regionten

a better life, a better community

REGION TEN COMMUNITY SERVICES BOARD

FINANCIAL REPORT

June 30, 2023

BROWNEDWARDS

certified public accountants

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INTRODUCTORY SECTION

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2023

BOARD OF DIRECTORS

Barbara Barrett, Chair

Peggy Whitehead, Vice-Chair

Patricia Heggie, Secretary

Austin Baker	Dr. Joe Mason
Dr. Barry Blumenthal	David Opper
Francesca Diggs	Alex Stott
Stephen Wunsh	Joseph Szakos

PRINCIPAL MANAGEMENT TEAM

Lisa Beitz .... Executive Director

Kathy Williams .... Senior Director of Administrative Services

Marny Bentley .... Senior Director of Adult Rehabilitative Services

Shannon Wright .... Senior Director of Development Disability and Rural Services

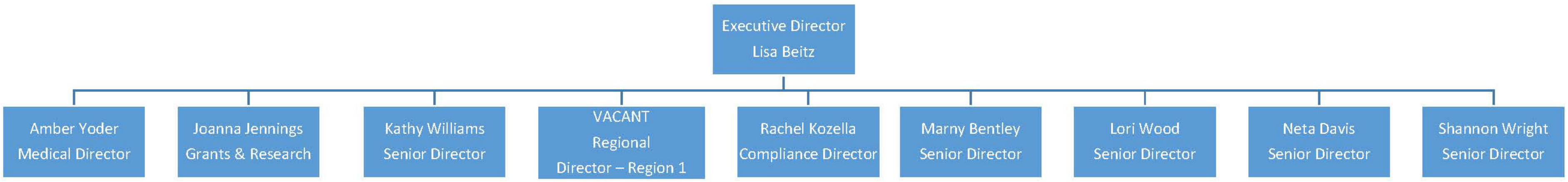
Heather Hines .... Senior Director of Adult Development Services

Neta Davis........ Senior Director of Child and Family and Adult Clinical Services

Lori Wood........ Senior Director of Emergency and Short-Term Stabilization Services

REGION TEN COMMUNITY SERVICES BOARD

ORGANIZATIONAL CHART
June 30, 2023



FINANCIAL SECTION

The Financial Section contains the Basic Financial Statements.

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Region Ten Community Services Board
Charlottesville, Virginia

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Region Ten Community Services Board (the "Board"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 Board, as of June 30, 2023, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our ethical requirements, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Notes 1, 4, and 5 to the financial statements, in 2023, the Board adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs).* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

828 Main Street, Suite 1401 • Lynchburg, Virginia 24504 • 434-948-9000 • Fax: 434-948-9029 • www.BEcpas.com

Report on the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Auditor's 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 auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the 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 the 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.

Report on the Financial Statements (Continued)

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023 on our consideration of the 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 to solely 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 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 the Board's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 14, 2023

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

FISCAL YEAR 2023 HIGHLIGHTS

- Region Ten served 8,106 consumers.
- Received two grant awards from the Opioid Abatement Authority in partnership with RTCSB localities to expand Region Ten's Crisis Intervention Team Assessment Center (CITAC), create a Crisis Receiving Center, and expand Community Outreach programming.
- Reopened RTCSB's Blue Ridge Center with additional community outreach components to provide services to the local community regardless of enrollment status at Region Ten.
- Received approval through Service Dogs of Virginia for a Facility animal to serve RTCSB consumers and staff.
- Recognized by the Dogwood Foundation for meeting the behavioral health needs of the community and was featured in the 73rd annual Dogwood Parade.
- Region Ten continued to serve as Region One's Fiscal Agent.
- Region Ten continued engagement in programs such as the "Do Your Part" campaign to distribute free medication lock boxes (728 distributed), cable gun lock and trigger gun locks (951 distributed); provided tobacco prevention programs; hosted a series of webinars on Problem Gambling; and engaged in Student Assisted Program (SAP) supports.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Net Position. The Statement of Net Position reflects as of the last day of the fiscal year, the assets (cash and other property) owned and liabilities (debts and other obligations) owed by the Board. The difference between total assets and deferred outflows and total liabilities and deferred inflows determines the net position (equity), which is generally perceived as a measure of financial solvency.

A summary of Board's Statement of Net Position for 2023 and 2022 is presented below:

Condensed Statement of Net Position

	2023	2022
Assets		
Current assets	$ 39,551,528	$ 30,968,818
Capital assets	26,426,290	26,655,787
Other non-current assets	10,954,982	15,390,079
Total Assets	76,932,800	73,014,684
Deferred Outflows of Resources	988,300	2,169,398
Liabilities		
Current Liabilities	25,591,332	20,850,286
Long-Term Liabilities (less current portion)	10,782,431	11,440,568
Total Liabilities	36,373,763	32,290,854
Deferred Inflows of Resources	3,536,293	10,624,868
Net Position	$ 38,011,044	$ 32,268,360

The Board presents an improved financial position over last year. Net position increased by approximately 18%.

Changes in net position. The Statement of Revenues, Expenses, and Changes in Fund Net Position is a presentation of the amount of income generated (revenues) and resources consumed (expenses) during the fiscal year. The net difference between revenues and expenses represent the amount net position increased or decreased for the year. A summary of the Board's Statement of Revenues, Expenses, and Changes in Fund Net Position for 2023 and 2022 is presented below:

Condensed Statement of Revenue, Expenses and Changes in Fund Net Position

	2023	2022
Operating Revenue	$ 21,382,894	$ 21,995,906
Operating Expense	52,348,360	50,950,833
Operating Loss	(30,965,466)	(28,954,927)
Net Non-operating Revenue	36,708,150	34,451,406
Change in Net Position	$ 5,742,684	$ 5,496,479

Change in net position reflects an increase of approximately 4%.

Cash Flows. The Statement of Cash Flows indicates the net increase or decrease of cash resources for the Board during the year and the activities that produced the increase or decrease. The statement concludes with a reconciliation tying the beginning cash balance and results for the year to the ending balance. A summary of the Board's Statement of Cash Flows for 2023 and 2022 is presented below:

Condensed Statement of Cash Flows

	2023	2022
Cash flows used in operating activities	$ (31,956,129)	$ (30,810,169)
Cash flows provided by non-capital financing activities	41,885,555	46,814,616
Cash flows used in capital and related financing activities	(1,663,133)	(1,923,034)
Cash flows provided by investing activities	323,014	11,831
Net cash increase	$ 8,589,307	$ 14,093,244

The Board shows a $8,589,307 increase in net cash from fiscal year 2022 to fiscal year 2023. The increase in net cash resulted in an overall net cash balance of $37,162,813 for fiscal year 2022.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2023, the Region Ten Community Services Board had $26,426,290 in net capital assets. This is comprised of $42,581,191 in capital assets less $16,154,901 in accumulated depreciation and amortization (please see Note 4). Of the total capital assets (before accumulated depreciation and amortization), furniture and equipment (including software, vehicles, and right-to-use assets) constitutes 12%, land (including construction in process) constitutes 13%, and buildings and improvements constitute the remaining 75%.

Long-Term Debt

Long-term obligations (including the current portion) – as of June 30, 2023 equaled $11,024,661 (Please see Note 5). This is a net decrease of $894,261. The net change per category of long-term debt is as follows:

Notes Payable – reflects a net decrease of $694,510.

Compensated Absences – reflects a decrease of $20,972.

Lease Liabilities – reflects a net decrease of $32,630.

Subscription Liabilities – reflects a decrease of $146,149.

Summary

The Statement of Net Position shows net position increased by approximately 18%.

The Statement of Revenues, Expenses, and Changes in Fund Net Position show the net position of the Board increased $5,742,684 during fiscal year 2023.

The Statement of Cash Flows shows that cash increased $8,589,307 in fiscal year 2023.

Request for Information

This financial report is intended to provide a general overview of Region Ten Community Services Board's financial position for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Kelly Crickenberger, Fiscal Director of Accounting, Region Ten Community Services Board, 500 Old Lynchburg Road, Charlottesville, Virginia 22903.

