,486 | $ - | $ 4,217,845 |
| **Current Liabilities Payable from Restricted Current Assets:** | | | | | | | |
| Accounts payable and accrued expenses | $ - | $ - | $ - | $ 362 | $ 16,309 | $ - | $ 16,671 |
| Security deposits | - | - | 2,783 | 1,874 | 3,844 | - | 8,501 |
| Total current liabilities payable from restricted current assets | $ - | $ - | $ 2,783 | $ 2,236 | $ 20,153 | $ - | $ 25,172 |
| **Long-Term Liabilities:** | | | | | | | |
| Net OPEB liability | $ 640,338 | $ - | $ - | $ - | $ - | $ - | $ 640,338 |
| Compensated absences, less current portion | 1,186,211 | - | - | - | - | - | 1,186,211 |
| Long-term debt, less current portion | - | 2,212,683 | - | - | - | - | 2,212,683 |
| Total long-term liabilities | $ 1,826,549 | $ 2,212,683 | $ - | $ - | $ - | $ - | $ 4,039,232 |
| Total liabilities | $ 6,001,017 | $ 2,253,574 | $ 2,783 | $ 2,236 | $ 22,639 | $ - | $ 8,282,249 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | |
| Pension related items | $ 2,180,338 | $ - | $ - | $ - | $ - | $ - | $ 2,180,338 |
| OPEB related items | 301,769 | - | - | - | - | - | 301,769 |
| Total deferred inflows of resources | $ 2,482,107 | $ - | $ - | $ - | $ - | $ - | $ 2,482,107 |
| **NET POSITION** | | | | | | | |
| Net investment in capital assets | $ 1,041,011 | $ 1,013,309 | $ 177,985 | $ 95,473 | $ 1,568,429 | $ - | $ 3,896,207 |
| Restricted | 9,139,828 | - | 34,511 | 26,337 | 46,005 | - | 9,246,681 |
| Unrestricted | 1,869,864 | 1,009,931 | - | - | - | - | 2,879,795 |
| Total net position | $ 12,050,703 | $ 2,023,240 | $ 212,496 | $ 121,810 | $ 1,614,434 | $ - | $ 16,022,683 |

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

| | Middle Peninsula Northern Neck Community Services Board | Properties Inc. | Kilmarnock New Horizons | Lively Turning Point | Woodland Pointe | Inter-Company Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Operating revenues:** | | | | | | | |
| Net patient service revenue | $ 11,756,380 | $ - | $ - | $ - | $ - | $ - | $ 11,756,380 |
| **Operating expenses:** | | | | | | | |
| Salaries and benefits | $ 15,870,588 | $ - | $ - | $ - | $ - | $ - | $ 15,870,588 |
| Staff development | 222,973 | - | - | - | - | - | 222,973 |
| Facility | 1,405,712 | 288,590 | 35,367 | 91,512 | 71,836 | (449,040) | 1,443,977 |
| Supplies | 819,386 | - | - | - | - | - | 819,386 |
| Travel | 434,018 | - | - | - | - | - | 434,018 |
| Contractual and consulting | 680,430 | 2,403 | - | - | - | - | 682,833 |
| Depreciation | 89,912 | 148,104 | 19,393 | 8,778 | 47,639 | - | 313,826 |
| Other | 645,892 | 2,872 | - | - | - | - | 648,764 |
| Total operating expenses | $ 20,168,911 | $ 441,969 | $ 54,760 | $ 100,290 | $ 119,475 | $ (449,040) | $ 20,436,365 |
| **Operating income (loss)** | $ (8,412,531) | $ (441,969) | $ (54,760) | $ (100,290) | $ (119,475) | $ 449,040 | $ (8,679,985) |
| **Nonoperating income (expense):** | | | | | | | |
| Appropriations: | | | | | | | |
| Commonwealth of Virginia | $ 6,512,328 | $ - | $ - | $ - | $ - | $ - | $ 6,512,328 |
| Federal government | 2,555,745 | - | - | - | - | - | 2,555,745 |
| Local governments | 551,950 | - | - | - | - | - | 551,950 |
| Contributions | 31,285 | - | - | - | - | - | 31,285 |
| Other | 676,264 | 438,673 | 44,654 | 92,497 | 73,767 | (449,040) | 876,815 |
| Gain on sale of assets | (30,988) | - | - | - | - | - | (30,988) |
| Interest income | 16,308 | 1,154 | 70 | 53 | 176 | - | 17,761 |
| Interest expense | (652) | (55,909) | - | - | - | - | (56,561) |
| Net nonoperating income (expense) | $ 10,312,240 | $ 383,918 | $ 44,724 | $ 92,550 | $ 73,943 | $ (449,040) | $ 10,458,335 |
| **Change in net position** | $ 1,899,709 | $ (58,051) | $ (10,036) | $ (7,740) | $ (45,532) | $ - | $ 1,778,350 |
| **Net position, beginning of year** | 10,150,994 | 2,081,291 | 222,532 | 129,550 | 1,659,966 | - | 14,244,333 |
| **Net position, end of year** | $ 12,050,703 | $ 2,023,240 | $ 212,496 | $ 121,810 | $ 1,614,434 | $ - | $ 16,022,683 |