BASIC FINANCIAL STATEMENTS

REGION TEN COMMUNITY SERVICES BOARD

STATEMENT OF NET POSITION
June 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Note 2)	$ 18,516,065
Accounts receivable, net (Note 3)	2,173,416
Due from other governments	23,547
Other receivables	1,225
Interest rate swap asset (Note 5)	190,527
Cash and cash equivalents, restricted (Note 2)	18,646,748
Total current assets	39,551,528
NONCURRENT ASSETS	
Funds held by others (Note 2)	480,021
Net pension asset (Note 8)	10,474,961
Capital assets, net (Note 4)	26,426,290
Total noncurrent assets	37,381,272
Total assets	76,932,800
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (Note 8)	423,542
Deferred outflows related to other postemployment benefits (Notes 9 and 10)	564,758
Total deferred outflows of resources	988,300
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	460,413
Accrued payroll and related liabilities	1,436,174
Other liabilities	54,068
Amounts held for clients, payable from restricted assets	133,111
Unearned revenue (Notes 7 and 11)	21,241,627
Current portion of long-term liabilities (Note 5 and 6)	2,265,939
Total current liabilities	25,591,332

(Continued)

The Notes to Financial Statements are an integral part of this statement.

REGION TEN COMMUNITY SERVICES BOARD

STATEMENT OF NET POSITION
June 30, 2023

LIABILITIES (Continued)	
LONG-TERM LIABILITIES	
Other postemployment benefits (Notes 9 and 10)	$ 2,023,709
Long-term liabilities, noncurrent portion (Note 5 and 6)	8,758,722
Total long-term liabilities	10,782,431
Total liabilities	36,373,763
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 8)	2,123,437
Deferred inflows related to other postemployment benefits (Notes 9 and 10)	1,222,329
Interest rate swaps (Note 5)	190,527
Total deferred inflows of resources	3,536,293
NET POSITION	
Net investment in capital assets	16,782,420
Restricted	
Annette Vail Memorial Trust	10,000
Housing and Urban Development capital advance	502,700
Pension	10,474,961
Unrestricted	10,240,963
Total net position	$ 38,011,044

The Notes to Financial Statements are an integral part of this statement.

REGION TEN COMMUNITY SERVICES BOARD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2023

OPERATING REVENUES	
Net client service revenue (Note 13)	$ 21,382,894
OPERATING EXPENSES	
Salaries and benefits	29,697,721
Staff development and recruitment	560,679
Facility	2,237,487
Supplies	1,817,255
Travel	407,302
Contractual and professional services	5,621,525
Client services	10,471,417
Depreciation and amortization	1,255,691
Other	279,283
Total operating expenses	52,348,360
Operating loss	(30,965,466)
NONOPERATING REVENUES (EXPENSES)	
Commonwealth of Virginia grants	29,704,773
Federal grants	3,214,496
Contributions from participating local governments (Note 14)	2,475,985
Interest income	323,014
Gain on disposal of capital assets	23,881
Unrealized loss funds held by others	136,477
Interest expense and other fees	(400,658)
Rental income (Note 6)	30,352
Other income (Note 15)	1,199,830
Net nonoperating revenues (expenses)	36,708,150
Change in net position	5,742,684
NET POSITION AT JULY 1	32,268,360
NET POSITION AT JUNE 30	$ 38,011,044

The Notes to Financial Statements are an integral part of this statement.

REGION TEN COMMUNITY SERVICES BOARD

STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

OPERATING ACTIVITIES	
Receipts from clients, private insurers, Medicaid, and others	$ 21,469,589
Payments to suppliers	(21,947,333)
Payments to and for employees	(31,244,936)
Other receipts	(233,449)
Net cash used in operating activities	(31,956,129)
NON-CAPITAL FINANCING ACTIVITIES	
Contributions from local, state, and federal governments	40,510,367
Other receipts	1,375,188
Net cash provided by non-capital financing activities	41,885,555
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(424,844)
Proceeds from the sale of capital assets	36,829
Principal paid on debt	(901,878)
Interest paid on debt	(373,240)
Net cash used in capital and related financing activities	(1,663,133)
INVESTING ACTIVITIES	
Interest received	323,014
Net increase in cash and cash equivalents	8,589,307
CASH AND CASH EQUIVALENTS	
Beginning at July 1	28,573,506
Ending at June 30	$ 37,162,813

(Continued)

The Notes to Financial Statements are an integral part of this statement.

REGION TEN COMMUNITY SERVICES BOARD

STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 18,516,065
Cash and cash equivalents, restricted	18,646,748
	$ 37,162,813
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (30,965,466)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	1,255,691
Pension expense net of employer contribution	(1,529,443)
Other postemployment expense net of employer contribution	(389,112)
(Increase) decrease in:	
Accounts receivable, net	86,695
Increase (decrease) in:	
Accounts payable	(552,385)
Accrued payroll and related liabilities	392,312
Security deposits payable – included in other liabilities	(315)
Amounts held for clients, payable from restricted assets	(233,134)
Compensated absences – included in long-term liabilities	(20,972)
Net cash used in operating activities	$ (31,956,129)
SCHEDULE OF NON-CASH ACTIVITIES	
Capital assets obtained through lease liabilities and subscription based informational technology arrangements	$ 28,589

The Notes to Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

Financial reporting entity

Region Ten Community Services Board (the "Board") is a jointly governed entity that operates as an agent for the Counties of Albemarle, Nelson, Fluvanna, Greene, and Louisa, and the City of Charlottesville in the establishment and operation of treatment programs for community mental health disorders, developmental disabilities, and substance abuse disorders as provided for in Chapter 5 of Title 37.2 of the *Code of Virginia* (1950), as amended, relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Board provides treatment of community mental health disorders, developmental disabilities, and substance abuse disorders with a system of services that relates to, and is integrated with, existing and planned programs. Substantially all of the Board's funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the aforementioned localities.

Blended component units

The following blended component units, although legally separate entities, are in substance part of the Board's operations, and so financial information from these units is combined with the financial statements of the Board. The Board can impose its will over these organizations and is financially accountable for them.

Region Ten Community Services Board, Inc. ("RTCSB, Inc.") is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the *Internal Revenue Code*. The members of the Board also serve as the Board of Directors for RTCSB, Inc. RTCSB, Inc. is responsible for receiving public support to establish, maintain, and promote the development of mental health, developmental disabilities, and substance abuse services and holding title to real and other property on behalf of the Board. The Board has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the *Internal Revenue Code*.

Pine Ridge Residence, Inc. ("Pine Ridge") is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the *Internal Revenue Code*. Pine Ridge was organized to own and operate facilities for handicapped individuals as a Section 811 project under the National Affordable Housing Act.

Measurement focus and basis of accounting

The Board is a governmental health care entity and follows the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). The Board's financial statements consist of a single enterprise fund, which includes the blended component units previously described, and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting (Continued)

The Board distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Board's principal ongoing operations. The principal operating revenues of the Board are fees collected from clients and the related collections from the various third-party insurers, including Medicaid. Operating expenses consist of the direct and indirect costs of fulfilling the programs of the Board. All other revenues and expenses are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities as well as the reported revenues and expenses. Actual results could differ from those estimates.

The allowance for uncollectible accounts is a significant estimate that involves a great deal of judgment and the consideration of many factors. By nature, this estimate is not precise and requires re-evaluation as conditions and factors change. Key factors that affect this calculation for the Board are the delays in collections from third parties, the need to rebill to multiple third-party payors, rate adjustments and settlements with third-party payors, and the financial assistance provided to clients based on their ability to pay.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair value measurements

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

Valuation of receivables

Receivables are reported net of the estimated allowance for uncollectible accounts. Management estimates this allowance using historical collection data and the aging of accounts receivable.

Note 1. Summary of Significant Accounting Policies (Continued)

Net client service revenue

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

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, amounts charged vary 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, such amounts are not reported as revenue.

Capital assets

Capital assets include property and equipment with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at date of donation. The costs of normal maintenance and repairs that do not materially add to the value of an asset or its life are expensed.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives or lease terms:

Buildings and improvements	10-40 years
Furniture and equipment	3-10 years
Software	5 years
Motor vehicles	5 years

Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset. In leases where a purchase option is reasonably certain of being exercised the asset is amortized over the useful life, unless the underlying asset is nondepreciable, in which the leased asset is not amortized.

Subscription assets are amortized over the shorter of the subscription term or useful life of the underlying capital IT asset.

Restricted assets

The Board segregates funds held on behalf of clients and for deposit reserves required by the U.S. Department of Housing and Urban Development (HUD) for replacement of property and other expenditures at Pine Ridge.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Funds held by others

The Board is the beneficiary of funds that are held by the Charlottesville Area Community Foundation (CACF) and are invested on behalf of the Board. The Board of Directors can request all or a portion of these funds at any time for use for behavioral health programs. The funds will be held by CACF until such a request is made. The Board considers the carrying amount to be a Level 2 fair value measurement.

Interest rate swaps

The Board entered into various interest rate swap agreements in order to convert variable rate debt to a fixed rate in order to hedge against the changes in cash flow requirements of its variable rate debt. The interest rate swaps are reflected at their fair value at June 30, 2023, with related debt being hedged reflected at carrying value. The change in fair value is reflected as a deferred outflow of resources.

Pensions and other postemployment benefits (OPEB)

For purposes of measuring all financial statement elements related to VRS administered pension and OPEB plans, information about the fiduciary net position of the Board's Plans and the additions to/deductions from the Board's Plan's net fiduciary 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.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position applicable to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

The Board has the following items that qualify for reporting in these categories:

- Fair value of interest rate swaps may be reflected as a deferred inflow or outflow, as appropriate.
- Contributions subsequent to the measurement date for pensions and the OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Changes in proportionate share between measurement dates on the OPEB liability. This difference will be recognized in OPEB expense over the remaining service life of the employees subject to the plan, and is reflected as a deferred inflow or outflow as appropriate.

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (Continued)

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total net pension asset or OPEB liability. This difference will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.
- Differences between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period and may be reported as a deferred inflow or outflow as appropriate.
- Changes in assumptions on pension plan or OPEB investments. This difference will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.

Compensated absences

Employees are entitled to certain compensated absences based upon length of employment. Sick leave for employees who have been employed for five years or longer vests up to the lesser of $5,000 or 25% of the sick leave balance. Other sick leave does not vest with the employee and is recorded as an expense when paid. Vacation and certain other compensated absences do vest with the employee. A provision for these vested compensated absences has been recorded in the financial statements. Because the timing of the use of the benefit is not estimable, all of the liability has been classified as current and is included in current portion of long-term liabilities on the statement of net position.

Rental income

RTCSB, Inc. owns various properties which are leased to the Board and others. Rental income is recognized as earned. Intercompany activity is eliminated from the financial statements.

Restricted net position

Restricted net position represents the $10,000 principal of the Annette Vail Memorial Trust, which has been permanently restricted by the donor, the $502,700 of initial capital provided by HUD to establish and construct the Pine Ridge facility, which is restricted by HUD for 40 years following the 2008 facilities construction (time restricted), and the Board’s $10,474,961 net pension asset, restricted for expected future pension payments.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Leases

Key estimates and judgements include how the Board determines (1) the discount rate it uses to discount the expected lease receipts and/or payments to present value, (2) lease term, and (3) lease receipts and/or payments.

- The Board uses an estimated incremental borrowing rate as the discount rate for lease.
- The lease term includes the noncancellable periods of the lease. Lease receipts and payments are included in the measurement of the lease receivable or liability, respectively, and are composed of fixed payments.
- The Board monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease receivable or liability.

Right-of-use lease asset and related lease liability

The Board is a lessee for noncancellable leases of equipment and motor vehicles. The Board recognizes an intangible right-to-use asset (lease asset) and a related lease liability on the financial statements. At the commencement of a lease, the Board initially measures a lease liability at the present value of payments expected to be made during the lease period. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain direct costs. Subsequent to the initial measurement and recognition, the lease asset is amortized on a straight-line basis over its useful life.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt in the statement of net position.

Adoption of new accounting standard

Effective July 1, 2022, the Board adopted Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements.* This new standard requires reporting an intangible right-to-use asset and subscription liability for Information Technology contracts. Before the implementation of this standard, IT contracts were expensed.

The Board has a SBITA for its Credible software platform expiring in June 2026. The Board uses its estimated incremental borrowing rate as the discount rate as the subscription arrangement does not explicitly state an interest rate. The value of the right-to-use subscription asset and related accumulated amortization as of year-end are disclosed in Note 4. The related liability as well as principal and interest requirements to maturity are disclosed in Note 5.

Note 2. Deposits and Investments

Deposits

Deposits with banks, excluding those of Pine Ridge Residence, Inc. and deposits held for clients, 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 from 50% to 130% of excess deposits. The deposits of Pine Ridge Residence, Inc. and deposits held for clients do have FDIC coverage. Accordingly, all deposits are considered fully collateralized.

Cash and cash equivalents consist of the following:	
Cash on hand	$ 1,346
Deposits	37,161,467
	$ 37,162,813
Statement of net position:	
Cash and cash equivalents	$ 18,516,065
Cash and cash equivalents, restricted for client funds	143,782
Cash and cash equivalents, restricted for deposit reserves	40,687
Cash and cash equivalents, restricted for regional funds	18,462,279
	$ 37,162,813

Investments

Statutes authorize the Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). Current Board policy is to invest cash reserves on a daily basis through the use of repurchase agreements with the Board's bank. The Board held no investments at June 30, 2023.

Note 3. Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	$ 1,802,242
Direct client	2,959,685
Third-party insurers and other	1,027,192
	5,789,119
Allowance for uncollectible accounts	(3,615,703)
	$ 2,173,416

(Continued)

Note 4. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance
Capital assets, nondepreciable				
Land	$ 5,449,500	$ -	$ -	$ 5,449,500
Construction in progress	110,721	305,490	209,025	207,186
Capital assets, nondepreciable	5,560,221	305,490	209,025	5,656,686
Capital assets, depreciable				
Building and improvements	31,771,478	245,419	-	32,016,897
Furniture and equipment	1,654,641	58,960	-	1,713,601
Software	341,721	-	-	341,721
Motor vehicles	2,184,483	24,000	116,267	2,092,216
Capital assets, depreciable	35,952,323	328,379	116,267	36,164,435
Less accumulated depreciation for:				
Building and improvements	11,614,419	828,386	-	12,442,805
Furniture and equipment	1,428,103	49,026	-	1,477,129
Software	341,721	-	-	341,721
Motor vehicles	1,596,038	163,470	104,993	1,654,515
Total accumulated depreciation	14,980,281	1,040,882	104,993	15,916,170
Capital assets, depreciable, net	20,972,042	(712,503)	11,274	20,248,265
Right-of-use leased assets				
Equipment	120,043	28,589	16,134	132,498
Motor vehicles	41,864	-	-	41,864
Less accumulated amortization	(38,383)	(61,335)	(14,461)	(85,257)
Total leased assets, net	123,524	(32,746)	1,673	89,105
Subscription right-to-use assets	585,708	-	-	585,708
Less accumulated amortization	-	(153,474)	-	(153,474)
Total subscription assets, net	585,708	(153,474)	-	432,234
Total capital assets, net	$ 27,241,495	$ (593,233)	$ 221,972	$ 26,426,290

*As restated for the implementation of GASB Statement 96. No impact on beginning net position, see Notes 1 and 5.

Note 4. Capital Assets (Continued)

Intangible right-to-use assets

In 2022, the Board implemented the guidance in GASBS No. 87, *Leases*, and recognized the value of copiers and motor vehicles leased under long-term contracts and lease liabilities. In 2023, intangible assets also include subscription right-to-use assets recorded under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (*SBITAs*), net of accumulated amortization. (Note 5).

Note 5. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

	Beginning Balance*	Increases	Decreases	Ending Balance	Due Within One Year
Notes from direct borrowings	$ 9,808,681	$ -	$ 694,510	$ 9,114,171	$ 697,142
Lease liabilities	122,770	28,589	61,219	90,140	39,458
Subscription liabilities	585,708	-	146,149	439,559	148,548
Compensated absences	1,401,763	-	20,972	1,380,791	1,380,791
	$ 11,918,922	$ 28,589	$ 922,850	$ 11,024,661	$ 2,265,939

*As restated for the implementation of GASB Statement 96. No impact on beginning net position, see Notes 1 and 5.