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

| | Middle Peninsula Northern Neck Community Services Board | Properties Inc. | Kilmarnock New Horizons | Lively Turning Point | Woodland Pointe | Inter-Company Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | | | | |
| Receipts from customers | $ 12,703,728 | $ - | $ - | $ - | $ - | $ - | $ 12,703,728 |
| Payments to suppliers | (4,368,341) | (293,865) | (37,628) | (94,349) | (76,462) | 449,040 | (4,421,605) |
| Payments to and for employees | (17,303,052) | - | - | - | - | - | (17,303,052) |
| Net cash flows provided by (used for) operating activities | $ (8,967,665) | $ (293,865) | $ (37,628) | $ (94,349) | $ (76,462) | $ 449,040 | $ (9,020,929) |
| **Cash flows from noncapital financing activities:** | | | | | | | |
| Government grants | $ 9,620,023 | $ - | $ - | $ - | $ - | $ - | $ 9,620,023 |
| Other | 707,550 | 438,673 | 44,654 | 92,497 | 73,625 | (449,040) | 907,959 |
| Net cash flows provided by (used for) noncapital financing activities | $ 10,327,573 | $ 438,673 | $ 44,654 | $ 92,497 | $ 73,625 | $ (449,040) | $ 10,527,982 |
| **Cash flows from capital and related financing activities:** | | | | | | | |
| Purchase of capital assets | $ (98,500) | $ - | $ - | $ - | $ - | $ - | $ (98,500) |
| Proceeds from disposal of capital assets | - | - | - | - | - | - | - |
| Interest payments on long-term debt | (651) | (55,980) | - | - | - | - | (56,631) |
| Principal payments on long-term debt | (29,820) | (35,533) | - | - | - | - | (65,353) |
| Net cash flows provided by (used for) capital and related financing activities | $ (128,971) | $ (91,513) | $ - | $ - | $ - | $ - | $ (220,484) |
| **Cash flows from investing activities:** | | | | | | | |
| Interest income | $ 16,308 | $ 1,154 | $ 70 | $ 53 | $ 176 | $ - | $ 17,761 |
| **Net increase (decrease) in cash and cash equivalents** | $ 1,247,245 | $ 54,449 | $ 7,096 | $ (1,799) | $ (2,661) | $ - | $ 1,304,330 |
| **Cash and cash equivalents, beginning of year, including restricted cash** | 7,287,609 | 959,953 | 30,198 | 30,372 | 71,305 | - | 8,379,437 |
| **Cash and cash equivalents, end of year, including restricted cash** | $ 8,534,854 | $ 1,014,402 | $ 37,294 | $ 28,573 | $ 68,644 | $ - | $ 9,683,767 |
| Summary of cash and cash equivalents: | | | | | | | |
| Cash and cash equivalents | $ 8,534,854 | $ 1,014,402 | $ - | $ - | $ - | $ - | $ 9,549,256 |
| Cash and cash equivalents - restricted | - | - | 37,294 | 28,573 | 68,644 | - | 134,511 |
| Total | $ 8,534,854 | $ 1,014,402 | $ 37,294 | $ 28,573 | $ 68,644 | $ - | $ 9,683,767 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | | | | | | | |
| Operating income (loss) | $ (8,412,531) | $ (441,969) | $ (54,760) | $ (100,290) | $ (119,475) | $ 449,040 | $ (8,679,985) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | | | |
| Depreciation | 89,912 | 148,104 | 19,393 | 8,778 | 47,639 | - | 313,826 |
| Changes in assets, liabilities and deferred inflows/outflows of resources: | | | | | | | |
| (Increase) decrease in: | | | | | | | |
| Accounts receivable and due from other governments, net | 218,081 | - | - | - | - | - | 218,081 |
| Prepaid items | (98,651) | - | - | - | - | - | (98,651) |
| Net pension asset | 1,834,061 | - | - | - | - | - | 1,834,061 |
| Deferred outflows of resources | 588,746 | - | - | - | - | - | 588,746 |
| Increase (decrease) in: | | | | | | | |
| Accounts payable and accrued expenses | (67,091) | - | (3,010) | (2,839) | (4,630) | - | (77,570) |
| Deposits and other | 5,812 | - | 749 | 2 | 4 | - | 6,567 |
| Compensated absences | 109,553 | - | - | - | - | - | 109,553 |
| Unearned revenue | 729,267 | - | - | - | - | - | 729,267 |
| Net OPEB liability | (35,288) | - | - | - | - | - | (35,288) |
| Deferred inflows of resources | (3,929,536) | - | - | - | - | - | (3,929,536) |
| Net cash flows provided by (used for) operating activities | $ (8,967,665) | $ (293,865) | $ (37,628) | $ (94,349) | $ (76,462) | $ 449,040 | $ (9,020,929) |