Annual debt service requirements are as follows:

	Notes from Direct Borrowings		Lease Liabilities	
Fiscal Year	Principal	Interest	Principal	Interest
2024	$ 697,142	$ 332,949	$ 39,458	$ 1,725
2025	704,684	306,621	25,172	1,072
2026	731,857	280,258	13,834	592
2027	1,374,449	241,031	5,822	329
2028	1,599,960	168,498	5,854	104
2029-2033	3,733,281	388,527	-	-
2034	272,798	1,993	-	-
	$ 9,114,171	$ 1,719,877	$ 90,140	$ 3,822

Annual requirements to amortize long-term subscription liabilities and related interest are as follows:

	Subscription Liabilities	
	Principal	Interest
2024	$ 148,548	$ 11,327
2025	156,942	6,930
2026	134,069	2,362
	$ 439,559	$ 20,619

Note 5. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

Notes Payable	Interest Rate	Date Issued	Final Maturity Date	Amount of Original Issue	Balance
Secured by real estate	65% of AMERIBOR + 2.25%*	October 2013	October 2033	$ 5,870,000	$ 3,560,608
Secured by real estate	65% of AMERIBOR + 2.25%*	October 2013	October 2033	3,817,000	2,315,305
Secured by real estate	65% of AMERIBOR + 2.25%*	April 2015	October 2033	2,040,000	1,265,745
Secured by real estate	3.50%	January 2017	January 2027	1,040,000	802,422
Secured by real estate	5.58%	November 2013	November 2023	320,000	16,985
Secured by real estate	5.00%	September 2017	October 2027	1,360,000	1,153,106
					$ 9,114,171

*At June 30, 2023, this rate was 5.17%.

Interest rate swap

The Board has three interest rate swap agreements in effect at June 30, 2023. The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Objective. To lower its borrowing costs and increase its savings, the Board issued variable rate debt and simultaneously entered into interest rate swaps to serve as hedges against swings in the cash flows that would be required for its variable rate notes payable. The Board's objective for entering the swaps was to effectively change its new variable rate notes to synthetic fixed rate notes, two at 3.540% and one at 2.984%.

Note 5. Long-Term Liabilities (Continued)

Interest rate swap (Continued)

Significant terms and recurring fair value measurements of the three interest rate swaps are as follows:

Swap Related To	Current Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value at 06/30/23	Termination Date
$5,870,000 Note	$ 3,560,609	10/24/2013	3.540 %	65% of AMERIBOR + 1.46250%	$ 78,019	10/07/2033
$3,817,000 Note	$ 2,315,305	10/24/2013	3.540 %	65% of AMERIBOR + 1.46250%	50,732	10/07/2033
$2,040,000 Note	$ 1,265,745	04/01/2015	2.984 %	65% of AMERIBOR + 1.46250%	61,776	10/07/2033
					$ 190,527	

Interest rate swaps are classified as Level 2 in the fair value hierarchy and are valued based on proprietary models of the financial institution.

The Board entered into the swaps at a cost of $-0-. AMERIBOR is the American Interbank Offered Rate, the benchmark interest rate based on overnight unsecured loans transacted on the American Financial Exchange (AFX).

Credit risk. The Board is exposed to credit risk on the swaps only when their fair values are positive or assets.

Interest rate risk. The Board is exposed to interest rate risk in that when AMERIBOR decreases, the fair value of the swap liability reported by the Board increases.

Termination risk. The Board or its counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If at the time of termination, the swaps have a negative fair value, the Board would be liable to the counterparty for a payment equal to that fair value.

Rollover risk. The Board is exposed to rollover risk on the interest rate swaps only to the extent that the swaps may be terminated prior to maturity as described above. Absent a termination event, all three swaps are scheduled to mature at the same time as the related debt.

Note 5. Long-Term Liabilities (Continued)

Interest rate swap (Continued)

Swap payments and associated debt. Using rates as of June 30, 2023, debt service requirements of the variable rate debt and net swap payments related to those notes, assuming current interest rates remain the same for the term of the bonds, are as follows:

	Variable Rate Notes and Swap Agreements			
	Underlying Notes			
Year Ending June 30,	Principal	Projected Variable Interest Payments at June 30, 2023 Interest Rates	Projected Interest Rate Swap Payments (Receipts) at June 30, 2023 Rates, Net	Total
2024	$ 584,578	$ 333,914	$ (93,331)	$ 825,161
2025	604,316	304,268	(85,031)	823,553
2026	626,562	274,503	(76,701)	824,364
2027	648,766	243,670	(68,076)	824,360
2028	671,357	212,310	(59,306)	824,361
2029-2033	3,733,282	539,045	(150,517)	4,121,810
2034	272,798	2,764	(771)	274,791
	$ 7,141,659	$ 1,910,474	$ (533,733)	$ 8,518,400

The net swap payments are the projected difference between the receive variable, pay fixed components of the swap agreement. As rates vary, variable-rate note interest payments and net swap payments will vary. As long as the agreement stays in effect the total payments are not expected to change.

Loan covenants and other matters

The various note agreements described above include certain loan covenants including liquidity and working capital requirements and liabilities to tangible net worth ratio requirements. The Board was in compliance with all such covenants at June 30, 2023. Certain of the agreements also include prepayment premiums.

Note 6. Leases

Lease liabilities

A summary of significant leases are as follows:

Lease Description	Term	Asset Class	Interest Rate	Balance
Ricoh IMC3500 Configurable PTO Model	12/23/2019-12/22/2023	Equipment	0.751%	$ 2,343
Ricoh IMC3000 Configurable PTO Model	6/6/2023-6/5/2028	Equipment	3.674%	9,702
Ricoh IMC3000 Configurable PTO Model	6/6/2023-6/5/2028	Equipment	3.674%	8,335
Ricoh IMC3000 Configurable PTO Model	1/4/2020-1/3/2024	Equipment	1.003%	1,477
13 Ricoh Printers (Various Models)	10/23/2021-10/22/2025	Equipment	1.426%	39,262
Ricoh IMC3000 Configurable PTO Model	9/8/2019-9/7/2023	Equipment	0.751%	729
Ricoh IMC3000 Configurable PTO Model	5/23/2023-5/22/2028	Equipment	3.602%	9,886
Ricoh Greenline MP C3004	6/7/2022-6/16/2026	Equipment	0.624%	3,851
Ricoh IMC2500500	4/1/2022-3/31/2026	Equipment	3.275%	4,303
2020 Nissan Rogue	9/18/2020-9/17/2023	Motor Vehicles	0.074%	974
2021 Toyota RAV4	1/8/2021-1/7/2024	Motor Vehicles	5.097%	2,443
2021 Toyota RAV4	1/8/2021-1/7/2024	Motor Vehicles	4.991%	2,444
2021 Toyota RAV4	1/8/2021-1/7/2024	Motor Vehicles	5.097%	2,443
2020 Nissan Rogue	9/18/2020-9/17/2023	Motor Vehicles	0.073%	974
2020 Nissan Rogue	9/18/2020-9/17/2023	Motor Vehicles	0.073%	974
				$ 90,140

Note 6. Leases

Short-term leases

The Board leases office space, parking, and other facilities under lease terms which range from monthly to a year. Future minimum lease requirements under non-cancellable short-term leases, excluding intercompany amounts, are $284,354 for fiscal year 2023.

Rental expense related to short-term leases for 2023 totaled $322,664, excluding $2,296,681 of intercompany amounts.

RTCSB, Inc. leases office space and other facilities to the Board, as well as commercial and residential lessees, however, all such rentals are intercompany agreements and, as such, activity is eliminated in consolidation.

Total rental income related to non-intercompany short-term leases for the year ended June 30, 2023 totaled $30,352, excluding intercompany rents.

Note 7. Regional Funds

The Board serves as the fiscal agent for several regional programs, which are administered by several community services boards, including the Board, in a region established by the State. The Board oversees a pool of state funds, and directs the allocation of those funds to or on behalf of various community services boards within the region. The programs include discharge assistance program (DAP), acute care local inpatient purchase of services (LIPOS), mental health crisis and other (MH Other), system transformation excellence and performance (STEP), permanent supportive housing, domestic violence crisis stabilization (DV), and substance use disorders – community detox (SUD). There are also federal funds which include American Rescue Plan Funds. The funds spent in the fiscal year are accounted for as revenues and expenses of the Board. The funds received by the Board and spent on behalf of the region consisted of the following:

Unearned revenue:		
DAP	$	5,210,738
LIPOS		396,993
MH Other		255,232
STEP		3,982,125
Permanent supportive housing		900,000
DV		771,542
SUD		190,399
Federal		1,590,000
Balance, June 30, 2022	$	13,297,029

(Continued)

Note 7. Regional Funds (Continued)

Funds received:	
DAP	$ 12,452,175
LIPOS	948,689
MH Other	2,283,540
STEP	7,430,123
DV	3,391,635
SUD	165,000
Total funds received	$ 26,671,162
Funds spent:	
DAP	$ 11,072,114
LIPOS	512,842
MH Other	2,133,995
STEP	5,158,086
Permanent supportive housing	103,146
DV	2,171,850
SUD	213,879
Federal	140,000
Total funds spent	$ 21,505,912
Unearned revenue:	
DAP	$ 6,590,799
LIPOS	832,840
MH Other	404,777
STEP	6,254,162
Permanent supportive housing	796,854
DV	1,991,327
SUD	141,520
Federal	1,450,000
Balance, June 30, 2023	$ 18,462,279

The $21,505,912 of revenue recognized for funds spent on behalf of the region are included in Commonwealth of Virginia and federal grants and the expenses are included in salaries and benefits, contractual and professional services and client services on the statement of revenues, expenses, and changes in fund net position. Of these funds spent on behalf of the region, $9,847,531 was for services provided directly by the Board, with the remaining spent on behalf of the remaining participating community services boards.

Note 8. Defined Benefit Pension Plan

Plan description

All full-time, salaried permanent employees of Region Ten Community Services Board, (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is 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.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- https://www.varetire.org/members/benefits/defined-benefit/plan1.asp,
- https://www.varetire.org/members/benefits/defined-benefit/plan2.asp,
- https://www.varetirement.org/hybrid.html.

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:

	Members
Inactive members or their beneficiaries currently receiving benefits	211
Inactive members:	
Vested inactive members	182
Non-vested inactive members	497
LTD	1
Inactive members active elsewhere in VRS	220
Total inactive members	900
Active members	380
Total covered employees	1,491

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 political subdivision's contractually required contribution rate for the year ended June 30, 2023 was 2.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

(Continued)

Note 8. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

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 political subdivision were $281,598 and $400,499 for the years ended June 30, 2023 and 2022, respectively.

Net pension liability (asset)

The net pension liability (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 political subdivisions, the net pension liability (asset) was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability (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

The total pension liability for General Employees in the Political Subdivision'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%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various set backs or set forwards for both males and females.

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 are as follows:

> General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Note 8. Defined Benefit 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)	Target 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 for 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 rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 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. Defined Benefit Pension Plan (Continued)

Discount rate

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

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) – (b)**
Balances at June 30, 2021	$ 58,499,647	$ 73,453,950	$ (14,954,303)
Changes for the year:			
Service cost	1,419,599	-	1,419,599
Interest	3,948,295	-	3,948,295
Differences between expected and actual experience	301,432	-	301,432
Contributions – employer	-	400,499	(400,499)
Contributions – employee	-	901,117	(901,117)
Net investment income	-	(67,478)	67,478
Benefit payments, including refunds of employee contributions	(2,851,974)	(2,851,974)	-
Administrative expenses	-	(45,841)	45,841
Other changes	-	1,687	(1,687)
Net changes	2,817,352	(1,661,990)	4,479,342
Balances at June 30, 2022	$ 61,316,999	$ 71,791,960	$ (10,474,961)

Note 8. Defined Benefit Pension Plan (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision'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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	$ (1,718,274)	$ (10,474,961)	$ (17,474,084)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2023, the political subdivision recognized pension benefit of $1,247,881. At June 30, 2023, the political subdivision 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	$ 141,944	$ -
Net difference between projected and actual earnings on pension plan investments	-	2,123,437
Employer contributions subsequent to the measurement date	281,598	-
	$ 423,542	$ 2,123,437

Note 8. Defined Benefit Pension Plan (Continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (Continued)

The $281,598 reported as deferred outflows of resources related to pensions resulting from the political subdivision'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 as follows:

Year Ended June 30,	Addition (Reduction) to Pension Expense
2024	$ (688,842)
2025	(862,806)
2026	(1,424,206)
2027	994,361
2028	-
Thereafter	-

Pension plan data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at http://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.

Payables to the pension plan

At June 30, 2023, approximately $162,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Board also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan descriptions

Group Life Insurance Program

All full-time employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Plan descriptions (Continued)

Group Life Insurance Program (Continued)

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp.

The GLI plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plan.

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2023 Contribution	$115,289
June 30, 2022 Contribution	$108,490

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB

The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by 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 OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2023 proportionate share of liability	$	1,111,742
June 30, 2022 proportion		0.09233%
June 30, 2021 proportion		0.09129%
June 30, 2023 benefit	$	11,075

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 88,036	$ 44,600
Change in assumptions	41,466	108,288
Net difference between projected and actual earnings on OPEB plan investments	-	69,468
Changes in proportion	32,507	236,712
Employer contributions subsequent to the measurement date	115,289	-
	$ 277,298	$ 459,068

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

The deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net 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 OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program

Year Ended June 30,	**Reduction to OPEB Expense**
2024	$ (68,415)
2025	(72,571)
2026	(115,703)
2027	(34,472)
2028	(5,898)
Thereafter	-

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 8.

(Continued)

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Net OPEB liabilities

The net OPEB liabilities represent each program'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, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	$ 3,672,085
Plan fiduciary net position	$ 2,467,989
Employers' net OPEB liability	$ 1,204,096
Plan fiduciary net position as a percentage of total OPEB liability	67.21%

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

Long-term expected rate of return

Group Life Insurance

The long-term expected rate of return on VRS investments was determined using the method described in Note 8.

Discount rate

The discount rate used to measure the GLI 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Board, as well as what the Board's net 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 discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI net OPEB liability	$ 1,617,715	$ 1,111,742	$ 702,847

OPEB plan fiduciary net position

Information about the various VRS OPEB plan 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 http://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 10. Other Postemployment Benefits Liability – Local Plan

Plan description

The Board offers health insurance benefits to qualified retirees under a single-employer plan. Participants must be eligible to retire with a pension benefit from the VRS and must have at least 11 years of full-time service at the Board at the date of retirement with at least five years of continuous service as of July 1, 2012. Employees who were hired after July 1, 2007 or without the service requirements as of July 1, 2012 are not eligible for the plan. Health benefits include medical, dental, and vision coverage for retirees and eligible spouses/dependents.

Eligible retirees under the age of 65 may choose one of the following health insurance options: (a) Coventry Health Care – POS 1500, (b) Coventry Health Care – POS 4000/CDHP, or (c) Coventry Health Care – PPO 1500. Coverage in the plan ends for the retiree when the retiree reaches age 65, after which the Board pays directly to the retiree half the amount of the contribution that the Board would pay if the retiree were under age 65 to purchase supplemental healthcare coverage. Coverage for the spouse ends at the spouse's attainment of age 65. Effective July 1, 2013, post-65 retiree medical benefits have been eliminated for participants who retire after June 30, 2016. Retirees may also choose between the High and Low Premium Dental Plans.

The authority to establish and amend the benefit provisions of the plan rests with the Board. There is no publicly available financial report for the plan.

(Continued)

Note 10. Other Postemployment Benefits Liability – Local Plan (Continued)

Plan description (Continued)

The contribution requirements of plan members and the Board are established and may be amended by the Board. For eligible retirees, the Board makes monthly contributions directly to retirees under age 65 according to years of service. Monthly contributions range from $17 for 11 years of service to $345 for 30 or more years of service. Once the retiree reaches age 65, the Board pays directly to the retiree no more than half the amount of the contribution that the Board would pay the retiree under 65. Spouses and dependents receive no explicit contribution from the Board.

Employees covered by benefit terms

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

	Members
Inactive employees or beneficiaries:	
Currently receiving benefits	30
Active plan members	64
	94

Total OPEB liability

The Board's total OPEB liability of $911,967 was measured as of June 30, 2023 and was determined based on an actuarial valuation performed as of June 30, 2022.