- 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**
**Middle Peninsula-Northern Neck Community Services Board**
**Saluda, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of Middle Peninsula-Northern Neck Community Services Board's, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Middle Peninsula-Northern Neck Community Services Board's basic financial statements and have issued our report thereon dated November 24, 2023.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Middle Peninsula-Northern Neck Community Services Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Middle Peninsula-Northern Neck Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 24, 2023

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

**To the Board of Directors**
**Middle Peninsula-Northern Neck Community Services Board**
**Saluda, Virginia**

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

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

We have audited Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck Community Services Board's major federal programs for the year ended June 30, 2023. Middle Peninsula-Northern Neck 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, Middle Peninsula-Northern Neck Community Services Board complied, in all material respects, with compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 Middle Peninsula-Northern Neck 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 24, 2023

MIDDLE PENINSULA-NORTHERN NECK COMMUNITY SERVICES BOARD

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

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identification Number | Federal Expenditures |
|---|---|---|---|
| **Department of Agriculture:** | | | |
| Pass-through payments: | | | |
| Virginia Department of Agriculture | | | |
| Child and Adult Care Food Program | 10.558 | Not available | $ 24,229 |
| **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 | N/A | $ 328,899 |
| **Department of Health and Human Services:** | | | |
| Pass-through payments: | | | |
| Virginia Department of Behavioral Health and Developmental Services | | | |
| Temporary Assistance for Needy Families | 93.558 | Not available | 149,734 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 2B08TI010053 | 775,653 |
| Block Grants for Community Mental Health Services | 93.958 | 2B0904010053 | 183,844 |
| Opioid STR | 93.788 | 1H79TI081682 | 951,247 |
| Total Department of Health and Human Services | | | $ 2,060,478 |
| **Department of Education:** | | | |
| Pass-through payments: | | | |
| Virginia Department of Behavioral Health and Developmental Services | | | |
| Special Education - Grants for Infants and Families | 84.181 | Not available | $ 142,139 |
| Total Department of Education | | | $ 142,139 |
| Total Expenditures of Federal Awards | | | $ 2,555,745 |

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

Note B - Summary of Significant Accounting Policies

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

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

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - De Minimis Cost Rate

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

Note E - Loan Balances

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

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

### Section I - Summary of Auditors' Results

***Financial Statements***

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

***Federal Awards***

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

Identification of major programs:

| Assistance Listing # | Name of Federal Program or Cluster |
|---|---|
| 93.788 | Opioid STR |

| | |
|---|---|
| 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.

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

There were no prior year findings.