Actuarial assumptions and other inputs

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

Salary increases, including inflation	2.00%
Healthcare cost trend rates	4.75-7.00%

Mortality rates: Healthy life mortality: Society of actuaries Pub-2010 public retirement plans headcount-weighted general mortality tables using scale MP-2021 full generational improvement.

Disabled life mortality: Society of actuaries Pub-2010 public retirement plans headcount-weighted disabled mortality tables using scale MP-2021 full generational improvement.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study as of June 30, 2022.

Changes in assumptions and other inputs reflect an increase in the discount rate from 3.90% to 4.00%, update of the mortality table, updated premiums, and updated turnover and retirement rates.

Note 10. Other Postemployment Benefits Liability – Local Plan (Continued)

Changes in the total OPEB liability

Balance at June 30, 2022	$ 1,200,871
Changes for the year:	
Service cost	12,379
Interest	44,686
Differences between expected and actual experience	(242,582)
Assumption or other input changes	31,498
Benefit payments	(134,885)
Net changes	(288,904)
Balance at June 30, 2023	$ 911,967

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current discount rate:

	1.00% Decrease (3.00%)	Current Discount Rate (4.00%)	1.00% Increase (5.00%)
Total OPEB liability	$ 991,294	$ 911,967	$ 840,547

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates of 4.75-7.00%:

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
Total OPEB liability	$ 873,507	$ 911,967	$ 955,279

(Continued)

Note 10. Other Postemployment Benefits Liability – Local Plan (Continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2023, the Board recognized OPEB benefit of $99,754. At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 154,368	$ 710,911
Change in assumptions	133,092	52,350
	$ 287,460	$ 763,261

The Board's amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Reduction to OPEB Expense
2024	$ (155,263)
2025	(146,432)
2026	(174,106)
2027	-
2028	-
Thereafter	-

Note 11. Unearned Revenue

At June 30, 2023, unearned revenue consists of funding for the regional funds as described in Note 7, permanent supportive housing, crisis stabilization programs, system transformation excellence and performance funds, and other supportive programs. Unearned revenue consists of:

Regional programs	$ 18,462,279
Permanent supportive housing	2,148,096
State opioid response	10,450
Substance abuse	188,477
American Rescue Plan Act non-regional	42,450
Other supportive programs	389,875
	$ 21,241,627

Note 12. Deferred Compensation Plan

The Board offers its employees a deferred compensation plan created in accordance with the *Internal Revenue Code* Section 457. The plan, available to all Board employees, permits them to defer the payment of a portion of their salary until termination, retirement, death, or unforeseeable emergency. All amounts of deferred compensation, including the investments and earnings thereon, remain the property of the Board until paid to the employee, subject to the claims of general creditors. Participating employees' rights under the plan are equal to those of general creditors. It is the opinion of legal counsel that the Board has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The plan assets are held by a trustee and, therefore, are not reported in the financial statements.

Note 13. Net Client Service Revenue

Net client revenues arose from the following sources:

Medicaid	$ 17,276,174
Third-party, direct client fees, and other	4,106,720
	$ 21,382,894

Note 14. Contributions from Participating Local Governments

Contributions from participating local governments were as follows:

County of Albemarle	$ 824,520
County of Fluvanna	131,794
County of Nelson	150,000
County of Greene	79,509
County of Louisa	145,000
City of Charlottesville	1,145,162
	$ 2,475,985

Note 15. Other Income

Other income arose from the following sources:

Donations	$ 62,969
Contract and other	1,136,861
	$ 1,199,830

Note 16. Commitments and Contingencies

Certain state and federal grants and programs are subject to audit to determine compliance with their requirements. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial. The Board also occasionally is the subject of litigation in the course of conducting its business. The Board has recorded no provision for adverse outcomes of such matters as of June 30, 2023.

Note 17. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; the health of and injuries to employees, and natural disasters. The Board participates in Virginia Association of Counties Group Self-Insurance Risk Pool for various liability coverages, which have up to $4,000,000 in coverage limits. The Board participates in the VACO Risk Management pool for workers compensation coverage. There are no surety bonds for directors. The Board assumes risks related to co-insurance, policy deductibles, and claims which exceed insurance coverage. There have been no settlements that have exceeded the insurance coverage in the last three years and there has been no reduction in the amount of insurance coverage from the prior year.

Note 18. Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

In April 2022, the GASB issued **Statement No. 99**, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve 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 requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(Continued)

Note 18. Pending Pronouncements (Continued)

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED
SUPPLEMENTARY INFORMATION

REGION TEN COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2023

	Plan Year		
	2022	**2021**	**2020**
Total Pension Liability			
Service cost	$ 1,419,599	$ 1,514,054	$ 1,830,944
Interest on total pension liability	3,948,295	3,715,344	3,503,105
Difference between expected and actual experience	301,432	(2,443,276)	278,510
Changes in assumptions	-	1,970,707	-
Benefit payments, including refunds of employee contributions	(2,851,974)	(2,598,628)	(2,337,943)
Net change in total pension liability	2,817,352	2,158,201	3,274,616
Total pension liability – beginning	58,499,647	56,341,446	53,066,830
Total pension liability – ending	61,316,999	58,499,647	56,341,446
Plan Fiduciary Net Position			
Contributions – employer	400,499	389,795	399,125
Contributions – employee	901,117	870,914	974,605
Net investment income	(67,478)	16,016,711	1,121,524
Benefit payments, including refunds of employee contributions	(2,851,974)	(2,598,628)	(2,337,943)
Administrative expenses	(45,841)	(40,093)	(38,242)
Other	1,687	1,508	(1,326)
Net change in plan fiduciary net position	(1,661,990)	14,640,207	117,743
Plan fiduciary net position – beginning	73,453,950	58,813,743	58,696,000
Plan fiduciary net position – ending	71,791,960	73,453,950	58,813,743
Net pension asset – ending	$ (10,474,961)	$ (14,954,303)	$ (2,472,297)
Plan fiduciary net position as a percentage of total pension liability	117%	126%	104%
Covered payroll	$ 18,524,058	$ 17,162,255	$ 19,776,756
Net pension asset as a percentage of covered payroll	-57%	-87%	-13%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Requried Supplementary Information are an integral part of these statements.

Plan Year					
2019	2018	2017	2016	2015	2014
$ 1,732,323	$ 1,777,360	$ 1,860,920	$ 1,948,913	$ 1,843,684	$ 1,831,405
3,347,583	3,146,376	3,035,321	2,855,267	2,694,527	2,487,518
(440,052)	(4,732)	(743,067)	(458,653)	(619,325)	-
1,680,138	-	(691,717)	-	-	-
(2,151,550)	(1,937,677)	(1,812,238)	(1,734,441)	(1,510,754)	(1,212,532)
4,168,442	2,981,327	1,649,219	2,611,086	2,408,132	3,106,391
48,898,388	45,917,061	44,267,842	41,656,756	39,248,624	36,142,233
53,066,830	48,898,388	45,917,061	44,267,842	41,656,756	39,248,624
452,850	680,263	678,475	989,438	965,578	943,142
1,135,689	1,081,693	1,084,940	991,398	966,114	943,094
3,709,979	3,853,853	5,684,422	813,303	1,987,824	5,825,974
(2,151,550)	(1,937,677)	(1,812,238)	(1,734,441)	(1,510,754)	(1,212,532)
(36,357)	(32,792)	(32,211)	(27,812)	(26,385)	(30,517)
(2,343)	(3,450)	(5,077)	(339)	(423)	307
3,108,268	3,641,890	5,598,311	1,031,547	2,381,954	6,469,468
55,587,732	51,945,842	46,347,531	45,315,984	42,934,030	36,464,562
58,696,000	55,587,732	51,945,842	46,347,531	45,315,984	42,934,030
$ (5,629,170)	$ (6,689,344)	$ (6,028,781)	$ (2,079,689)	$ (3,659,228)	$ (3,685,406)
111%	114%	113%	105%	109%	109%
$ 22,294,557	$ 21,873,350	$ 20,920,226	$ 20,109,602	$ 19,332,071	$ 18,572,307
-25%	-31%	-29%	-10%	-19%	-20%

REGION TEN COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2023

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 281,598	$ 281,598	$ -	$ 21,521,025	1.31 %
2022	400,499	400,499	-	18,524,058	2.16
2021	389,795	389,795	-	17,162,255	2.27
2020	399,125	399,125	-	19,776,756	2.02
2019	452,850	452,850	-	22,294,557	2.03
2018	680,263	680,263	-	21,873,350	3.11
2017	676,559	676,559	-	20,920,226	3.23
2016	989,306	989,306	-	20,109,602	4.92
2015	964,934	964,934	-	19,332,071	4.99

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the Board's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

REGION TEN COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS
June 30, 2023

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2023	0.09 %	$ 1,111,742	$ 18,524,058	6.00 %	67.21 %
2022	0.09	1,062,863	17,162,255	6.19	67.45
2021	0.11	1,793,165	19,776,756	9.07	52.64
2020	0.12	1,908,000	22,294,557	8.56	52.00
2019	0.12	1,749,000	21,873,350	8.00	51.22
2018	0.11	1,708,000	20,920,226	8.16	48.86

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

REGION TEN COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – VRS
June 30, 2023

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance – General Employees					
2023	$ 115,289	$ 115,289	$ -	$ 21,521,025	0.54 %
2022	108,490	108,490	-	18,524,058	0.59
2021	101,791	101,791	-	17,162,255	0.59
2020	114,996	114,996	-	19,776,756	0.58
2019	119,551	119,551	-	22,294,557	0.54
2018	123,905	123,905	-	21,873,350	0.57

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

REGION TEN COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – LOCAL PLAN
June 30, 2023

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 12,379	$ 51,903	$ 41,722
Interest on total OPEB liability	44,686	44,597	51,815
Difference between expected and actual experience	(242,582)	(915,316)	129,307
Changes in assumptions	31,498	(69,642)	102,093
Employer contributions	(134,885)	(177,281)	(18,998)
Net change in total OPEB liability	(288,904)	(1,065,739)	305,939
Total OPEB liability – beginning	1,200,871	2,266,610	1,960,671
Total OPEB liability – ending	911,967	1,200,871	2,266,610
Plan Fiduciary Net Position			
Plan fiduciary net position – ending	-	-	-
Net OPEB liability – ending	$ 911,967	$ 1,200,871	$ 2,266,610
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%	0%
Covered payroll	$ 4,011,142	$ 4,011,142	$ 5,967,382
Net OPEB liability as a percentage of covered payroll	23%	30%	38%

This schedule is intended to show information for 10 years. Since fiscal year 2018 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

2020	2019	2018
$ 44,763	$ 36,571	$ 37,953
52,870	44,141	46,429
164,029	113,212	-
(4,047)	249,276	(71,139)
(29,054)	(24,238)	(55,386)
228,561	418,962	(42,143)
1,732,110	1,313,148	1,355,291
1,960,671	1,732,110	1,313,148
-	-	-
$ 1,960,671	$ 1,732,110	$ 1,313,148
0%	0%	0%
$ 5,967,382	$ 5,719,900	$ 5,719,900
33%	30%	23%

REGION TEN COMMUNITY SERVICES BOARD

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – LOCAL PLAN
June 30, 2023

Entity Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 134,885	$ 134,885	$ -	$ 4,011,142	3.36 %
2022	177,281	177,281	-	4,011,142	4.42
2021	18,998	18,998	-	5,967,382	0.32
2020	29,054	29,054	-	5,967,382	0.49
2019	24,238	24,238	-	5,719,900	0.42
2018	55,386	55,386	-	5,719,900	0.97

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (the "System") benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

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

Note 2. 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:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to discount rate.
- Applicable to: Pension and GLI OPEB

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.
- Applicable to: Pension and GLI OPEB

(Continued)

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest):

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to discount rate.
- Applicable to: Pension and GLI OPEB

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OTHER SUPPLEMENTARY INFORMATION

REGION TEN COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF NET POSITION
June 30, 2023

	Region Ten Community Services Board	Region Ten Community Services Board, Inc.	Pine Ridge Residence, Inc.	Inter-Company Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 11,772,173	$ 6,736,036	$ 7,856	$ -	$ 18,516,065
Accounts receivable, net	2,173,416	-	-	-	2,173,416
Due from other governments	23,547	-	-	-	23,547
Other receivables	1,225	-	-	-	1,225
Prepaid expenses and other	-	-	-	-	-
Due from related party	-	191,390	-	(191,390)	-
Interest rate swap asset	-	190,527	-	-	190,527
Cash and cash equivalents, restricted	18,606,061	-	40,687	-	18,646,748
Total current assets	32,576,422	7,117,953	48,543	(191,390)	39,551,528
NONCURRENT ASSETS					
Funds held by others	-	480,021	-	-	480,021
Net pension asset	10,474,961	-	-	-	10,474,961
Capital assets, net	1,701,018	24,420,894	304,378	-	26,426,290
Total noncurrent assets	12,175,979	24,900,915	304,378	-	37,381,272
Total assets	44,752,401	32,018,868	352,921	(191,390)	76,932,800
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	423,542	-	-	-	423,542
Deferred outflows related to other postemployment benefits	564,758	-	-	-	564,758
Total deferred outflows of resources	988,300	-	-	-	988,300
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	388,407	72,006	-	-	460,413
Accrued payroll and related liabilities	1,436,174	-	-	-	1,436,174
Other liabilities	4,453	48,676	939	-	54,068
Amounts held for clients, payable from restricted assets	133,111	-	-	-	133,111
Due to related party	128,665	-	62,725	(191,390)	-
Unearned revenue	21,241,627	-	-	-	21,241,627
Current portion of long-term liabilities	1,568,796	697,143	-	-	2,265,939
Total current liabilities	24,901,233	817,825	63,664	(191,390)	25,591,332
LONG-TERM LIABILITIES					
Other postemployment benefits	2,023,709	-	-	-	2,023,709
Long-term liabilities, noncurrent portion	341,694	8,417,028	-	-	8,758,722
Total long-term liabilities	2,365,403	8,417,028	-	-	10,782,431
Total liabilities	27,266,636	9,234,853	63,664	(191,390)	36,373,763
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	2,123,437	-	-	-	2,123,437
Deferred inflows related to other postemployment benefits	1,222,329	-	-	-	1,222,329
Interest rate swaps	-	190,527	-	-	190,527
Total deferred inflows of resources	3,345,766	190,527	-	-	3,536,293
NET POSITION					
Net investment in capital assets	1,171,319	15,306,723	304,378	-	16,782,420
Restricted					
Annette Vail Memorial Trust	10,000	-	-	-	10,000
Housing and Urban Development capital advance	-	-	502,700	-	502,700
Pension	10,474,961	-	-	-	10,474,961
Unrestricted	3,472,019	7,286,765	(517,821)	-	10,240,963
Total net position	$ 15,128,299	$ 22,593,488	$ 289,257	$ -	$ 38,011,044

REGION TEN COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2023

	Region Ten Community Services Board	Region Ten Community Services Board, Inc.	Pine Ridge Residence, Inc.	Inter-Company Eliminations	Total
OPERATING REVENUES					
Net client service revenue	$ 21,382,894	$ -	$ -	$ -	$ 21,382,894
OPERATING EXPENSES					
Salaries and benefits	29,697,721	-	-	-	29,697,721
Staff development and recruitment	560,679	-	-	-	560,679
Facility	4,225,369	303,690	5,109	(2,296,681)	2,237,487
Supplies	1,811,887	-	5,368	-	1,817,255
Travel	407,302	-	-	-	407,302
Contractual and professional services	5,615,771	-	5,754	-	5,621,525
Client services	10,471,417	-	-	-	10,471,417
Depreciation and amortization	471,117	772,101	12,473	-	1,255,691
Other	265,465	11,005	5,213	(2,400)	279,283
Total operating expenses	53,526,728	1,086,796	33,917	(2,299,081)	52,348,360
Operating loss	(32,143,834)	(1,086,796)	(33,917)	2,299,081	(30,965,466)
NONOPERATING REVENUES (EXPENSES)					
Commonwealth of Virginia grants	29,704,773	-	-	-	29,704,773
Federal grants	3,214,496	-	-	-	3,214,496
Contributions from participating local governments	2,475,985	-	-	-	2,475,985
Interest income	323,002	-	12	-	323,014
Gain on disposal of capital assets	23,881	-	-	-	23,881
Unrealized gain funds held by others	-	136,477	-	-	136,477
Interest expense and other fees	(15,997)	(384,661)	-	-	(400,658)
Rental income	-	2,309,475	17,558	(2,296,681)	30,352
Other income	1,155,026	47,204	-	(2,400)	1,199,830
Net nonoperating revenue	36,881,166	2,108,495	17,570	(2,299,081)	36,708,150
Change in net position before transfers	4,737,332	1,021,699	(16,347)	-	5,742,684
Transfers in (out)	(804,771)	804,771	-	-	-
Change in net position	3,932,561	1,826,470	(16,347)	-	5,742,684
NET POSITION, at July 1	11,195,738	20,767,018	305,604	-	32,268,360
NET POSITION, at June 30	$ 15,128,299	$ 22,593,488	$ 289,257	$ -	$ 38,011,044

REGION TEN COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

	Region Ten Community Services Board	Region Ten Community Services Board, Inc.	Pine Ridge Residence, Inc.	Inter-Company Eliminations	Total
OPERATING ACTIVITIES					
Receipts from clients, private insurers, Medicaid, and others	$ 21,469,589	$ -	$ -	$ -	$ 21,469,589
Payments to suppliers	(23,982,281)	(242,689)	(21,444)	2,299,081	(21,947,333)
Payments to and for employees	(31,244,936)	-	-	-	(31,244,936)
Other receipts	(233,134)	-	(315)	-	(233,449)
Net cash used in operating activities	(33,990,762)	(242,689)	(21,759)	2,299,081	(31,956,129)
NON-CAPITAL FINANCING ACTIVITIES					
Contributions from local, state, and federal governments	40,510,367	-	-	-	40,510,367
Other receipts	1,210,419	2,442,293	21,557	(2,299,081)	1,375,188
Transfers	(804,771)	804,771	-	-	-
Net cash provided by non-capital financing activities	40,916,015	3,247,064	21,557	(2,299,081)	41,885,555
CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(29,250)	(395,594)	-	-	(424,844)
Proceeds from the sale of capital assets	36,829	-	-	-	36,829
Principal paid on debt	(207,368)	(694,510)	-	-	(901,878)
Interest paid on debt	(11,662)	(361,578)	-	-	(373,240)
Net cash used in capital and related financing activities	(211,451)	(1,451,682)	-	-	(1,663,133)
INVESTING ACTIVITIES					
Interest received	323,002	-	12	-	323,014
Net increase (decrease) in cash and cash equivalents	7,036,804	1,552,693	(190)	-	8,589,307
CASH AND CASH EQUIVALENTS					
Beginning at July 1	23,341,430	5,183,343	48,733	-	28,573,506
Ending at June 30	$ 30,378,234	$ 6,736,036	$ 48,543	$ -	$ 37,162,813

(Continued)

REGION TEN COMMUNITY SERVICES BOARD

COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

	Region Ten Community Services Board	Region Ten Community Services Board, Inc.	Pine Ridge Residence, Inc.	Inter-Company Eliminations	Total
RECONCILIATION TO STATEMENT OF NET POSITION					
Cash and cash equivalents	$ 11,772,173	$ 6,736,036	$ 7,856	$ -	$ 18,516,065
Cash and cash equivalents, restricted	18,606,061	-	40,687	-	18,646,748
	$ 30,378,234	$ 6,736,036	$ 48,543	$ -	$ 37,162,813
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES					
Operating loss	$ (32,143,834)	$ (1,086,796)	$ (33,917)	$ 2,299,081	$ (30,965,466)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation and amortization	471,117	772,101	12,473	-	1,255,691
Pension expense net of employer contribution	(1,529,443)	-	-	-	(1,529,443)
Other postemployment expense net of employer contribution	(389,112)	-	-	-	(389,112)
(Increase) decrease in:					
Accounts receivable, net	86,695	-	-	-	86,695
Increase (decrease) in:					
Accounts payable	(624,391)	72,006	-	-	(552,385)
Accrued payroll and related liabilities	392,312	-	-	-	392,312
Security deposits payable – included in other liabilities	-	-	(315)	-	(315)
Amounts held for clients, payable from restricted assets	(233,134)	-	-	-	(233,134)
Compensated absences – included in long-term liabilities	(20,972)	-	-	-	(20,972)
Net cash used in operating activities	$ (33,990,762)	$ (242,689)	$ (21,759)	$ 2,299,081	$ (31,956,129)
SCHEDULE OF NON-CASH ACTIVITIES					
Capital assets obtained through lease liabilities and subscription based information technology agreements	$ 28,589	$ -	$ -	$ -	$ 28,589

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COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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
Region Ten Community Services Board
Charlottesville, Virginia

We have audited, 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, the financial statements of the Region Ten Community Services Board (the "Board"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 14, 2023.

Report on Internal Control over Financial Reporting

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of 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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 14, 2023

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Region Ten Community Services Board
Charlottesville, Virginia

Report on Compliance for the Major Federal Program

Opinion on Compliance for the Major Federal Program

We have audited Region Ten Community Services Board's (the "Board") 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 the Board's major federal program for the year ended June 30, 2023. The Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The Board's basic financial statements include the operations of Pine Ridge Residence, Inc., which is the recipient of $502,700 in Housing and Urban Development capital advance and tenant rent assistance funds. These federal awards are not included in the Board's schedule of expenditures of federal awards for the year ended June 30, 2023, which are compiled in a separate engagement.

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

Basis for Opinion for the 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related 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 documentation of the Board's compliance with the compliance requirements referred to above.

Report on Compliance for the Major Federal Program (Continued)

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 the Board's federal programs.

Auditor's 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 the 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 judgement made by a reasonable user of the report on compliance about the 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 risk 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 the 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 the 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 the 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 have not been 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 14, 2023

REGION TEN COMMUNITY SERVICES BOARD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Granting Agency/ Recipient State Agency/Grant Program/Grant Number	Award Date	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Department of Housing and Urban Development				
Direct Payments:				
Emergency Solutions Grants Program	06/01/2022	14.231	VA0046L3F042013	$ 450,278
Pass-Through Payments:				
Virginia Housing Development Authority:				
VHDA Administrative Services	06/01/2022	14.000	N/A	153,020
Total Department of Housing and Urban Development				603,298
Department of Education				
Pass-Through Payments:				
Virginia Department of Behavioral Health and Developmental Services:				
Early Intervention – Part C	10/01/2022	84.181	430850090	140,557
Department of Health and Human Services				
Pass-Through Payments:				
Virginia Department of Behavioral Health and Developmental Services:				
PATH	07/01/2022	93.150	511010090	42,520
Implementation of Children's Behavioral Health Services Expansion	10/01/2022	93.243	SM-21-007	100,089
Opioid State Targeted Response	09/29/2022	93.788	530030090, 530040090, 5302400090, and 530340090	97,374
Block Grants for Community Mental Health Services	10/01/2021	93.958	522010090, 590020090, 561000090, 522010090, 522010090, and 590010090	697,945
Block Grants for the Prevention and Treatment of Substance Abuse	10/01/2021	93.959	502510090, 591100090, 502710090, 599100090, 502510090, 502710090, and 599100090	1,532,713
Total Department of Health and Human Services				2,470,641
Total expenditures of federal awards				$ 3,214,496

Notes: The schedule of expenditures of federal awards presents the activity of all federal award programs of the Board and is presented on the accrual basis of accounting.

The Board has not elected to use the de minimis 10% rate for the allocation of indirect costs.

The Board does not have any outstanding loan balances requiring continuing disclosure.

REGION TEN COMMUNITY SERVICES BOARD

SUMMARY OF COMPLIANCE MATTERS
June 30, 2023

As more fully described in the Independent Auditor's 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*, we performed tests of the Board's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Cash and Investment Laws
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

REGION TEN COMMUNITY SERVICES BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies or material weaknesses** relating to the audit of the financial statements were reported in the Independent Auditor's 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies or material weaknesses** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The program tested as major was:

	Assistance	
Block Grants for the Prevention and Treatment of Substance Abuse	Listing #	93.959

8. The threshold for distinguishing Type A and B programs was **$750,000**.
9. The Board was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

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